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PGI Group Limited

Report & Accounts

Year ended 31 December 2015

Contents

Strategic report

Group Performance
We are pleased to report profits before tax and fair value adjustments of £2 40 million (2014 £2 06 million), which have delivered an earnings per share of £133 61 (2014 £134 17) These profits include the first contribution from our Pungwe B 15 MW hydro electric power scheme which was commissioned in the year

We are recommending the payment of a dividend of £33 00 per share payable in August 2016 to shareholders on the register on 27 July 2016 (2015 £33 00)

The Group had net debt of £16 24 million at 31 December 2015 (2014 £14 76 million) and gearing was 51% (2014 47%)

Group Strategy and Objectives

Our strategy, which is unchanged from last year, is to create long term value for our shareholders by investing in the Southern African region in two sectors

a) To build market leading businesses in large scale export agriculture We strive to maintain a competitive advantage through investing in new plant varieties and production processes to deliver lower costs whilst building meaningful relationships with our major customers to improve the quality of our earnings

b) To develop hydro electric power schemes in the 1MW-15MW size range to generate electricity for supplying into the southern African national grids

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

Operational Review

Agribusiness division
Operating profit was £3 8 million, a19% increase from the £3 2 million achieved last year

Tea
The revenue of the tea enterprises was £15 6 million (2014 £14 9m) A lower tea crop was offset by improved prices

Tea production was 14,163 tonnes (2014 16,191 tonnes) of which 11,926 tonnes came from our own fields and 2,237 tonnes from smallholder farmers around our estates Our estate yield per hectare (a KPI measurement) decreased to 2,581 kgs /ha from 2,935 kgs/ha This yield is the lowest we have achieved for 10 years and is directly related to both the drought conditions and higher than average ambient temperatures which are typical of the El Nino weather pattern This productivity is particularly disappointing given *the investments we have made every year in planting improved cultivars, often under irrigation Once the climate returns to more* normal conditions, as we would expect once the El Nino weakens, the tea bushes should yield much closer to their long term average

We achieved a higher average tea price because we continue to develop a direct relationship with a wider number of European tea bag brands We are benefitting from a push by a number of our customers to reduce their supply base and develop a deeper relationship with a few producers who can consistently achieve their product quality standards and ethical certifications

We spent £0 6 million on capital expenditure (2014 £1 6 million) We temporarily reduced our tea replanting programme because of the drought We continue to invest in our tea factories and IT systems to improve product quality and traceability to the end customers

We continue to work closely with our surrounding smallholder farmers to increase their yields and income We undertake to purchase and process all their production and over the year we purchased 10,382 tonnes of greenleaf (2014 10,549 tonnes) from over 9,000 farmers We continue to assist them with crop inputs and new plants propagated in our nurseries

Cut flowers
Our Zambian sweetheart rose producer, Khal Amazi, produced 179 million stems (2014 180 million stems) Turnover decreased to £11 5 million (2014 £12 7 million) We did not expand the production area over the year and our yield per square metre (a KPI measurement) was 307 stems/sq metre (2014 308 stems/sq metre)

The majority of our rose sales are made into the supermarkets of mainland Europe and sold in euros The lower turnover primarily reflects the weaker euro, and it has proved very difficult to increase prices in the German market to compensate for this
Our logistics division, which moves the flowers from Zambia to our customers whilst maintaining the cold chain, has benefitted from slightly lower airfreight prices

We spent £0 3 million on capital expenditure during the year We replant the greenhouses with new varieties if they show an improvement on colour and vase life whilst maintaining a comparable yield

Macadamia nuts
Our macadamia nut operations are an integrated business in Malawi We operate both our own orchards and a dedicated processing factory which cracks the nut in shell and then grades and packs the kernels All the output is exported and sold to specialist nut roasters and packers who are typically supplying supermarkets

We produced a record crop of 448 tonnes of kernel (2014 330 tonnes) This equates to a yield per hectare of 574 kgs of kernel (2014 441 kgs of kernel)

We continue to develop this long term business We planted 33 hectares of new orchards which will come into full bearing in 10 years time We also continue to invest in the processing factory to ensure we can always meet the stringent food hygiene requirements of our customers

Strategic report (continued)

Renewable energy electricity generation division
Electricity output increased to 48,050 MWh (2014 24,488 MWh) which drove the increase in the operating profit to £3 0 million (2014 £1 2 million) This increase in output was all derived from the Pungwe B 15 MW scheme that was commissioned in February 2015, and now our capacity is 21MW across 4 schemes, all located in the Honde Valley in Zimbabwe

The output was affected by the regional drought, where the lower rainfall manifested itself in weaker riverflows All our projects are run of river schemes with no water storage capacity and so we cannot mitigate against persistently dry conditions

We continue to develop this business and spent £5 8 million in capital expenditure in the year The majority of this was spent constructing the Pungwe C 3 5MW scheme which has been commissioned in March 2016

All our output is sold into the national grid and our sole offtaker is the state owned electricity utility We are dependent on them for maintaining the national grid and paying us for our output and on both these metrics they improved their performance over the previous year

Russian property management division
The Jensen Fund 1 which was raised in 2006 is now in a formal wind up process Asset disposals have been very slow due to a stagnant local property market in St Petersburg

Corporate Social Responsibility

All our African businesses depend on the goodwill of their neighbourhood Our tea businesses are surrounded by small farmers and our hydro schemes are located on communal land We work hard to ensure that the communities in which we operate do benefit from our actions and feel a sense of common purpose and shared responsibility

Our tea businesses are accredited to international standards which are set and monitored by external certification bodies These accreditations include Rainforest Alliance, Fairtrade and UTZ Certified We actively encourage the development of these standards to help drive behavioural change and improve the long term sustainability of all our stakeholders Included in these standards for the first time is the principle of a living wage and as this is rolled out over the next five years it will increase our unit labour cost

In Malawi our 9,000 tea smallholders are all members of the Sukumbizi Association Trust This entity, which they collectively control, received Fairtrade premiums of £0 6 million in the year This money is spent on community wide development projects

In Zimbabwe our hydro electric power plants are helping to connect local schools to the national electricity grid so that all the local population can actively benefit from the hydro schemes built in their areas In 2015 we connected a further 15 primary and secondary schools to the grid and in so doing provided electricity to over 5,000 pupils for the first time

Financial Review

Profits
The profit before tax and fair value adjustments amounted to £2 40 million (2014 £2 06 million)

As in previous years, we have presented the consolidated income statement on page 6 with a separate column which itemises various fair value adjustments These adjustments amounted to £0 40 million before tax (2014 £0 04 million) The profit before tax after all fair value adjustments was £2 78 million (2014 £2 10 million) The fair value adjustments are non-cash items and so do not reflect the Group's underlying trading performance

Earnings per share before fair value adjustments
Earnings per share before fair value adjustments (a KPI measurement) amounted to £133 61 (2014 £134 17)

Net cash and borrowings
At 31 December 2015, the Group had net borrowings of £16 24 million (2014 £14 76 million) The gearing ratio increased slightly to 51% (2014 47%) As we continue to develop new hydro-elecric power projects, it is expected that the Group's gearing ratio will not change significantly from its current level

The net cash balances in the UK at the year end amounted to £2 94 million (2014 £4 62 million) Net debt held in our overseas subsidiaries reduced marginally to £19 17 million (2014 £19 38 million)

Dividend
The Board continues to keep the dividend policy under review in light of the Company's performance and capital requirements The recommended dividend for the year ended 31 December 2015 has been maintained at the 2014 rate of £33 00, which is considered sustainable, while we continue to invest heavily in hydro-electric power generation schemes in southern Africa

Change to accounting policies and presentation
It had been our intention to early adopt, with effect from 1 January 2015, the amendments to the International Accounting Standards relating to 'Property, plant and equipment' and 'Agriculture' Under these amendments, the Group's biological assets (excluding their produce), comprising tea bushes, macadamia trees, rose bushes and table grape vines are accounted for in the same way as property, plant and equipment and depreciated over their expected useful life Under the amendments, it is still necessary to fair value the agricultural produce growing on the bearer plants at each balance sheet date

However, the EU did not endorse the amendments to the accounting standards until 23 November 2015, by which time it was too late to implement the changes across the Group The new policy is being adopted from 1 January 2016 and we estimate the annual depreciation charge will be approximately £600,000 per annum

The functional currency of our Malawian subsidiaries has changed from the Malawi kwacha to the US dollar with effect from 1 January 2016 We consider that the US dollar now better represents the underlying transactions, events and conditions that are relevant to these Malawian entities

Strategic report (continued)

Financial risk management
Details of the Group's financial risk management objectives and policies including capital management and capital structure are contained in Note 24 to the Accounts on pages 30 to 32

Pensions
The Group's defined benefit pension scheme, valued in accordance with IAS19, recorded a reduction in its deficit from £4 34 million at the end of 2014 to £4 09 million at the end of 2015 The improvement is due mainly to the contributions paid by the Company and an increase in the discount rate, based on the yield of high quality corporate debt, from 3 4% to 3 6%, which has served to reduce the value placed on the Plan's liabilities These gains have been partially offset by the Plan's assets performing behind expectations when compared with the assumptions made last year Full details of the pension scheme 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 2015

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 in, exchange controls In particular, during recent months the Zimbabwean authorities have made it harder for all companies to utilise US dollar bank deposits to buy imports and service external debts This is a new risk that the Group takes very seriously

A major operational group risk is the seasonal weather pattern Agricultural productivity is affected by deviations from average temperatures and rainfall Hydro-electric power generation is directly linked to river levels which are closely correlated to rainfall Drought conditions in the main rainy season have a major impact on the flows throughout the year

The group is exposed to international commodity prices which are related to the prices we can achieve for our produce sales

Our Zimbabwe electricity sales are all made to the grid operator, a state owned utility The credit risk associated with these receivables is currently uninsurable

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 scheme may also increase due to continuing improvements in the mortality rates

The financial risk management objectives and policies are set out more fully on pages 30 to 32

By Order of the Board

Margaret Gage

Margaret Gage
Secretary
3rd Floor
45 Ludgate Hill
London EC4M 7JU
14 April 2016

Directors' report

The directors present their report and audited accounts for the year ended 31 December 2015

Statement of directors' responsibilities
The directors are responsible for preparing the Strategic Report and 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,
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 and is domiciled and originally incorporated in England and Wales under the Companies Act 1948

The principal activities of the Company's subsidiary and associated undertakings comprise agribusinesses, hydro-electric power generation and property investment management 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 2015 of £33 00 per ordinary share is recommended by the directors for payment on 17 August 2016 to shareholders on the register on 27 July 2016 (2014 £33 00 paid on 19 August 2015) 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

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 £3,132,250, which represents 10 per cent of the Company's issued share capital as at 31 December 2015 and as at 13 April 2016, 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)

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 2017 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

Directors' report (continued)

Employees
As at 31 December 2015, the Group employed 13,637 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, Capita, the address is
Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

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

	Ordinary shares
R L Pennant-Rea	46
S S Hobhouse	345
M A Gage	20
L Hene	7
S N Roditi	9,590
C E Ryan	126
D M Ryan	14
M W Wright (appointed 17 June 2015)	-

Registered number
The Company's registered number is 01338135

Auditor
Each of the persons who is a director at the date of approval of this report confirms that
a so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
b the director has taken all the steps that he ought to have taken as a director in order to make himself 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 (formerly Baker Tilly UK Audit LLP) as auditor of the Company and a separate resolution to give the directors authority to determine their remuneration are to be proposed at the forthcoming Annual General Meeting

By Order of the Board

Margaret Gage

Margaret Gage
Secretary
3rd Floor
45 Ludgate Hill
London EC4M 7JU
14 April 2016

Consolidated income statement
for the year ended 31 December 2015

	Notes	2015 Result before fair value adjustments £000	2015 Fair value adjustments £000	2015 Total £000	2014 Result before fair value adjustments £000	2014 Fair value adjustments £000	2014 Total £000
Continuing operations							
Revenue	4	37,547	–	37,547	33,395	–	33,395
Cost of sales		(19,605)	–	(19,605)	(18,373)	–	(18,373)
Gross profit		17,942	–	17,942	15,022	–	15,022
Distribution costs		(4,629)	–	(4,629)	(4,346)	–	(4,346)
Administrative expenses		(7,808)	–	(7,808)	(7,612)	–	(7,612)
Other operating income		153	–	153	198	–	198
Share of associate's results	2	(6)	–	(6)	143	–	143
Fair value adjustment to							
- biological assets	11	–	633	633	–	(283)	(283)
Profit/(loss) from operations		5,652	633	6,285	3,405	(283)	3,122
Finance income	3	3	–	3	80	–	80
Finance costs	3	(3,251)	(254)	(3,505)	(1,430)	324	(1,106)
Profit before taxation		2,404	379	2,783	2,055	41	2,096
Taxation	7	(126)	(669)	(795)	184	(58)	126
Profit/(loss) for the year	4	2,278	(290)	1,988	2,239	(17)	2,222
Profit/(loss) attributable to							
Owners of the parent		1,674	83	1,757	1,681	88	1,769
Non-controlling interests		604	(373)	231	558	(105)	453
		2,278	(290)	1,988	2,239	(17)	2,222

		£		£	£		£
Earnings per ordinary share	8						
- basic and diluted		133 61		140 23	134 17		141 19
Dividend per ordinary share	9			33 00			33 00

The notes on pages 12 to 35 form part of these accounts

Consolidated statement of other comprehensive income

for the year ended 31 December 2015

	Group 2015 £000	2014 £000
Profit for the year	**1,988**	2,222
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net actuarial gain on defined benefits pension plan	**288**	1,069
Revaluation of property	**(91)**	68
	197	1,137
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of net overseas assets	**(731)**	1,374
Other comprehensive income for the year (net of tax)	**(534)**	2,511
Total comprehensive income for the year	**1,454**	4,733
Attributable to		
Owners of the parent	**1,047**	4,096
Non-controlling interests	**407**	637
	1,454	4,733

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 35 form part of these accounts

Statement of financial position
at 31 December 2015

	Notes	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
ASSETS					
Non-current assets					
Goodwill	10	**315**	298	**–**	–
Biological assets	11	**16,043**	17,070	**–**	–
Property, plant and equipment	12	**41,322**	35,898	**11**	24
Investments					
- associates	14	**–**	236	**–**	–
- other	14	**114**	108	**37,037**	36,476
		57,794	53,610	**37,048**	36,500
Current assets					
Inventories	15	**3,405**	5,370	**–**	–
Trade and other receivables	16	**5,407**	6,549	**14**	14
Other financial assets	25	**14**	270	**6**	260
Cash and cash equivalents		**5,857**	6,638	**10,658**	10,563
		14,683	18,827	**10,678**	10,837
TOTAL ASSETS		**72,477**	72,437	**47,726**	47,337
LIABILITIES					
Current liabilities					
Interest bearing loans and borrowings	19	**8,247**	7,091	**–**	–
Trade and other payables	20	**5,850**	8,643	**714**	612
Current tax liabilities		**16**	122	**–**	–
		14,113	15,856	**714**	612
Non-current liabilities					
Interest bearing loans and borrowings	19	**13,845**	14,303	**–**	–
Trade and other payables	20	**2,205**	62	**–**	–
Deferred tax liabilities	21	**3,534**	3,658	**–**	–
Defined pension plan deficit	22	**4,092**	4,340	**4,092**	4,340
		23,676	22,363	**4,092**	4,340
TOTAL LIABILITIES		**37,789**	38,219	**4,806**	4,952
NET ASSETS		**34,688**	34,218	**42,920**	42,385
EQUITY					
Share capital	17	**31,323**	31,323	**31,323**	31,323
Share premium account		**425**	425	**425**	425
Capital redemption reserve		**1,023**	1,023	**1,023**	1,023
Retained earnings		**(848)**	(1,482)	**10,149**	9,614
Equity attributable to owners of the parent		**31,923**	31,289	**42,920**	42,385
Non-controlling interests		**2,765**	2,929	**–**	–
TOTAL EQUITY		**34,688**	34,218	**42,920**	42,385

The Company's registered number is 01338135

The notes on pages 12 to 35 form part of these accounts The accounts were approved and authorised for issue by the Board on 14 April 2016 and were signed on its behalf by

Rupert Pennant-Rea Margaret Gage

Directors
R L Pennant-Rea M A Gage

Statement of cash flows
for the year ended 31 December 2015

	Notes	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Operating activities					
Profit before tax		**2,783**	2,096	**660**	419
Adjustments to reconcile profit before tax to net cash flows					
Non-cash					
Depreciation of property, plant and equipment		**1,954**	1,725	**13**	15
Profit on disposal of property, plant and equipment		**(11)**	(6)	**-**	-
Profit on disposal of financial assets		**-**	(16)	**-**	(16)
Retirement benefit costs		**(106)**	(308)	**(106)**	(308)
Net finance costs		**3,248**	1,026	**165**	172
Fair value adjustments		**(379)**	283	**254**	(324)
Share of net loss/(profit) of associate		**6**	(143)	**-**	-
Working capital adjustments					
Decrease/(increase) in inventories		**1,965**	(1,193)	**-**	-
Decrease/(increase) in trade and other receivables		**1,142**	(1,344)	**-**	30
(Decrease)/increase in trade and other payables		**(650)**	2,312	**102**	(231)
Exchange difference on working capital		**(1,178)**	398	**-**	-
Overseas tax paid		**(250)**	(777)	**-**	-
Net cash from operating activities		**8,524**	4,053	**1,088**	(243)
Cash flows from investing activities					
Purchase of property, plant and equipment		**(6,819)**	(17,416)	**-**	-
Additions to biological assets		**(737)**	(113)	**-**	-
Acquisition of subsidiary, net of cash acquired		**-**	124	**-**	-
Proceeds from disposal of property, plant and equipment		**34**	14	**-**	-
Proceeds from disposal of financial asset		**-**	2,113	**-**	2,113
Interest received		**3**	80	**2**	63
Receipts from/(additions to) investments		**236**	4	**(561)**	(1,395)
Net cash from investing activities		**(7,283)**	(15,194)	**(559)**	781
Cash flows from financing activities					
Receipt of loans		**1,427**	3,515	**-**	-
(Repayment)/receipt of loans from related parties (net)		**(342)**	10,226	**-**	-
Interest paid		**(3,105)**	(1,195)	**(21)**	-
Dividends paid to equity holders of the parent		**(413)**	(413)	**(413)**	(413)
Dividends and other payments to non-controlling interests		**(571)**	(548)	**-**	-
Net cash from financing activities		**(3,004)**	11,585	**(434)**	(413)
Net (decrease)/increase in cash and cash equivalents		**(1,763)**	444	**95**	125
Cash and cash equivalents at beginning of period		**4,358**	4,238	**10,563**	10,438
Effects of exchange rate changes on cash and cash equivalents		**754**	(324)	**-**	-
Cash and cash equivalents at end of period		**3,349**	4,358	**10,658**	10,563
Cash and cash equivalents comprise					
Cash	23	**5,857**	6,638	**10,658**	10,563
Overdrafts	23	**(2,508)**	(2,280)	**-**	-
Cash and cash equivalents	23	**3,349**	4,358	**10,658**	10,563
Interest bearing loans and borrowings due within one year		**(8,247)**	(7,091)	**-**	-
Less short term debt (other than overdrafts)		**5,739**	4,811	**-**	-
Overdrafts	23	**(2,508)**	(2,280)	**-**	-

The notes on pages 12 to 35 form part of these accounts

Consolidated statement of changes in equity

	Attributable to owners of the parent					
	Share capital £000	Share premium & capital redemption reserves £000	Retained earnings £000	Total controlling interests £000	Non-controlling interests £000	Total equity £000
Balance at 1 January 2014	31,323	1,448	(5,165)	27,606	2,694	30,300
Profit for the year	–	–	1,769	1,769	453	2,222
Other comprehensive income						
Exchange differences on translation of net overseas assets	–	–	1,190	1,190	184	1,374
Net actuarial gain on defined benefits pension plan	–	–	1,069	1,069	–	1,069
Revaluation of property (net of tax)	–	–	68	68	–	68
Total comprehensive income for the year	–	–	4,096	4,096	637	4,733
Dividend paid (note 9)	–	–	(413)	(413)	–	(413)
Transactions with owners	–	–	3,683	3,683	637	4,320
Non-controlling interest arising on acquisition of subsidiary	–	–	–	–	146	146
Dividend paid to non-controlling interests	–	–	–	–	(548)	(548)
Balance at 31 December 2014	31,323	1,448	(1,482)	31,289	2,929	34,218
Profit for the year	–	–	1,757	1,757	231	1,988
Other comprehensive income						
Exchange differences on translation of net overseas assets	–	–	(907)	(907)	176	(731)
Net actuarial gain on defined benefits pension plan	–	–	288	288	–	288
Revaluation of property (net of tax)	–	–	(91)	(91)	–	(91)
Total comprehensive income for the year	–	–	1,047	1,047	407	1,454
Dividend paid (note 9)	–	–	(413)	(413)	–	(413)
Transactions with owners		–	634	634	407	1,041
Dividend paid to non-controlling interests	–	–	–	–	(571)	(571)
Balance at 31 December 2015	31,323	1,448	(848)	31,923	2,765	34,688

The notes on pages 12 to 35 form part of these accounts

Statement of changes in equity – Company

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Total Equity £000
	Attributable to owners				
Balance at 1 January 2014	31,323	425	1,023	8,539	41,310
Profit for the year	–	–	–	419	419
Net actuarial gain/(loss) on defined benefits pension plan	–	–	–	1,069	1,069
Total comprehensive income for the year	–	–	–	1,488	1,488
Dividend paid (note 9)	–	–	–	(413)	(413)
Balance at 31 December 2014	31,323	425	1,023	9,614	42,385
Profit for the year	–	–	–	660	660
Net actuarial gain on defined benefits pension plan	–	–	–	288	288
Total comprehensive income for the year	–	–	–	948	948
Dividend paid (note 9)	–	–	–	(413)	(413)
Balance at 31 December 2015	**31,323**	**425**	**1,023**	**10,149**	**42,920**

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 35 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 2015 were authorised for issue in accordance with a resolution of the directors on 14 April 2016 PGI Group Limited is a company incorporated and domiciled in the United Kingdom 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 biological assets and investment properties which have been measured at fair value and freehold land and buildings which have been measured at their depreciated replacement cost They 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 sterling and all values are rounded to the nearest thousand (£000) except where otherwise indicated

Changes in accounting policy and disclosures
New and amended standards adopted by the Group
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015, none of which have a significant effect on the consolidated financial statements of the Group

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

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 (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights The group also assesses the existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control Other indicators of control include, amongst others, an assessment of the Group's exposure to the risks and benefits of 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 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 or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal

Biological assets
IAS 41 requires that biological assets are valued at their fair value less estimated costs to sell The Group's main biological assets comprise tea, rose bushes and macadamia trees There are no market-determined prices or values for these assets and in such case the Standard requires that the enterprise uses the present value of long term expected net cash flows from the asset, discounted at a current market-determined pre-tax rate to determine fair value Fair value calculations have been made on this basis Any changes in fair value are recognised in the income statement in the year in which they arise Livestock comprises cattle and game animals and is stated at fair value Fair value is 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 comprises property in Africa Factories and ancillary property of the Group, located in 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 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 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 Depreciation on other assets is calculated on a straight line basis over the useful life of the assets, as follows

	Years
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

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

Notes to the accounts (continued)

1 Basis of preparation and significant accounting policies (continued)

Investment properties
An investment property is defined as a property held to earn rentals or for capital appreciation or both

Investment properties are measured initially at cost, including transaction costs Subsequent to initial recognition, investment properties are stated at fair value, based on a market valuation by independent professional firms of Chartered Surveyors, which reflects market conditions at the balance sheet date Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise

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 less directly attributable transaction costs Borrowing costs are recognised in the income statement in the period in which they are incurred

Leasing
Operating lease payments are recognised as an expense is 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 Projected Unit 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 hydro-electic 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 2015

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 and pension benefits

New standards and interpretations not yet adopted
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for the following

Amendments to IAS16, 'Property, plant and equipment' and IAS41, 'Agriculture' These amendments change the reporting for bearer plants, such as tea bushes, macadamia tress and rose bushes Bearer plants will be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing The amendments include bearer plants in the scope of IAS16 rather than IAS41 The produce on bearer plants will remain in the scope of IAS41 The amendments are effective for periods beginning on or after 1 January 2016 An indication of the impact of adopting the amendments on the Group's results has been included on page 2 of the Strategic report within the Financial Review

Notes to the accounts (continued)

2 Share of associate's results

	2015 £000	2014 £000
The Group's share of the results of its associated company comprises		
Profit from operations	**197**	143
Impairment provision against investment in Russian property Fund	**(203)**	–
Taxation on profit from operations	**–**	–
(Loss)/profit after taxation	**(6)**	143

The share of associate's results relate to a 20% interest in K2 Management Ltd (2014 20%), which is part of the Jensen Group K2 has invested in the Russian property fund, which it manages An impairment provision of £203,000 has been made in the year (2014 £nil) against the cost of its investment in the property fund

3 Finance income and costs

	2015 £000	2014 £000
Finance income comprises		
Bank and other interest receivable	**3**	17
Foreign exchange profit on financing activities	**-**	21
Interest receivable from a listed sterling bond	**-**	42
	3	80
Finance costs comprise		
On amounts wholly repayable within 5 years		
Bank	**1,814**	1,079
Foreign exchange loss on financing activities	**1,291**	116
Fair value adjustment on derivatives	**254**	(324)
	3,359	871
Imputed interest on pension plan liabilities (net)	**146**	235
	3,505	1,106

4 Revenue and profit for the year

	2015 £000	2014 £000
Analysis of the Group's revenue		
Sale of agribusiness produce	**32,391**	31,148
Hydro-electric power generation	**4,689**	1,583
Property management income	**467**	664
	37,547	33,395
Profit for the year is stated after charging/(crediting)		
Cost of inventories recognised as expense	**19,605**	18,373
Depreciation of property, plant and equipment	**1,954**	1,725
Profit on disposal of property, plant and equipment	**(11)**	(6)
Profit on disposal of current financial asset	**-**	(16)
Operating lease payments	**43**	43
Rents received	**(5)**	(15)
Dividends received from unlisted investments	**-**	(19)
Net foreign exchange gains	**(688)**	(460)
Fair value adjustment to biological assets	**(633)**	283

Notes to the accounts (continued)

5 Auditor's remuneration

	2015 £000	2014 £000
The analysis of the auditor's remuneration is		
Audit services		
Statutory audit of the Company and the group accounts	**74**	74
Other services		
Statutory audit of the accounts of the Company's subsidiaries pursuant to legislation	**11**	11
Company secretarial	**3**	-
Tax compliance	**6**	1
	94	86

These fees relate to fees paid to RSM UK Audit LLP (formerly Baker Tilly 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 £90,000 (2014 £87,000)

6 Employees

	2015	2014
Average numbers employed in		
Agribusinesses including seasonal workers	**13,553**	14,251
Hydro electric power generation	**80**	39
Investment property management companies	**1**	3
Head office	**3**	3
	13,637	14,296

	2015 £000	2014 £000
Staff costs		
Wages and salaries	**9,623**	9,966
Social security	**269**	315
Other pension costs	**99**	114
	9,991	10,395

7 Taxation

a) Analysis of charge for the year

	2015 £000	2014 £000
Current taxation		
UK corporation tax	**–**	–
Double taxation relief	**–**	–
	–	–
Foreign tax		
Current tax on income for the period	**157**	261
Adjustment in respect of prior periods	**(25)**	(91)
	132	170
Deferred taxation		
Origination and reversal of temporary differences	**(293)**	(354)
Potential tax due on fair value adjustments (net)	**669**	58
Adjustment in respect of prior periods	**287**	–
	663	(296)
Total tax expense/(income) reported in the income statement	**795**	(126)

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 20 25% (2014 21 5%)

	2015 £000	2014 £000
Profit before tax	2,783	2,096
Profit before tax multiplied by the effective rate of corporation tax in the UK of 20 25% (2014 21 5%)	563	452
Effects of		
Items not chargeable for tax purposes	55	41
Net decrease in tax losses	(100)	(117)
Different tax rates on overseas earnings	7	(436)
Adjustment in respect of prior years	262	(91)
Exchange differences	8	25
Total tax expense reported in the income statement	795	(126)

c) Tax effects relating to other comprehensive income

	2015			2014		
	Before tax amount £000	Tax expense £000	Net of tax amount £000	Before tax amount £000	Tax Expense £000	Net of tax amount £000
Exchange differences on translation of net overseas assets	(731)	–	(731)	1,374	–	1,374
Revaluation of property	–	(91)	(91)	96	(28)	68
Net actuarial gain on defined benefits pension plan	288	–	288	1,069	–	1,069
	(443)	(91)	(534)	2,539	(28)	2,511

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 There are no dilutive shares

	2015	2014
Weighted average number of ordinary shares in issue	12,529	12,529

	2015		2014	
	Result before fair value adjustments £000	Result after fair value adjustments £000	Result before fair value adjustments £000	Result after fair value adjustments £000
Profit attributable to owners of the parent	1,674	1,757	1,681	1,769

	£	£	£	£
Basic and diluted earnings per ordinary share	133 61	140 23	134 17	141 19

Notes to the accounts (continued)

9 Dividends

	2015 £000	2014 £000
Amounts recognised as distributions to owners of the parent in the year		
Dividend for the year ended 31 December 2014 of £33 00 (2013 £33 00) per share	**413**	413

A dividend for the year ended 31 December 2015 of £33 00 per share has been recommended by the directors for payment on 17 August 2016

10 Goodwill

	2015 £000	2014 £000
Goodwill arising on the acquisition of		
Khal Amazi Ltd	**315**	298
The movement on goodwill during the year comprises		
Opening balance	**298**	280
Exchange differences	**17**	18
Closing balance	**315**	298

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 2015 whereby its recoverable amount has been determined based on value-in-use calculations This requires the Group to make various estimates 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 and may require adjustment in subsequent accounting periods

As a long term agricultural business, twenty year cash flow projections, assuming no growth to the cash flows, have been used for Khal Amazi Ltd A pre-tax discount rate of 18 5% 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 £0 1 million (2014 £0 6 million), indicating that no impairment charge was necessary for the year ended 31 December 2015 (2014 £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 A sustained weakness of the Euro against the US dollar could affect future cash flows and reduce this headroom

Notes to the accounts (continued)

11 Biological assets

	2015 £000	2014 £000
Carrying value at beginning of year	**17,070**	17,034
Exchange differences	**(2,397)**	206
Additions	**737**	113
Change in fair value of biological assets	**633**	(283)
Carrying value at end of year	**16,043**	17,070

The change in fair value is an unrealised gain of £633,000 (2014 loss £283,000) and is recognised separately in the Income Statement

The Group's main classes of biological assets comprise tea bushes, macadamia trees, rose plants and table grapes 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 year end valuation for the livestock amounted to £0 25 million (2014 £0 23 million)

Tea bushes, macadamia trees, rose plants and table grapes have been measured at fair value using valuation Level 3 on a recurring basis, 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 reasonable expectations of future events The year end fair value amounted to £15 79 million (2014 £16 84 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

Fair values have been determined by discounting twenty year cash flow projections for the tea bushes, macadamia trees and grapes and in the case of the rose plants four year cash flow projections have been used These timescales are considered to be within the expected life of the assets Cash flow forecasts have been derived from the Group's most recent financial budgets supplemented by forecasts of performance for three years thereafter, revised where appropriate, to take account of current market conditions As such, unobservable inputs used in the fair value calculation include estimates of the future selling prices of agricultural output and estimated yields For the tea bushes and macadamia trees, cash flows after four years have been extrapolated based on an estimated growth rate of 1% for the tea bushes and 2% for the macadamia trees These growth rates do not exceed the historical long term average growth rate of these assets The discount rate applied is a significant unobservable input in the valuation of the Group's biological assets and reflect specific risks relating to the relevant assets In assessing the discount rate to use, the directors consider a range of country specific rates and apply their judgement in selecting a suitable rate The higher the discount rate the lower the fair value The following discount rates have been applied as follows

Biological asset	Fair Value 2015 £000	Fair Value 2014 £000	Unobservable inputs	Discount rate used (2014)
Tea bushes	7,443	7,512	Discount rate	22 8% (22 9%)
Macadamia trees	3,974	3,987	Discount rate	24 6% (24 6%)
Rose plants	4,308	4,985	Discount rate	18 5% (16 7%)
Grape vines	68	351	Discount rate	18 5% (16 7%)

The following sensitivity analysis shows the effect of a one per cent increase or reduction in the above weighted average discount rates

	Fair value of biological assets £000
Effect of 1% increase in discount rates	(568)
Effect of 1% decrease in discount rates	566

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

	2015 Hectares	2014 Hectares
Tea	**4,926**	4,926
Macadamia	**803**	803
Roses	**64**	64

Output and fair value of significant agricultural produce harvested during the year

	2015		2014	
	Metric tonnes	**Fair value at point of harvest £000**	Metric Tonnes	Fair value at point of harvest £000
Tea - green leaf	**63,338**	**7,506**	64,224	7,279
Macadamia nuts in shell	**1,384**	**4,505**	1,478	2,747
	Stems millions		Stems Millions	
Roses	**179**	**10,781**	180	12,274

Notes to the accounts (continued)

12 Property, plant and equipment and investment properties

	Group					Company
	Land and buildings		Hydro-electric power plant and equipment	Plant equipment and vehicles	Total	Plant equipment and vehicles
	Freehold	Long Leasehold				
	£000	£000	£000	£000	£000	£000
Year ended 31 December 2015						
Opening cost or valuation	2,646	6,049	26,207	11,592	46,494	60
Exchange differences	(216)	352	1,525	(1,099)	562	–
Additions	48	42	5,811	918	6,819	–
Disposals	–	–	(6)	(473)	(479)	–
Reclassification	–	(3,594)	62	3,532	–	–
Closing cost or valuation	2,478	2,849	33,599	14,470	53,396	60
At directors' valuation	2,478	–	–	–	2,478	–
At cost	–	2,849	33,599	14,470	50,918	60
Opening accumulated depreciation	643	3,824	802	5,327	10,596	36
Exchange differences	(26)	221	46	(261)	(20)	–
Charge for the year	14	45	776	1,119	1,954	13
Disposals	–	–	(3)	(453)	(456)	–
Reclassification	–	(3,589)	–	3,589	–	–
Closing accumulated depreciation	631	501	1,621	9,321	12,074	49
Net book value	1,847	2,348	31,978	5,149	41,322	11
Historical cost						
Cost	1,659	2,849	33,599	14,470	52,577	60
Accumulated depreciation	181	501	1,621	9,321	11,624	49
	1,478	2,348	31,978	5,149	40,953	11

At the year end £4,099,000 (2014 £17,816,000) of the cost of the hydro-electric power plant and equipment was under construction

During the year, the Group capitalised borrowing costs on qualifying assets of £82,000 (2014 £255,000)

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

	Net book value 2015	2014
	£000	£000
	17,605	19,360

Valuation method
The freehold properties recognised at directors' valuation 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 and investment properties (continued)

	Group					Company
	Land and buildings		Hydro-electric power plant and equipment	Plant equipment and vehicles	Total	Plant, equipment and vehicles
	Freehold	Long leasehold				
	£000	£000	£000	£000	£000	£000
Year ended 31 December 2014						
Opening cost or valuation	2,254	5,809	10,084	9,841	27,988	60
Exchange differences	(10)	349	625	256	1,220	–
Revaluation of property	96	–	–	–	96	–
Additions	137	60	15,437	1,782	17,416	–
Acquisition of subsidiary	–	–	–	130	130	–
Disposals	–	–	–	(356)	(356)	–
Reclassification	169	(169)	61	(61)	–	–
Closing cost or valuation	2,646	6,049	26,207	11,592	46,494	60
At directors' valuation	2,646	–	–	–	2,646	–
At cost	–	6,049	26,207	11,592	43,848	60
Opening accumulated depreciation	628	3,231	305	4,564	8,728	21
Exchange differences	(2)	201	18	166	383	–
Charge for the year	17	392	476	840	1,725	15
Acquisition of subsidiary	–	–	–	108	108	–
Disposals	–	–	–	(348)	(348)	–
Reclassification	–	–	3	(3)	–	–
Closing accumulated depreciation	643	3,824	802	5,327	10,596	36
Net book value	2,003	2,225	25,405	6,265	35,898	24
Historical cost						
Cost	1,611	6,049	26,207	11,592	45,459	60
Accumulated depreciation	167	3,824	802	5,327	10,120	36
	1,444	2,225	25,405	6,265	35,339	24

13 Capital and operating lease commitments

The Group had no commitments for capital expenditure contracted for, but not provided at 31 December 2015 (2014 £994,000) 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	
	2015	2014
	£000	£000
Not later than one year	**48**	48
Later than one year and not later than five years	**26**	74

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 2017

Notes to the accounts (continued)

14 Investments

Associates are accounted for in accordance with IAS 28 – Investments in Associates At the 31 December 2015, 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 2015 £000	2014 £000	Associates 2015 £000	2014 £000
Analysis of movement during the year				
At beginning of year	**108**	50	**236**	142
Share of results (Note 2)	**–**	–	**(6)**	143
Dividends paid	**–**	–	**(238)**	(105)
Addition to associate	**–**	55	**2**	46
Exchange differences	**6**	3	**6**	10
At end of year	**114**	108	**–**	236

Other unlisted investments are recognised at cost in the balance sheet at £114,000 (2014 £108,000)

Share of the associate's balance sheet	Associates 2015 £000	2014 £000
Non-current assets	**38**	231
Current assets	**22**	45
Current liabilities	**(60)**	(40)
Non-current liabilities	**–**	–
Carrying amount of investment	**–**	236
Share of the associate's revenue and profits		
Continuing operations		
Revenue	**306**	262
Share of (loss)/ profit after tax (Note 2)	**(6)**	143

Company	Subsidiary undertakings Shares £000	Loans £000	Total £000
At 1 January 2014	3,308	31,773	35,081
Increase	–	1,395	1,395
At 31 December 2014	**3,308**	**33,168**	**36,476**
Increase	**–**	**561**	**561**
Conversion of loans to share capital	**28,000**	**(28,000)**	**–**
At 31 December 2015	**31,308**	**5,729**	**37,037**

Management charges made by the Company to group subsidiaries amounted to £1,020,000 (2014 £1,192,000)

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

Business combination - acquisition of Nyangani Renewable Energy (Private) Limited
The Group acquired 60% of the share capital of Nyangani Renewable Energy (Private) Limited, a hydro-electric power management company, on 1 February 2014 The consideration amounted to £219,000 (US$ 360,000), of which US$ 15,000 was paid in 2014 The acquired business did not contribute any revenues to the Group and a loss before tax was incurred to the Group of £13,000 for the period 1 February 2014 to 31 December 2014 If the acquisition had occurred on 1 January 2014, the revenue from this source and the loss would have been unchanged for the year under review

Notes to the accounts (continued)

14 Investments (continued)

Net assets of Nyangani Renewable Energy (Private) Ltd acquired on 1 February 2014

	2014 £000
Fair value and carrying value of net assets acquired	
Property, plant and equipment	22
Trade and other receivables	327
Trade and other payables	(117)
Cash and cash equivalents	133
Total identifiable net assets	**365**
Non-controlling interest	(146)
Goodwill	-
Purchase consideration at 1 February 2014	**219**
The cash outflow on the purchase is	
Total purchase consideration	219
Less Consideration payable within one year	(210)
Cash outflow on acquisition	**9**

15 Inventories

	2015 £000	2014 £000
Produce	1,128	2,222
Raw material	2,277	3,148
	3,405	5,370

16 Trade and other receivables

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Due within one year				
Trade receivables	1,696	2,647	–	–
Other receivables	3,357	3,659	10	10
Prepayments and accrued income	354	243	4	4
	5,407	6,549	14	14

There is no fixed repayment date on £273,000 of the Other receivables Included in Other receivables is £2,725,000 (2014 £2,233,000), which mainly relates to VAT reclaimable in the Pungwe B and Pungwe C hydro-electric power companies This will be reclaimed against future output tax, if the local Revenue Authority does not make an immediate repayment, as is due

Credit risk

The Group's principal financial assets are cash and cash equivalents and trade and other receivables The Group's credit risk is primarily attributable to its trade and other receivables Within the agribusinesses, the Group has no significant concentration of credit risk, with exposure spread over a number of customers The Group's credit risk policy is set out in Note 25

As at 31 December 2015, trade and other receivables presented in the statement of financial position have been reduced by a provision which may be necessary for doubtful receivables of £351,000 (2014 £173,000)

Movement in provision for doubtful receivables

	2015 £000	2014 £000
At 1 January	173	115
Amounts written off during the year	–	(35)
Increase in provision for doubtful receivables	170	93
Exchange differences	8	–
At 31 December	351	173

As at 31 December, the ageing analysis of trade receivables is as follows

	Total £000	Neither past due nor impaired £000	Past due but not impaired less than 3 months £000	3 – 6 months £000	more than 6 months £000
2015	1,696	1,387	309	–	–
2014	2,647	2,262	204	181	–

Notes to the accounts (continued)

17 Share capital

Ordinary shares of £2,500 each	Issued and fully paid number	Issued and fully paid £000
At 31 December 2015 and 2014	12,529	31,323

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

18 Reserves and non-controlling interests

The movement on reserves and non-controlling interests is shown in the statements of changes in equity on page 10 Distributions to owners of the parent may not be made from either the Company's share premium account or its capital redemption reserve

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 2015 and 2014 is as follows

	Retained Earnings £000
Exchange differences on translation of net overseas assets	
Opening balance 1 January 2014	(20,899)
Movement for the year	1,190
At 31 December 2014	**(19,709)**
Movement for the year	**(907)**
At 31 December 2015	**(20,616)**

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 2015 was £284,000 (2014 loss £130,000) Of the non-controlling interest at 31 December 2015 amounting to £2,765,000 (2014 £2,929,000), disclosed on page 10, £1,879,000 (2014 £2,040,000) relates to the non-controlling interest in Khal Amazi Ltd No dividends were paid by Khal Amazi Ltd in the year under review (2014 £nil) Its net assets at the year ended 31 December 2015, before inter-company eliminations, were £8,251,000 (2014 £8,647,000)

19 Interest bearing loans and borrowings

		Group 2015 £000	Group 2014 £000
Bank loans and overdrafts – secured	(i)	**22,092**	21,394
Bank loans and overdrafts are repayable			
Within one year		**8,247**	7,091
Between one and two years		**3,835**	3,421
Between two and five years		**8,178**	7,324
After five years		**1,832**	3,558
		22,092	21,394
Due within one year		**8,247**	7,091
Due after more than one year		**13,845**	14,303
		22,092	21,394

There are no interest bearing loans and borrowings in the Company

(i) Bank loans and overdrafts are secured by floating charges over certain assets of the Group, by fixed charges over certain property, plant and equipment and book debts A Company guarantee has been provided for an outstanding term loan of £10 9 million (2014 £11 5 million)

Notes to the accounts (continued)

20 Trade and other payables

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Due within one year				
Trade payables	**2,273**	3,373	**6**	2
Other taxation and social security	**49**	59	**29**	25
Accruals and deferred income	**2,523**	3,729	**670**	576
Other payables	**1,005**	1,482	**9**	9
	5,850	8,643	**714**	612
Due after one year				
Trade payables	**1,044**	14	**-**	-
Accruals and deferred income	**41**	48	**-**	-
Other payables	**1,120**	-	**-**	-
	2,205	62	**-**	-

21 Provisions for deferred tax liabilities

The Group's provision for deferred tax comprises

	2015	2014
	£000	£000
Accelerated tax depreciation	**3,207**	998
Unrealised foreign exchange differences	**(587)**	(343)
Other temporary differences	**342**	141
Tax losses	**(2,629)**	(417)
Provision for deferred tax on temporary differences	**333**	379
Potential tax due on property revaluations and fair value adjustments (net)	**3,201**	3,279
Total provision for deferred tax	**3,534**	3,658
The movement in the provision for deferred tax was		
At 1 January	**3,658**	3,994
Deferred tax charge in income statement (Note 7a)		
Current year from continuing operations	**376**	(296)
Prior year adjustment	**287**	-
	663	(296)
Changes in potential tax on property revaluations charged to		
Retained earnings	**91**	28
	91	28
Exchange differences	**(878)**	(68)
At 31 December	**3,534**	3,658

There are losses arising in the UK of approximately £1 2 million (2014 £2 2 million) which are available to offset against future taxable profits in the companies in which the loss arose There are also capital losses of £19 2 million (2014 £19 2 million) which are available to offset against future capital gains arising in the UK The total potential deferred tax asset of £4 1 million in relation to these losses has not been recognised as there is insufficient evidence of future profits against which this asset could be utilised

The Group also has losses arising in Zimbabwe of approximately £1 2 million (2014 £1 9 million) The potential deferred tax asset at 31 December 2015 of £0 3 million (2014 £0 5 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

	2015	2014
	£000	£000
PGI Group Pension Plan	**4,092**	4,340

The Group operates a funded defined benefits pension plan in the United Kingdom, the PGI Group Pension Plan, which was closed to future accrual for active members from 1 October 2011 Total contributions to this plan amounted to £182,000 (2014 £397,000) The Group incurred other pension costs of £99,000 (2014 £114,000) for certain employees in respect of defined contribution plans

The total membership of the plan at 31 December 2015 was 486 members (2014 558 members) and the average ages, weighted by liability, were approximately as follows

	Deferred pensioners		Pensioners		Total	
	Number	Average age	Number	Average age	Number	Average age
Males	161	60	201	75	362	68
Females	46	59	78	75	124	69
Total	207	60	279	75	486	69

The total pensions paid during the year ended 31 December 2015 amounted to £815,000 (2014 £796,000) In 2015 a trivial commutation exercise was undertaken, administered by the Plan's actuaries Fifty-five members commuted their pensions in full and ceased to be members of the Plan, at a cost of £297,000 A summary of the unaudited financial statements of the scheme for 2015 and the audited financial statements of the previous year is shown below

	2015	2014
	£000	£000
Employer's contributions	**182**	397
Benefits payable		
Pensions	**(815)**	(796)
Commutation and lump sum benefits	**(198)**	(173)
Trivial commutation exercise	**(297)**	–
	(1,310)	(969)
Administration expenses	**(76)**	(89)
Net return on investments	**366**	534
Net decrease in the fund	**(838)**	(127)
Net assets at 1 January	**13,440**	13,567
Net assets at 31 December	**12,602**	13,440

Net assets statement at 31 December

	2015		2014	
	£000	% of total	£000	% of total
Investments				
Managed equity funds				
Aquila Life UK Equity Index fund	**6,766**	**54**	6,903	51
Aquila Life European Equity Index fund	**1,049**	**8**	991	7
Aquila Life US Equity Index fund	**1,083**	**8**	1,012	8
BlackRock Emerging Markets Index fund	**–**	**–**	614	4
Aquila Life Overseas Fixed Bench Equity fund	**2,267**	**18**	2,255	17
Managed gilt and corporate bond funds				
Aquila Life Corporate Bond 5 to 15 years fund	**1,377**	**11**	1,596	12
	12,542	**99**	13,371	99
Net current assets				
Cash deposits	**119**	**1**	139	1
Accruals	**(59)**	**–**	(70)	–
Total net assets	**12,602**	**100**	13,440	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

Notes to the accounts (continued)

22 Retirement benefit liabilities (continued)

The last full actuarial valuation of the plan was performed by the Plan's actuaries, CPRM Limited, as at 1 January 2014 The valuation was carried out using the Projected Unit Method The principal economic assumptions were a valuation rate of interest of 5 6% and an allowance of 3 3% per annum for increases to pensions in payment of 5% per annum or RPI if less

On a continuing valuation basis, the funding position at 1 January 2014 was

	£000
Past service liabilities	(14,395)
Value of assets	13,567
Deficit	(828)
Funding level	94 2%

In addition to the funding level on the continuing valuation basis, the asset coverage has also been calculated at 74% on a Section 179 (PPF valuation) basis and 59% on a solvency (winding-up) basis

IAS 19 Disclosures

To assess the position of the plan at 31 December 2015, the IAS 19 disclosures have been calculated on an approximate basis by appropriately adjusting and updating the results for the latest actuarial valuation at 1 January 2014

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

	2015 £000	2014 £000
Defined benefit obligation at start of year	**17,780**	19,049
Current service cost	**76**	89
Interest cost	**582**	817
Actuarial gains	**(358)**	(1,117)
Benefits paid and expenses	**(1,386)**	(1,058)
Defined benefit obligation at end of year	**16,694**	17,780

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

	2015 £000	2014 £000
Fair value of assets at start of year	**13,440**	13,567
Expected return on assets	**436**	582
Actuarial losses	**(70)**	(48)
Contributions by employer	**182**	397
Benefits paid and expenses	**(1,386)**	(1,058)
Fair value of assets at end of year	**12,602**	13,440

The charge to the income statement comprises

	2015 £000	2014 £000
Current service charge	**(76)**	(89)
Other finance charges		
Interest on pension plan liabilities	**(582)**	(817)
Expected return on pension plan assets	**436**	582
Other finance charges	**(146)**	(235)
Total pension cost recognised in the income statement	**(222)**	(324)

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

	2015 £000	2014 £000
Present value of defined benefit obligation	**(16,694)**	(17,780)
Fair value of plan assets	**12,602**	13,440
Deficit in plan recognised in the balance sheet	**(4,092)**	(4,340)

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

	2015	2014	2013	2012	2011
	£000	£000	£000	£000	£000
Fair values					
Equities	**11,165**	11,775	9,804	7,903	6,999
Bonds	**1,377**	1,596	3,655	5,081	5,382
Cash and other net assets	**60**	69	108	132	115
Present value of plan	**12,602**	13,440	13,567	13,116	12,496
Liabilities	**(16,694)**	(17,780)	(19,049)	(19,651)	(19,013)
Plan deficit	**(4,092)**	(4,340)	(5,482)	(6,535)	(6,517)
Percentage funding	**75 5%**	75 6%	71 2%	66 7%	65 7%
Contribution rate	**–**	–	–	–	22 1%
Contribution towards plan's administration expenses	**£89,000**	£77,000	£94,000	£82,000	£77,000
Additional contributions	**£93,500**	£320,000	£320,000	£320,000	£279,000

The best estimate of contributions to be paid to the plan for the year ending 31 December 2016 is £169,500

Actual return on plan assets
The actual return on the plan assets over the year ending 31 December 2015 was £366,000 (2014 return of £534,000)

Major assumptions

	2015 % per annum	2014 % per annum
Inflation	**2 90**	2 80
Discount rate	**3 60**	3 40
Pensions in payment increases	**2 90**	2 80
Revaluation rate for deferred pensioners	**2 90**	2 80

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 3 6% per annum Adopting a different discount rate would lead to different results being disclosed For example, if the discount rate was reduced by 0 25% per annum, the liabilities would increase by approximately £560,000 for the Plan There would be a similar reduction of liabilities if the discount rate was increased by 0 25% per annum

Mortality
The mortality assumptions adopted at 31 December 2015 imply the following future life expectations at age 65

	2015 Years	2014 Years
Male currently aged 45	**19 9**	19 8
Female currently aged 45	**23 8**	23 7
Male currently aged 65	**18 5**	18 5
Female currently aged 65	**22 2**	22 1

Movement in the plan deficit during the year

	2015 £000	2014 £000
Deficit at 1 January	**(4,340)**	(5,482)
Pension expenses recognised in the income statement	**(222)**	(324)
Amounts recognised in other comprehensive income	**288**	1,069
Contributions by employer	**182**	397
Deficit at 31 December	**(4,092)**	(4,340)

The actuarial gain recognised in other comprehensive income comprises

	2015 £000	2014 £000
Experience adjustment on plan assets	**(70)**	(48)
Experience adjustment on plan liabilities	**39**	1,981
Effect of change in assumptions	**319**	(864)
	288	1,069

23 Consolidated cash flow statement

Analysis of net debt

	Opening balance 2015 £000	Cash Flow £000	Transfers £000	Exchange movement £000	Closing balance 2015 £000
Cash	**6,638**	(935)	–	154	**5,857**
Overdrafts	**(2,280)**	(828)	–	600	**(2,508)**
Cash and cash equivalents	**4,358**	(1,763)	–	754	**3,349**
Debt due within one year	**(4,811)**	2,826	(4,362)	608	**(5,739)**
Debt due after more than one year	**(14,303)**	(3,911)	4,362	7	**(13,845)**
	(14,756)	(2,848)	–	1,369	**(16,235)**

24 Financial risk management objectives and policies

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

The Group entered into forward currency contracts during 2015 with the purpose of managing currency risks arising from the Group's operations

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

The Group's activities expose it to varying degrees of financial risk Foreign currency risk is the most significant aspect for the Group in the area of financial instruments 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 Some of these currency denominated net assets are partially hedged by local borrowings Currency exposures are reviewed regularly

During recent months the Zimbabwean authorities have made it harder for all companies to utilise US dollar bank deposits to buy imports and service external debts This is a new risk that the Group takes very seriously

The table below shows the extent at 31 December 2015 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)

	2015				2014			
Group	**US$ £000**	**Euro £000**	**Other £000**	**Total £000**	US$ £000	Euro £000	Other £000	Total £000
Functional currency of operations								
Malawi Kwacha	**(7,430)**	**–**	**(24)**	**(7,454)**	(7,327)	–	(30)	(7,357)
Russia US dollar	**–**	**–**	**–**	**–**	–	–	3	3
UK Pound sterling	**1,109**	**–**	**–**	**1,109**	1,250	–	–	1,250
Zambia US dollar	**–**	**793**	**1,175**	**1,968**	–	953	1,199	2,152
	(6,321)	**793**	**1,151**	**(4,377)**	(6,077)	953	1,172	(3,952)

In Zimbabwe, all assets and liabilities are denominated in US dollars, which is one of the country's adopted currencies

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 £ 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
2015	**+ 10%**	**574**	**(72)**	**2**	**504**
	– 10%	**(633)**	**79**	**(2)**	**(556)**
2014	+ 10%	552	(87)	1	466
	– 10%	(608)	95	(3)	(516)

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 2015 and 2014 were

	Floating rate £000	Fixed rate £000	Total £000	Weighted average of Fixed rate debt interest rate %	period years
2015					
US dollar	**20,010**	**1,519**	**21,529**	**13**	**3 4**
Malawi kwacha	**563**	**-**	**563**		
	20,573	**1,519**	**22,092**		
2014					
US dollar	18,735	2,203	20,938	12	3 8
Malawi kwacha	456	–	456		
	19,191	2,203	21,394		

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 2015, with all other variables held constant

	Basis points increase/ decrease	Effect on profit before tax £000
2015		
US Dollar	**± 100**	**± 200**
Malawi kwacha	**± 100**	**± 6**
2014		
US dollar	± 1000	± 1,874
Malawi kwacha	± 1000	± 46

Notes to the accounts (continued)

24 Financial risk management objectives and policies (continued)

Credit risk

The Group trades only with recognised, creditworthy third parties It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant The maximum exposure is the carrying amount as disclosed in Note 17

With respect to credit risk arising from the other financial assets of the Group, which mainly comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments

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 directors also keep under review the balance of capital and debt funding of the group on an on-going basis

The table below summarises the maturity of the Group's financial liabilities at 31 December 2015 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 2015					
Interest bearing loans and borrowings	**8,247**	**3,835**	**8,178**	**1,832**	**22,092**
Other liabilities	**3,577**	**2,010**	**-**	**-**	**5,587**
Trade and other payables	**2,273**	**195**	**-**	**-**	**2,468**
	14,097	**6,040**	**8,178**	**1,832**	**30,147**
Year ended 31 December 2014					
Interest bearing loans and borrowings	7,091	3,421	7,324	3,558	21,394
Other liabilities	5,270	-	-	-	5,270
Trade and other payables	3,373	62	-	-	3,435
	15,734	3,483	7,324	3,558	30,099

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 2015 and 31 December 2014

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

	2015 £000	2014 £000
Interest bearing loans and borrowings	**22,092**	21,394
Less cash and short term deposits	**(5,857)**	(6,638)
Net debt	**16,235**	14,756
Equity attributable to equity holders of the parent	**31,923**	31,289
Gearing ratio	**50 9%**	47 2%

Notes to the accounts (continued)

25 Financial instruments

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

	Group		Company	
	2015	2014	**2015**	2014
Categories of financial instruments	**£000**	£000	**£000**	£000
Financial assets				
Trade and other receivables	**5,053**	6,306	**10**	10
Cash and cash equivalents	**5,857**	6,638	**10,658**	10,563
At amortised cost	**10,910**	12,944	**10,668**	10,573
Derivative financial instruments at fair value through profit or loss	**6**	260	**6**	260
Current asset investments at fair value through profit or loss	**8**	10	**–**	–
Total financial assets	**10,924**	13,214	**10,674**	10,833
Financial liabilities				
Trade and other payables	**8,006**	8,646	**685**	587
Bank overdraft	**2,508**	2,722	**–**	–
Interest-bearing loans and borrowings				
Floating rate borrowings	**18,065**	16,469	**–**	–
Fixed rate borrowings	**1,519**	2,203	**–**	–
At amortised cost	**30,098**	30,040	**685**	587
Derivative financial instruments at fair value through profit or loss	**–**	–	**–**	–
Total financial liabilities	**30,098**	30,040	**685**	587

The financial instruments measured at fair value use the following measurements

	2015		2014	
Financial assets/(liabilities) at fair value through profit or loss	**Level 1 £000**	**Level 2 £000**	Level 1 £000	Level 2 £000
Trading derivatives				
- Foreign exchange contracts	**–**	**6**	–	260
Other financial assets	**8**	**–**	10	–

There were no transfers between levels in the years

Fair value reconciliation
Financial assets and liabilities – at fair value through profit or loss

	Instruments held for trading	
	Financial assets	Financial liabilities
	2015	**2015**
	£000	**£000**
At 1 January	**270**	**–**
Loss for year recognised in income statement	**(256)**	**–**
At 31 December	**14**	**–**

A loss of £2,000 is recognised within Other operating income A loss of £254,000 is recognised within fair value adjustment to finance costs

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 In 2014 the Group sold its £2,000,000 holding in a listed sterling bond for a consideration of £2,113,000

Notes to the accounts (continued)

26 Directors' emoluments

The emoluments of the directors in respect of qualifying services comprised

	2015 £000	2014 £000
Aggregate emoluments	**533**	775
Social security costs	**57**	92
Company pension contributions to defined contribution scheme	**34**	33
	624	900

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 (2014 £198,000) For the purpose of this disclosure, the directors are considered to be the key management of the Group

Emoluments of highest paid director

	2015 £000	2014 £000
Aggregate emoluments	**258**	506
Company pension contributions to defined contribution scheme	**22**	21
	280	527

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

	2015 £000	2014 £000
Highest paid director – accrued pension	**52**	52

27 Related party transactions

a) In addition to the pension contributions paid to the PGI Group Pension Plan, the Company also made net payments of £89,000 (2014 £77,000) in respect of administration and other expenses which have been charged to the plan No amount was outstanding for payment at 31 December 2015 (2014 £nil) Other related party transactions with the Company are covered in Note 14

b) Three loans amounting to £13 2 million (2014 £12 8 million) were owing at 31 December 2015 to a company controlled by a director, Mr S N Roditi The loans have been used to finance the Group's hydro-electric power projects in Zimbabwe The first loan has £1 0 million outstanding at the year end, it bears interest at a fixed rate of 12% per annum and repayments fall due semi-annually from 2013 to 2018 Owing on the second loan is an amount of £10 9 million, which bears interest at 3 month US dollar LIBOR + 7 75% and is repaid annually from 2015 to 2021 The third loan has £1 3 million outstanding, which bears interest at 3 month US dollar LIBOR + 7 0% and is repaid annually from 2016 to 2019 Interest accruing on the loans in 2015 amounted to £1 0 million (2014 £0 4 million)

28 Contingent liabilities

a) 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 41million No provision has been made in the financial statements for this contingency as the directors consider there is only a very low probability that the liability will materialise

b) 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

In March 2008 the Zimbabwe Government enacted the Indigenisation and Economic Empowerment Act (Chapter 14 33) The Act states that it is designed to endeavour to secure that at least fifty-one per cent of the shares of every public company and any other business shall be owned by indigenous Zimbabweans The regulations to implement this Act came into force on 1 March 2010 and there have since been several Statutory Instruments and General Notices amending the regulations, the most recent of which was published on 8 January 2016

It is uncertain as to what impact, if any, this Act might have on the Group's investments in businesses incorporated in Zimbabwe

Investments in subsidiaries

The Group had the following subsidiaries and associates at 31 December 2015 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
Eastern Highlands Plantations Ltd	Zimbabwe	100	Tea estates
Hydro businesses			
Pungwe A Power Station (Pvt) Ltd	Zimbabwe	100	Hydro-electric power generation
Pungwe B Power Station (Pvt) Ltd	Zimbabwe	100	Hydro-electric power generation
Pungwe C Power Station (Pvt) Ltd	Zimbabwe	100	Hydro-electric power generation
Duru Power Station (Pvt) Ltd	Zimbabwe	100	Hydro-electric power generation
Nyamingura Power Station (Pvt) Ltd	Zimbabwe	100	Hydro-electric power generation
Nyangani Renewable Energy (Pvt) Ltd	Zimbabwe	60	Hydro-electric power management
Trading, logistics and marketing			
PGI Holdings Ltd	UK	100	Holding company and trading
Overseas Farmers Group Ltd	UK	100	Logistics and marketing
Tree Nuts Direct Ltd	UK	100	Logistics and marketing
Perishables Direct Ltd	British Virgin Islands	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
Khal Amazi Game Farm Ltd	Zambia	75	Game farm
Sunrose Ltd	Zambia	75	Dormant
Aberfoyle Industries (Pvt) Ltd	Zimbabwe	100	Dormant
Aberfoyle Lodge (Pvt) Ltd	Zimbabwe	100	Provision of accommodation
Hippocrene Farming (Pvt) Ltd	Zimbabwe	100	Smallholder development company
Honde Hydro Power Consolidated (Pvt) Ltd	Zimbabwe	100	Holding company
Michuru Ltd	Malawi	100	Holding company
Sayama Tea Estates Ltd	UK	100	Holding company
Thyolo Nut Ltd	UK	100	Holding company
Nchima Tea and Tung Estates Ltd	UK	100	Holding company
Bandanga Ltd	UK	100	Holding company
Cessnock Holdings Ltd	UK	100	Holding company
Heathleigh Investments Ltd	UK	100	Holding company
Renewable Energy Africa Ltd	UK	100	Holding company
Khal Amazi Holdings Ltd	British Virgin Islands	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 Sayama Tea Estates Ltd, Thyolo Nut Ltd and Renewable Energy Africa Ltd are exempt from the Companies Act requirements relating to the audit of the individual accounts

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

We have audited the group and parent company financial statements ("the financial statements") on pages 6 to 35 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

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

Respective responsibilities of directors and auditor

As more fully explained 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 Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http //www frc org uk/auditscopeukprivate

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent's affairs as at 31 December 2015 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 financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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

RSM UK Audit LLP

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

14 April 2016