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PGI Group Limited

Report & Accounts

Year ended 31 December 2016

Contents

Strategic report

Restatement of prior year comparatives
All prior year comparatives of financial performance in this Strategic Report have been restated. This follows the Group's adoption of the amended International Accounting Standards in respect of the treatment of agricultural bearer plants (see Note 29).

Group Performance
We are pleased to report an increase in profits before tax to £4.91 million (2015: £1.46 million).which have delivered an earnings per share of £287.09 (2015: £66.17). This improvement in group profitability has been driven by the commissioning of new hydro electric power generation capacity. The agribusinesses endured a second consecutive year of below budget performance as a result of the widespread drought and higher ambient temperatures across our region.

We are recommending the payment of a dividend of £36.00 per share payable in August 2017 to shareholders on the register on 26 July 2017 (2015: £33.00).

The Group had net debt of £19.04 million at 31 December 2016 (2015: £16.24 million) and gearing was 47% (2015: 52%).

Group Strategy and Objectives
Our strategy continues to be exclusively focused on the southern African region, where we aim to create long term value for our shareholders by investing in two sectors:

a) Large scale export agriculture, where we aim to build market leading businesses in plantation crops. We create a long term competitive advantage through both regular replanting with improved cultivars and consistent investment in our processing factories to improve product quality and productivity. We work closely with our major customers to improve the quality of our products so as to both retain and build on our market position.

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

We 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 £2.3 million, a 26% reduction from the £3.1 million achieved last year.

Tea
Tea revenue increased to £17.0 million (2015: £15.6m). This was achieved from higher crop production at 15,109 tonnes (2015: 14,163 tonnes) of which 12,146 tonnes came from our own fields and 2,963 tonnes from smallholder farmers around our estates. Our estate yield per hectare (a KPI measurement) increased slightly to 2,643 kgs /ha from 2,581 kgs/ha. This yield is still below the capacity of the tea bushes which we expect to realise once a more normal weather pattern resumes across southern Africa.

Although the Mombasa weekly average tea price declined by 17% in the year, our average tea price increased by 3% (in US dollars, the currency of all tea sales). This improvement was achieved by prioritising tea quality over quantity and a tight focus within our tea factories to make teas to a specification tailored to the requirements of our customers. Our tea can be found across a number of different mass market black tea blends on European supermarket shelves.

All our businesses and smallholders are accredited to at least two internationally recognised ethical standards from: Rainforest Alliance, UTZ and Fairtrade. We welcome the discipline that these standards bring to our business in helping us target our spending on projects that improve both the worker living conditions and the long term sustainability of our production processes.

We continue to work closely with our surrounding smallholder farmers to increase their yields and income. We undertake to purchase all their output which we process through our tea factories. Over the year we purchased 13,468 tonnes of greenleaf (2015: 10,382 tonnes) from over 10,000 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 endured a particularly difficult trading period. Export stems declined to 154 million stems (2015:179m stems), which was caused by the higher ambient temperatures in the first quarter. Our KPI productivity measurement, export stems per square metre declined to 264 stems/sq metre (2015: 307 stems/sq metre). Turnover decreased to £10.6 million (2015: £11.4 million).

The main market for our roses continues to be the supermarkets of northern Europe. We ship the flowers using available airfreight capacity in the passenger planes flying from Johannesburg. This continues to be an efficient routing which allows us to maintain the integrity of the cold chain, an essential component of our business if our roses are to survive their seven day vase life guarantee demanded by our customers.

Macadamia nuts
Our Malawi macadamia nut business, Thyolo Nut Company, similarly suffered from the dry and hot growing conditions which affected the tree flowering and nut development. Macadamia kernel output reduced to 335 tonnes (2015: 448 tonnes). The yield per hectare similarly dropped to 511 kgs kernel/ha (2015: 574 kgs kernel/ha).

We expanded our orchards and now have 137 ha of cultivars under 5 years old (out of a total area of 916 ha). These trees grow slowly and will only start contributing to the output of the factory in their sixth year. We think macadamia trees are a suitable alternative to tea in both Malawi and Zimbabwe and we will replant some of our older tea fields with new macadamia cultivars over the next decade.

Renewable energy electricity generation division
Revenue increased by 64% to £7.8 million as new generating capacity came on stream. Operating profit increased by 110% to £4.0 million (2015: £1.9 million).

Strategic report (continued)

Electricity output increased to 69,876 MWh (2015: 48,050 MWh). This is a KPI measurement for this business unit. The Pungwe C power station, a 3.75MW scheme on the Chitme river of eastern Zimbabwe, was commissioned in the year and brought the total installed capacity to 25MW from 5 different schemes.

The output over the first quarter of 2016 was badly affected by the regional drought. In early March we starting receiving rains in the Pungwe river catchment which in turn we were able to convert into electricity in line with our budgeted output. All our schemes are run of river hydro plants without the capacity to store water. We are therefore dependent on regular rainfall.

All our output is sold into the national grid and our sole offtaker is the state owned electricity utility, Zimbabwe Electricity Transmission and Distribution Company Ltd. Our power purchase agreements require the utility to buy all the electricity we generate. During the year their transmission grid suffered downtime that prevented us despatching 7% of our output (2015: 6%). Improving the reliability of the grid is a major focus for us.

During the year we spent £5.0 million on capital expenditure. The majority of this was spent on the Hauna hydro power station, a 2.3MW scheme on the Ngurara River in the Honde Valley, Eastern Zimbabwe. This scheme has been commissioned in early 2017.

Russian property management division
The Jensen Fund 1 which was raised in 2006 continues to be in a formal wind up process. The St Petersburg property market continues to be very illiquid and accordingly asset disposals have been a lot slower than expected.

Corporate Social Responsibility

Our tea and macadamia businesses are located in rural areas that are characterised by rising populations, declining soil fertility and sub economic farm sizes. There are also relatively low levels of investment by national governments in health and education, resulting in increasing pressure on the few available services. Against this backdrop, we continue to work hard to ensure that the communities in which we operate do benefit from our actions as we seek to establish a sense of common purpose and shared responsibility.

In Mulanje, Malawi we seek to achieve this by encouraging our surrounding farmers to grow tea more efficiently and, wherever suitable, to expand their acreage. Over many years we have been supplying these smallholders with fertilizer and new plants, a programme that in 2016 resulted in an increase in production of 28% over the previous year. All these smallholders are Fairtrade accredited and in 2016 they collectively received £489,000 which is spent on community development projects.

In Zimbabwe we continue to work to improve access to electricity to the local community around the hydro electric power schemes we have constructed in the Honde Valley. Over the year we extended the grid to a further 21 primary and secondary schools which is benefiting 12,000 students.

Financial Review

Profits
The operating profit before interest and tax amounted to £6.75 million (2015: £4.96 million). The profit before tax increased to £4.91 million (2015: £1.46 million).

Earnings per share
Earnings per share (a KPI measurement) amounted to £287.09 (2015: £66.17).

Dividend
The Board is recommending an increase in the dividend for the year ended 31 December 2016 to £36.00 per share (2015: £33.00), at a total cost to the company of £439,000. The Board continues to keep the dividend policy under review in light of the Company's performance and capital requirements.

Change to accounting policies and presentation
The Group has adopted the amendments to International Accounting Standards relating to 'Property, Plant and Equipment' and 'Agriculture' in relation to bearer plants this year. These amendments have resulted in changes in accounting policies and the prior year financial statements have been restated as a result, as detailed in Note 29 to the accounts. Under the amendments, the Group's bearer plants (excluding their produce), comprising mainly of tea bushes, macadamia trees and rose plants, are accounted for in the same way as property, plant and equipment and depreciated over their expected useful lives. Under IAS41 'Agriculture', it is still necessary to fair value the agricultural produce growing on the bearer plants at each balance sheet date.

Due to these amendments, it is no longer considered necessary to present the consolidated income statement with a separate column itemising the various fair value adjustments.

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.

Net cash and borrowings
At 31 December 2016, the Group had net borrowings of £19.04 million (2015: £16.24 million). The increase was due to the appreciation of the US dollar against sterling over the year. The gearing ratio reduced to 47% (2015: 52%). As we continue to develop new hydro-electric power projects, it is expected that the Group's gearing ratio will be maintained around its current level.

The net cash balances in the UK at the year end amounted to £3.49 million (2015: £2.94 million). Net debt held in our overseas subsidiaries increased to £22.53 million (2015: £19.17 million).

The effect of Zimbabwe currency changes on borrowings
In November 2016, the Reserve Bank of Zimbabwe introduced a new surrogate currency, called the bond note dollar, to alleviate the chronic scarcity of US dollars both in circulation and within the domestic banking system. Under Zimbabwe legislation, the bond note dollars trade at parity to the US dollar.

Strategic report (continued)

In December 2016, our hydro-electric power generation holding company in Zimbabwe launched a five-year secured corporate debenture for five million dollars with a coupon of 9% per annum. Only holders of onshore bond note dollar bank deposits were eligible to subscribe and repayment at par in five years will be made in the same form. Subscriptions were received for three million dollars by the year end and the issue was fully subscribed by early 2017. The liability to the debenture holders and the equivalent cash asset have been recognised in the Group's year end net borrowings at an exchange rate of parity with the US dollar, as per current Zimbabwe legislation.

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 plan, valued in accordance with IAS19, recorded an increase in its deficit from £4.09 million at the end of 2015 to £4.62 million at the end of 2016. The deterioration is due mainly to a reduction in the discount rate, based on the yield of high quality corporate debt, from 3.6% to 2.5%, which has served to increase the value placed on the plan's liabilities. This increase in the value of the liabilities has been partially offset by the plan's assets performing better than expected when compared with the assumptions made last year. Full details of the pension plan are contained in Note 22 to the accounts on pages 27 to 29.

Going concern basis

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

A summary of the Group's policies and processes in respect of capital and financial risk management including foreign exchange, interest rate, credit and liquidity risks are included within Note 24 to the accounts.

The Group meets its day-to-day working capital and other funding requirements through a combination of medium term loans and short term overdraft lending. The overseas bank facilities have recently been renewed and the directors are not aware of any reason why these facilities should not be renewed in the future. As a consequence, and after reviewing the current situation, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board has continued to adopt the going concern basis in preparing the Group's annual report and accounts for 2016.

Principal risks and uncertainties

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

The principal risks of the group are:

In Zimbabwe there is an acute foreign exchange crisis, whereby local banks are failing to convert onshore US$ deposits into overseas payments to buy imports and service debts. This crisis has been exacerbated by the Government's introduction, in November 2016, of the bond note dollar and its pegged exchange rate at parity to the US Dollar. In 2017, there is evidence of a parallel market developing which charges a premium on the conversion of bond notes into US Dollars. We expect this risk to remain very material to the Group throughout 2017.

The effect of climate change on the 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.

Fluctuations in the internationally traded tea price, as evidenced by the weekly Mombasa tea auction. These hammer prices are related to the prices we can achieve for our tea sales.

Our Zimbabwe hydro electric power schemes despatch electricity into the Zimbabwe national transmission grid and the sole offtaker is the state owned transmission and distribution utility. We have very limited alternatives in the short term should this counterparty become unreliable.

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 mortality rates and unfavourable movements in economic variables.

By Order of the Board

Margaret Gage
Secretary
3rd Floor
45 Ludgate Hill
London EC4M 7JU
12 April 2017

Directors' report

The directors present their report and audited accounts for the year ended 31 December 2016.

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 subsidiaries comprise agribusinesses and hydro-electric power generation. The information that fulfils the requirements relating to the strategic report can be found on pages 1 to 3 which are incorporated in this report by reference.

Results and dividends
The results for the year are shown in the consolidated income statement on page 6. As a result of changes in accounting policies relating to bearer plants, the prior year financial statements have been restated.

A final dividend in respect of the year ended 31 December 2016 of £36.00 per ordinary share is recommended by the directors for payment on 16 August 2017 to shareholders on the register on 26 July 2017 (2015: £33.00 paid on 17 August 2016). 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 2016 and as at 11 April 2017, 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 2018. 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 2016, the Group employed 14,040 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	48
S.S. Hobhouse	348
M.A. Gage	22
L. Hene	11
S.N. Roditi	9,592
C.E. Ryan	126
D.M. Ryan	24
M.W. Wright	2
J.C Mackintosh was appointed on 1 February 2017	-

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 as auditor of the Company and a separate resolution to give the directors authority to determine their remuneration are to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Margaret Gage
Secretary
3rd Floor
45 Ludgate Hill
London EC4M 7JU
12 April 2017

Consolidated income statement
for the year ended 31 December 2016

	Notes	2016 £000	2015 (Restated) £000
Continuing operations			
Revenue	4	**40,362**	37,547
Cost of sales	4	**(20,482)**	(20,299)
Gross profit		**19,880**	17,248
Distribution costs		**(4,615)**	(4,629)
Administrative expenses		**(8,858)**	(7,808)
Other operating income		**162**	153
Share of associate's results	2	**185**	(6)
Profit from operations		**6,754**	4,958
Finance costs (net)	3	**(1,843)**	(3,502)
Profit before taxation		**4,911**	1,456
Taxation	7	**(1,246)**	(126)
Profit for the year	4	**3,665**	1,330
Profit attributable to:			
Owners of the parent		**3,597**	829
Non-controlling interests		**68**	501
		3,665	1,330

		£	£
Earnings per ordinary share			
- basic and diluted	8	**287.09**	66.17
Dividend per ordinary share	9	**33.00**	33.00

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

Consolidated statement of other comprehensive income
for the year ended 31 December 2016

	Group	
	2016	2015
		(Restated)
	£000	£000
Profit for the year	**3,665**	1,330
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Net actuarial (loss)/gain on defined benefits pension plan	**(470)**	288
Deferred tax on property revaluations	**81**	(91)
	(389)	197
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of net overseas assets	**7,135**	(675)
Other comprehensive income for the year (net of tax)	**6,746**	(478)
Total comprehensive income for the year	**10,411**	852
Attributable to:		
Owners of the parent	**9,787**	178
Non-controlling interests	**624**	674
	10,411	852

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

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

Statement of financial position
at 31 December 2016

	Notes	Group 2016 £000	Group 2015 (Restated) £000	Company 2016 £000	Company 2015 £000
ASSETS					
Non-current assets					
Goodwill	10	**375**	315	**–**	–
Biological assets	11(a)	**277**	250	**–**	–
Property, plant and equipment	12	**68,464**	54,554	**4**	11
Investments:					
- associates	14	**–**	–	**–**	–
- other	14	**135**	114	**36,872**	37,037
		69,251	55,233	**36,876**	37,048
Current assets					
Biological assets	11(b)	**1,491**	1,290	**–**	–
Inventories	15	**5,080**	3,405	**–**	–
Trade and other receivables	16	**6,701**	5,407	**12**	14
Other financial assets	25	**24**	14	**11**	6
Cash and cash equivalents		**9,495**	5,857	**11,568**	10,658
		22,791	15,973	**11,591**	10,678
TOTAL ASSETS		**92,042**	71,206	**48,467**	47,726
LIABILITIES					
Current liabilities					
Interest bearing loans and borrowings	19	**10,844**	8,247	**–**	–
Trade and other payables	20	**7,976**	5,850	**805**	714
Current tax liabilities		**32**	16	**–**	–
		18,852	14,113	**805**	714
Non-current liabilities					
Interest bearing loans and borrowings	19	**17,686**	13,845	**–**	–
Trade and other payables	20	**2,901**	2,205	**–**	–
Deferred tax liabilities	21	**4,393**	2,865	**–**	–
Defined pension plan deficit	22	**4,618**	4,092	**4,618**	4,092
		29,598	23,007	**4,618**	4,092
TOTAL LIABILITIES		**48,450**	37,120	**5,423**	4,806
NET ASSETS		**43,592**	34,086	**43,044**	42,920
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		**7,657**	(1,717)	**10,273**	10,149
Equity attributable to owners of the parent		**40,428**	31,054	**43,044**	42,920
Non-controlling interests		**3,164**	3,032	**–**	–
TOTAL EQUITY		**43,592**	34,086	**43,044**	42,920

The Company's registered number is 01338135.

The notes on pages 12 to 36 form part of these accounts. The accounts were approved and authorised for issue by the Board on 12 April 2017 and were signed on its behalf by:

Directors
R.L. Pennant-Rea M.A. Gage

Statement of cash flows
for the year ended 31 December 2016

	Notes	Group 2016 £000	Group 2015 (Restated) £000	Company 2016 £000	Company 2015 £000
Operating activities					
Profit before tax		**4,911**	1,456	**1,007**	660
Adjustments to reconcile profit before tax to net cash flows					
Non-cash:					
Depreciation of property, plant and equipment		**3,113**	2,656	**7**	13
Loss/(profit) on disposal of property, plant and equipment		**11**	(11)	**–**	–
Retirement benefit costs		**(89)**	(106)	**(89)**	(106)
Net finance costs		**1,843**	3,502	**78**	165
Fair value adjustments		**(319)**	(315)	**(5)**	254
Share of net (profit)/loss of associate		**(185)**	6	**–**	–
Working capital adjustments:					
Decrease in biological assets		**136**	434	**–**	–
(Increase)/decrease in inventories		**(1,675)**	1,965	**–**	–
(Increase)/decrease in trade and other receivables		**(657)**	1,142	**2**	
Increase/(decrease) in trade and other payables		**1,851**	(650)	**91**	102
Exchange difference on working capital		**570**	(1,400)	**–**	–
Overseas tax paid		**(225)**	(250)	**–**	–
Net cash from operating activities		**9,285**	8,429	**1,091**	1,088
Cash flows from investing activities					
Purchase of property, plant and equipment		**(6,414)**	(7,461)	**–**	–
Acquisition of subsidiary, net of cash acquired		**58**	–	**–**	–
Proceeds from disposal of property, plant and equipment		**–**	34	**–**	–
Interest and finance income received		**397**	3	**71**	2
Receipts from/(additions to) investments		**185**	236	**165**	(561)
Net cash from investing activities		**(5,774)**	(7,188)	**236**	(559)
Cash flows from financing activities					
Proceeds from loans and borrowings		**5,260**	2,554	**–**	–
Repayment of loans		**(810)**	(1,127)	**–**	–
Repayment of loans from related parties (net)		**(2,831)**	(342)	**–**	–
Interest and finance costs paid		**(2,100)**	(3,105)	**(4)**	(21)
Dividends paid to equity holders of the parent		**(413)**	(413)	**(413)**	(413)
Dividends and other payments to non-controlling interests		**(492)**	(571)	**–**	–
Net cash from financing activities		**(1,386)**	(3,004)	**(417)**	(434)
Net increase/(decrease) in cash and cash equivalents		**2,125**	(1,763)	**910**	95
Cash and cash equivalents at beginning of period		**3,349**	4,358	**10,658**	10,563
Effects of exchange rate changes on cash and cash equivalents		**505**	754	**–**	–
Cash and cash equivalents at end of period		**5,979**	3,349	**11,568**	10,658
Cash and cash equivalents comprise:					
Cash	23	**9,495**	5,857	**11,568**	10,658
Overdrafts	23	**(3,516)**	(2,508)	**–**	–
Cash and cash equivalents	23	**5,979**	3,349	**11,568**	10,658
Interest bearing loans and borrowings due within one year		**(10,844)**	(8,247)	**–**	–
Less: short term debt (other than overdrafts)		**7,328**	5,739	**–**	–
Overdrafts	23	**(3,516)**	(2,508)	**–**	–

The notes on pages 12 to 36 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 (Restated) £000	Total controlling interests (Restated) £000	Non-controlling interests (Restated) £000	Total equity (Restated) £000
Balance at 1 January 2015	31,323	1,448	(1,482)	31,289	2,929	34,218
Profit for the year	–	–	829	829	501	1,330
Other comprehensive income:						
Exchange differences on translation of net overseas assets	–	–	(848)	(848)	173	(675)
Net actuarial gain on defined benefit pension plan	–	–	288	288	–	288
Deferred tax on property revaluations	–	–	(91)	(91)	–	(91)
Total comprehensive income for the year	–	–	178	178	674	852
Dividend paid (note 9)	–	–	(413)	(413)	–	(413)
Transactions with owners	–	–	(235)	(235)	674	439
Dividend paid to non-controlling interests	–	–	–	–	(571)	(571)
Balance at 31 December 2015	31,323	1,448	(1,717)	31,054	3,032	34,086
Profit for the year	–	–	**3,597**	**3,597**	**68**	**3,665**
Other comprehensive income:						
Exchange differences on translation of net overseas assets	–	–	**6,579**	**6,579**	**556**	**7,135**
Net actuarial loss on defined benefit pension plan	–	–	**(470)**	**(470)**	–	**(470)**
Deferred tax on property revaluations	–	–	**81**	**81**	–	**81**
Total comprehensive income for the year	–	–	**9,787**	**9,787**	**624**	**10,411**
Dividend paid (note 9)	–	–	**(413)**	**(413)**	–	**(413)**
Transactions with owners	–	–	**9,374**	**9,374**	**624**	**9,998**
Dividend paid to non-controlling interests	–	–	–	–	**(492)**	**(492)**
Balance at 31 December 2016	***31,323***	***1,448***	***7,657***	***40,428***	***3,164***	***43,592***

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

Statement of changes in equity – Company

	Attributable to owners				
	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Total Equity £000
Balance at 1 January 2015	31,323	425	1,023	9,614	42,385
Profit for the year	–	–	–	660	660
Net actuarial gain on defined benefit 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
Profit for the year	–	–	–	**1,007**	**1,007**
Net actuarial loss on defined benefit pension plan	–	–	–	**(470)**	**(470)**
Total comprehensive income for the year	–	–	–	**537**	**537**
Dividend paid (note 9)	–	–	–	**(413)**	**(413)**
Balance at 31 December 2016	**31,323**	**425**	**1,023**	**10,273**	**43,044**

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

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

Notes to the accounts

General information
The consolidated financial statements of PGI Group Limited for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 12 April 2017. 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 certain biological assets, which have been measured at fair value less costs to sell, freehold land and buildings which have been measured at their depreciated replacement cost and certain financial assets and liabilities, which have been measured at fair value. The financial statements have also been prepared on the going concern basis as set out in the Strategic Report on pages 1 to 3 to the accounts.

The consolidated and company financial statements are presented in 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
The Group has applied the amendments made to IAS16 and IAS41 in relation to bearer plants. The resulting changes to the accounting policies and retrospective adjustments made to the financial statements are explained in Note 29 to these accounts.

No other new standards and amendments to standards and interpretations, effective for annual periods beginning on or after 1 January 2016, 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
The Group has adopted the amendments made to IAS16 Property, Plant and Equipment and IAS 41 Agriculture in relation to bearer plants this year. The amendments to these standards distinguish bearer plants from other biological assets. Bearer plants are solely used to grow produce over their productive lives and are seen to be similar to an item of machinery. The Group's tea bushes, macadamia trees and rose plants qualify as bearer plants and will be accounted for under IAS16 as they no longer fall within the scope of IAS41. However, agricultural produce growing on bearer plants will remain within the scope of IAS41 and will continue to be measured at fair value less costs to sell.

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

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

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

Assets under construction are not depreciated until commissioned.

The Group's tea bushes, macadamia trees and rose plants qualify as bearer plants under the new definition in IAS41. As a consequence, the Group's tea bushes, macadamia trees and rose plants were reclassified to property, plant and equipment effective 1 January 2015 and comparative figures have been restated accordingly as required under IAS8. Bearer plants are now measured at amortised cost and depreciated over their useful lives. As permitted under transitional rules, the fair values of the bushes, trees and plants at 1 January 2015 were deemed to be their cost going forward.

Notes to the accounts (continued)

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

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

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

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

Other investments
Other investments are stated at cost or fair value.

Fair value measurement
Fair value measurements are classified in the accounts using the following levels:
Level 1 uses quoted prices in active markets for identical assets
Level 2 uses inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3 uses inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

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

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

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

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

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

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

Borrowings
All loans and borrowings are initially recognised at fair value 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 2016.

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 2016, 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.

Notes to the accounts (continued)

2. Share of associate's results

	2016 £000	2015 £000
The Group's share of the results of its associated company comprises:		
Profit from operations	**187**	197
Impairment provision against investment in Russian property Fund	**(2)**	(203)
Taxation on profit from operations	**-**	-
Profit/(loss) after taxation	**185**	(6)

The share of associate's results relate to a 20% interest in K2 Management Ltd (2015: 20%), which is part of the Jensen Group. K2 has invested in the Russian property fund, which it manages. An impairment provision of £2,000 has been made in the year (2015: £203,000) against the cost of its investment in the property fund.

3. Finance income and costs

	2016 £000	2015 £000
Finance income comprises:		
Bank and other interest receivable	**4**	3
Foreign exchange profit on financing activities	**393**	-
	397	3
Finance costs comprise:		
On amounts wholly repayable within 5 years:		
Bank	**2,161**	1,814
Foreign exchange (profit)/loss on financing activities	**(61)**	1,291
Fair value (profit)/loss on derivatives	**(5)**	254
	2,095	3,359
Imputed interest on pension plan liabilities (net)	**145**	146
	2,240	3,505

4. Revenue and profit for the year

	2016 £000	2015 (Restated) £000
Analysis of the Group's revenue:		
Sale of agribusiness produce	**32,118**	32,391
Hydro-electric power generation	**7,709**	4,689
Property management income	**535**	467
	40,362	37,547
Profit for the year is stated after charging/(crediting):		
Cost of inventories recognised as expense	**20,482**	20,299
Depreciation of property, plant and equipment	**3,113**	2,655
Loss/(profit) on disposal of property, plant and equipment	**11**	(11)
Operating lease payments	**43**	43
Rents received	**(16)**	(5)
Gain on acquisition of subsidiary	**(7)**	-
Net foreign exchange gains	**(28)**	(688)
Fair value adjustments:		
Biological assets	**(316)**	(315)
Financial assets	**(3)**	-

Notes to the accounts (continued)

5. Auditor's remuneration

	2016 £000	2015 £000
The analysis of the auditor's remuneration is:		
Audit services		
Statutory audit of the Company and the group accounts	**76**	74
Other services		
Statutory audit of the accounts of the Company's subsidiaries pursuant to legislation	**–**	11
Company secretarial	**–**	3
Tax compliance	**–**	6
	76	94

These fees relate to fees paid to RSM UK Audit LLP and its associates. Fees paid to other auditors not associated with RSM UK Audit LLP in respect of the audit of the Company's subsidiaries amounted to £104,000 (2015: £90,000).

6. Employees

	2016	2015
Average numbers employed in:		
Agribusinesses including seasonal workers	**13,966**	13,553
Hydro electric power generation	**71**	80
Investment property management companies	**–**	1
Head office	**3**	3
	14,040	13,637

	2016 £000	2015 £000
Staff costs:		
Wages and salaries	**11,361**	9,623
Social security	**322**	269
Other pension costs	**99**	99
	11,782	9,991

7. Taxation

a) Analysis of charge for the year

	2016 £000	2015 (Restated) £000
Current taxation:		
UK corporation tax	**–**	–
Double taxation relief	**–**	–
	–	–
Foreign tax:		
Current tax on income for the period	**149**	157
Adjustment in respect of prior periods	**–**	(25)
Withholding tax	**120**	–
	269	132
Deferred taxation:		
Origination and reversal of temporary differences	**808**	(293)
Adjustment in respect of prior periods	**169**	287
	977	(6)
Total tax expense reported in the income statement	**1,246**	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% (2015: 20.25%):

	2016	2015 (Restated)
	£000	£000
Profit before tax	**4,911**	1,456
Profit before tax multiplied by the effective rate of corporation tax in the UK of 20% (2015: 20.25%)	**982**	295
Effects of:		
Items not chargeable for tax purposes	**68**	55
Net decrease in tax losses	**(20)**	(100)
Different tax rates on overseas earnings	**14**	(394)
Adjustment in respect of prior years	**169**	262
Exchange differences	**33**	8
Total tax expense reported in the income statement	**1,246**	126

c) Tax effects relating to other comprehensive income

	2016			2015		
	Before tax amount	**Tax expense**	**Net of tax amount**	Before tax amount (Restated)	Tax Expense	Net of tax amount (Restated)
	£000	**£000**	**£000**	£000	£000	£000
Exchange differences on translation of net overseas assets	**6,579**	**–**	**6,579**	(848)	–	(848)
Revaluation of property	**–**	**81**	**81**	–	(91)	(91)
Net actuarial (loss)/gain on defined benefit pension plan	**(470)**	**–**	**(470)**	288	–	288
	6,109	**81**	**6,190**	(560)	(91)	(651)

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.

	2016	2015
Weighted average number of ordinary shares in issue	**12,529**	12,529

	2016	2015 (Restated)
	£000	£000
Profit attributable to owners of the parent:	**3,597**	829

	£	£
Basic and diluted earnings per ordinary share	**287.09**	66.17

Notes to the accounts (continued)

9. Dividends

	2016	2015
	£000	£000
Amounts recognised as distributions to owners of the parent in the year:		
Dividend for the year ended 31 December 2015 of £33.00 (2014: £33.00) per share	**413**	413

A dividend for the year ended 31 December 2016 of £36.00 per share has been recommended by the directors for payment on 16 August 2017.

10. Goodwill

	2016	2015
	£000	£000
Goodwill arising on the acquisition of:		
Khal Amazi Ltd	**375**	315
The movement on goodwill during the year comprises:		
Opening balance	**315**	298
Exchange differences	**60**	17
Closing balance	**375**	315

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 2016 whereby its recoverable amount has been determined based on value-in-use calculations. This requires the Group to make various estimates, assumptions and judgements, which have been based on historical experience and other factors, including reasonable expectations of future events. The resultant estimates will differ from actual results.

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

Khal Amazi's recoverable amount, based on value-in-use calculations, exceeded its carrying value by £0.1 million (2015: £0.1 million), indicating that no impairment charge was necessary for the year ended 31 December 2016 (2015: £nil). A key assumption used in the value-in-use calculations is the exchange rate between the Euro and US dollar. The forecasts have been based on current rates of exchange.

Notes to the accounts (continued)

11. Biological assets

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

			2016			2015
		Agricultural			Agricultural	(Restated)
	Livestock	produce	Total	Livestock	produce	Total
	£000	£000	£000	£000	£000	£000
Opening balance at 1 January	**250**	**1,290**	**1,540**	234	1,411	1,645
Exchange differences	**48**	**255**	**303**	13	(278)	(265)
Increase due to purchases	–	**1,155**	**1,155**	–	978	978
Change in fair value due to biological transformation	**(21)**	**337**	**316**	3	312	315
Decrease due to harvest	–	**(1,546)**	**(1,546)**	–	(1,133)	(1,133)
Closing balance at 31 December	**277**	**1,491**	**1,768**	250	1,290	1,540
a) Non-current assets:						
Livestock	**277**	–	**277**	250	–	250
b) Current assets:						
Agricultural produce	–	**1,491**	**1,491**	–	1,290	1,290

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

The fair value of growing green tea leaf, macadamias-in-husk and rose buds have been determined using models based on expected yields, market prices for the saleable produce, after allowing for harvesting costs and other costs yet to be incurred in getting the produce to maturity. The fair value of the agricultural produce has been measured using valuation Level 3, whereby inputs for the asset are not based on observable market data. This requires the Group to make various estimates and judgements, which have been based on historical experience and other factors, including the volume and stages of maturity at the balance sheet date, yields and market prices. The year end fair value amounted to £1.49 million (2015: £1.29 million). The livestock has been measured at fair value using valuation Level 2, whereby inputs other than quoted prices that are observable for the asset are used. There were no transfers between any levels during the year.

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

	2016	2015
	Hectares	Hectares
Tea	**4,921**	4,926
Macadamia	**916**	803
Roses	**64**	64

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

Notes to the accounts (continued)

12. Property, plant and equipment

	Group						Company
				Hydro-electric			
		Land and buildings		power	Plant		Plant
	Bearer		Long	plant and	equipment		equipment
	plants	Freehold	leasehold	equipment	and vehicles	Total	and vehicles
	£000	£000	£000	£000	£000	£000	£000
Year ended 31 December 2016							
Opening cost or valuation	13,934	2,478	2,849	33,599	14,470	67,330	60
Exchange differences	2,727	127	549	6,491	2,792	12,686	-
Additions	590	53	45	4,923	803	6,414	-
Acquisition of subsidiary	-	-	-	-	1,232	1,232	-
Disposals	-	-	-	(24)	(237)	(261)	-
Closing cost or valuation	17,251	2,658	3,443	44,989	19,060	87,401	60
At directors' valuation	-	2,658	-	-	-	2,658	-
At cost	17,251	-	3,443	44,989	19,060	84,743	60
Opening accumulated depreciation	702	631	501	1,621	9,321	12,776	49
Exchange differences	137	17	95	313	1,791	2,353	-
Charge for the year	866	16	14	1,086	1,131	3,113	7
Acquisition of subsidiary	-	-	-	-	944	944	-
Disposals	-	-	-	(13)	(236)	(249)	-
Closing accumulated depreciation	1,705	664	610	3,007	12,951	18,937	56
Net book value	15,546	1,994	2,833	41,982	6,109	68,464	4
Historical cost							
Cost	17,251	1,711	3,443	44,989	19,060	86,454	60
Accumulated depreciation	1,705	198	610	3,007	12,951	18,471	56
	15,546	1,513	2,833	41,982	6,109	67,983	4

Immature bearer plants of £652,000 were reclassified as mature in 2016. Immature bearer plants at the year end amounted to £3,093,000

At the year end £4,371,000 (2015: £4,099,000) 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 £nil (2015: £82,000).

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

	Net book value	
	2016	2015 (Restated)
	£000	£000
	28,051	21,590

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 (continued)

	Group						Company
				Hydro-electric			
	Bearer plants (Restated)	Land and buildings Freehold	Long leasehold	power plant and equipment	Plant equipment and vehicles	Total	Plant equipment and vehicles
	£000	£000	£000	£000	£000	£000	£000
Year ended 31 December 2015							
Opening cost or valuation	15,425	2,646	6,049	26,207	11,592	61,919	60
Exchange differences	(2,133)	(216)	352	1,525	(1,099)	(1,571)	-
Additions	642	48	42	5,811	918	7,461	-
Disposals	-	-	-	(6)	(473)	(479)	-
Reclassification	-	-	(3,594)	62	3,532	-	-
Closing cost or valuation	13,934	2,478	2,849	33,599	14,470	67,330	60
At directors' valuation	-	2,478	-	-	-	2,478	-
At cost	13,934	-	2,849	33,599	14,470	64,852	60
Opening accumulated depreciation	-	643	3,824	802	5,327	10,596	36
Exchange differences	-	(26)	221	46	(261)	(20)	-
Charge for the year	702	14	45	776	1,119	2,656	13
Disposals	-	-	-	(3)	(453)	(456)	-
Reclassification	-	-	(3,589)	-	3,589	-	-
Closing accumulated depreciation	702	631	501	1,621	9,321	12,776	49
Net book value	13,232	1,847	2,348	31,978	5,149	54,554	11
Historical cost							
Cost	13,934	1,659	2,849	33,599	14,470	66,511	60
Accumulated depreciation	702	181	501	1,621	9,321	12,326	49
	13,232	1,478	2,348	31,978	5,149	54,185	11

Immature bearer plants of £291,000 were reclassified as mature in 2015. Immature bearer plants at the year end amounted to £2,711,000

13. Capital and operating lease commitments

The Group had no commitments for capital expenditure contracted for, but not provided at 31 December 2016 (2015: £nil). Replanting and estate development costs, which are incurred on an ongoing basis, are excluded from capital commitments.

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

	Land and buildings	
	2016	2015
	£000	£000
Not later than one year	**26**	48
Later than one year and not later than five years	–	26

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 2016, the share of the associate's results relate to a 20% interest in K2 Management Ltd, which is part of the Jensen Group.

	Other unlisted investments		Associates	
	2016	2015	**2016**	2015
Group	**£000**	£000	**£000**	£000
Analysis of movement during the year:				
At beginning of year	**114**	108	**–**	236
Share of results (Note 2)	**–**	–	**185**	(6)
Dividends paid	**–**	–	**(187)**	(238)
Addition to associate	**–**	–	**2**	2
Exchange differences	**21**	6	**–**	6
At end of year	**135**	114	**–**	–

Other unlisted investments are recognised at cost in the balance sheet at £135,000 (2015: £114,000).

	Associates	
	2016	2015
Share of the associate's balance sheet:	**£000**	£000
Non-current assets	**–**	38
Current assets	**100**	22
Current liabilities	**(100)**	(60)
Carrying amount of investment	**–**	–
Share of the associate's revenue and profits:		
Continuing operations		
Revenue	**347**	306
Share of profit/(loss) after tax (Note 2)	**185**	(6)

	Subsidiary undertakings		
	Shares	Loans	Total
Company	£000	£000	£000
At 1 January 2015	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**
Decrease	**–**	**(165)**	**(165)**
At 31 December 2016	**31,308**	**5,564**	**36,872**

Management charges made by the Company to group subsidiaries amounted to £96,000 (2015: £1,020,000).

Subsidiary undertakings
All subsidiary undertakings are listed on page 36 and operate principally in their country of incorporation. All the holdings in the operating entities are held through subsidiary undertakings.

Business combination - acquisition of Hydro Power Contractors (Private) Limited
On 31 December 2016, the Group acquired 100% of the share capital of Hydro Power Contractors (Private) Limited, a Zimbabwe hydro-electric power construction company, as a result of the waiver of pre-emption rights by the shareholder on an issue of shares by the acquired business. No purchase consideration was payable for the acquisition. The total identifiable net assets acquired amounted to £7,000. There were no acquisition-related costs. The acquired business did not contribute any revenue, or profits or losses to the Group from the date of acquisition. Neither would the acquired business have contributed to the Group's revenues, or its profit, had the acquisition occurred on 1 January 2016.

Notes to the accounts (continued)

14. Investments (continued)

Net assets of Hydro Power Contractors (Private) Ltd acquired on 31 December 2016:

	2016
	£000
Fair value and carrying value of net assets acquired:	
Property, plant and equipment	**288**
Trade and other receivables	**636**
Current tax	**23**
Trade and other payables	**(971)**
Deferred tax	**(35)**
Cash and cash equivalents	**66**
Total identifiable net assets	**7**
Gain on acquisition of subsidiary	**(7)**
Cash outflow on acquisition	**-**

There were no acquisitions in the year ended 31 December 2015.

15. *Inventories*

	2016	2015
	£000	£000
Produce	**2,087**	1,128
Raw material	**2,993**	2,277
	5,080	3,405

16. Trade and other receivables

	Group		**Company**	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Due within one year:				
Trade receivables	**2,943**	1,696	**–**	–
Other receivables	**3,471**	*3,357*	**8**	*10*
Prepayments and accrued income	**287**	354	**4**	4
	6,701	5,407	**12**	14

There is no fixed repayment date on £326,000 (2015: £273,000) of the Other receivables. Included in Other receivables is £2,225,000 (2015: £2,725,000), which relates to VAT reclaimable in some of the Zimbabwe hydro-electric power companies and the Malawi tea business. These amounts are being offset against future output tax and other local taxes as they fall 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 2016, 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 £728,000 (2015: £521,000). The increase mainly relates to a provision against the Other receivables, which have no fixed repayment date.

Movement in provision for doubtful receivables:

	2016	*2015*
	£000	£000
At 1 January	**521**	173
Increase in provision for doubtful receivables	**106**	340
Exchange differences	**101**	8
At 31 December	**728**	521

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

		Neither	Past due but not impaired		
		past due	less than		more than
	Total	nor impaired	3 months	3 – 6 months	6 months
	£000	£000	£000	£000	£000
2016	**2,943**	**2,816**	**102**	**25**	**–**
2015	1,696	1,387	309	–	–

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 2016 and 2015	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 pages 10 and 11. Distributions to owners of the parent may not be made from either the Company's share premium account or its capital redemption reserve, both of which are statutory non-distributable reserves.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. This reserve is included in the accompanying consolidated statement of changes in equity within retained earnings. The movement on this reserve for the years ended 31 December 2016 and 2015 is as follows:

	Retained Earnings (Restated) £000
Exchange differences on translation of net overseas assets:	
Opening balance 1 January 2015	(19,709)
Movement for the year	*(848)*
At 31 December 2015	**(20,557)**
Movement for the year	**6,579**
At 31 December 2016	**(13,978)**

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 2016 was £292,000 (2015 (restated): loss £14,000). Of the non-controlling interest at 31 December 2016 amounting to £3,164,000 (2015 (restated): £3,032,000), disclosed on page 10, £2,239,000 (2015 (restated): £2,146,000) relates to the non-controlling interest in Khal Amazi Ltd. No dividends were paid by Khal Amazi Ltd in the year under review (2015: £nil). Its decrease in cash and cash equivalents for the year ended 31 December 2016 amounted to £260,000 (2015: increase £432,000). Its net assets at the year ended 31 December 2016, before inter-company eliminations, were £9,942,000 (2015 (restated): £9,305,000).

19. Interest bearing loans and borrowings

		Group 2016 £000	Group 2015 £000
Debentures, bank loans and overdrafts – secured	(i)	**28,530**	22,092
Debentures, bank loans and overdrafts are repayable:			
Within one year		**10,844**	8,247
Between one and two years		**5,049**	3,835
Between two and five years		**12,164**	8,178
After five years		**473**	1,832
		28,530	22,092
Due within one year		**10,844**	8,247
Due after more than one year		**17,686**	13,845
		28,530	22,092

There are no interest bearing loans and borrowings in the Company.

(i) Debentures, bank loans and overdrafts are secured by floating charges over certain assets of the Group, 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 (2015:£10.9 million).

(ii) In December 2016, a five year secured corporate debenture was launched in Zimbabwe for five million dollars with a coupon of 9% per annum. Subscriptions were received for three million dollars (£2,428,000) by the year end. The debenture has been recognised in the accounts at an exchange rate of parity with the US dollar, as per current Zimbabwe legislation.

Notes to the accounts (continued)

20. Trade and other payables

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Due within one year				
Trade payables	**2,711**	2,273	**16**	6
Other taxation and social security	**37**	49	**29**	29
Accruals and deferred income	**2,950**	2,523	**751**	670
Other payables	**2,278**	1,005	**9**	9
	7,976	5,850	**805**	714
Due after one year				
Trade payables	**1,122**	1,044	**-**	–
Accruals and deferred income	**80**	41	**-**	–
Other payables	**1,699**	1,120	**-**	–
	2,901	2,205	**–**	–

21. Provisions for deferred tax liabilities

The Group's provision for deferred tax comprises:

	2016	2015
		(Restated)
	£000	£000
Accelerated tax depreciation	**8,958**	5,357
Unrealised foreign exchange differences	**(540)**	(587)
Other temporary differences	**349**	342
Tax losses	**(4,746)**	(2,629)
Provision for deferred tax on temporary differences	**4,021**	2,483
Potential tax due on property revaluations and fair value adjustments (net)	**372**	382
Total provision for deferred tax	**4,393**	2,865

The movement in the provision for deferred tax was:		
At 1 January	**2,865**	3,658
Deferred tax charge in income statement (Note 7a)		
Current year from continuing operations	**808**	(293)
Prior year adjustment	**169**	287
	977	(6)
Changes in potential tax on property revaluations charged to:		
Retained earnings	**(81)**	91
	(81)	91
Acquisition of subsidiary	**35**	–
Exchange differences	**597**	(878)
At 31 December	**4,393**	2,865

There are losses arising in the UK of approximately £0.6 million (2015: £1.2 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 (2015: £19.2 million) which are available to offset against future capital gains arising in the UK. The total potential deferred tax asset of £4.0 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 £1.4 million (2015: £1.2 million). The potential deferred tax asset at 31 December 2016 of £0.4 million (2015: £0.3 million) has not been recognised as there is insufficient evidence of future profits against which this asset could be utilised.

Notes to the accounts (continued)

22. Retirement benefit liabilities

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

	2016 £000	2015 £000
PGI Group Pension Plan	**4,618**	4,092

The Group operates a funded defined benefit pension plan in the United Kingdom, the PGI Group Pension Plan, which was closed to future accrual for active members from 1 October 2011. The plan is subject to the funding legislation, which came into force on 30 December 2005, as set out in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK. Total contributions to the plan amounted to £169,000 (2015: £182,000). The Group incurred other pension costs of £99,000 (2015: £99,000) for certain employees in respect of defined contribution plans.

The total membership of the plan at 31 December 2016 was 458 members (2015: 486 members), analysed as follows:

	Deferred pensioners Number	Pensioners in payment Number	Total Number
Males	143	200	343
Females	33	82	115
Total	176	282	458

The total pensions paid during the year ended 31 December 2016 amounted to £810,000 (2015: £815,000). In 2016 a trivial commutation exercise was undertaken, administered by the Plan's actuaries. Twenty-one members commuted their pensions in full and ceased to be members of the Plan, at a cost of £141,000. A summary of the unaudited financial statements of the scheme for 2016 and the audited financial statements of the previous year is shown below:

	2016 £000	2015 £000
Employer's contributions	**169**	182
Benefits payable:		
Pensions	**(810)**	(815)
Commutation and lump sum benefits	**(84)**	(198)
Trivial commutation exercise	**(141)**	(297)
	(1,035)	(1,310)
Administration expenses	**(80)**	(76)
Net return on investments	**2,292**	366
Net increase/(decrease) in the fund	**1,346**	(838)
Net assets at 1 January	**12,602**	13,440
Net assets at 31 December	**13,948**	12,602

Net assets statement at 31 December:

	2016		2015	
	£000	% of total	£000	% of total
Investments				
Managed equity funds:				
Aquila Life UK Equity Index fund	**7,321**	**52**	6,766	54
Aquila Life European Equity Index fund	**1,208**	**9**	1,049	8
Aquila Life US Equity Index fund	**1,395**	**10**	1,083	8
Aquila Life Overseas Fixed Bench Equity fund	**2,610**	**19**	2,267	18
Managed gilt and corporate bond funds:				
Aquila Life Corporate Bond 5 to 15 years fund	**1,334**	**9**	1,377	11
	13,868	**99**	12,542	99
Net current assets:				
Cash deposits	**145**	**1**	119	1
Accruals	**(65)**	**–**	(59)	–
Total net assets	**13,948**	**100**	12,602	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 2016, 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

	2016	2015
	£000	£000
Defined benefit obligation at start of year	**16,694**	17,780
Current service cost	**80**	76
Interest cost	**582**	582
Actuarial gains	**2,324**	(358)
Benefits paid and expenses	**(1,114)**	(1,386)
Defined benefit obligation at end of year	**18,566**	16,694

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

	2016	2015
	£000	£000
Fair value of assets at start of year	**12,602**	13,440
Expected return on assets	**437**	436
Actuarial losses	**1,854**	(70)
Contributions by employer	**169**	182
Benefits paid and expenses	**(1,114)**	(1,386)
Fair value of assets at end of year	**13,948**	12,602

The charge to the income statement comprises:

	2016	2015
	£000	£000
Current service charge	**(80)**	(76)
Other finance charges:		
Interest on pension plan liabilities	**(582)**	(582)
Expected return on pension plan assets	**437**	436
Other finance charges	**(145)**	(146)
Total pension cost recognised in the income statement	**(225)**	(222)

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

	2016	2015
	£000	£000
Present value of defined benefit obligation	**(18,566)**	(16,694)
Fair value of plan assets	**13,948**	12,602
Deficit in plan recognised in the balance sheet	**(4,618)**	(4,092)

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:

	2016	2015	2014	2013	2012
	£000	£000	£000	£000	£000
Fair values					
Equities	**12,534**	11,165	11,775	9,804	7,903
Bonds	**1,334**	1,377	1,596	3,655	5,081
Cash and other net assets	**80**	60	69	108	132
Present value of plan	**13,948**	12,602	13,440	13,567	13,116
Liabilities	**(18,566)**	(16,694)	(17,780)	(19,049)	(19,651)
Plan deficit	**(4,618)**	(4,092)	(4,340)	(5,482)	(6,535)
Percentage funding	**75.1%**	75.5%	75.6%	71.2%	66.7%
Contribution rate	–	–	–	–	–
Contribution towards plan's administration expenses	**£76,000**	£89,000	£77,000	£94,000	£82,000
Additional contributions	**£93,500**	£93,500	£320,000	£320,000	£320,000

The best estimate of contributions to be paid to the plan for the year ending 31 December 2017 is £173,224.

Actual return on plan assets
The actual return on the plan assets over the year ending 31 December 2016 was £2,292,000 (2015: return of £366,000).

Major assumptions

	2016	2015
	% per annum	% per annum
Inflation	**3.30**	2.90
Discount rate	**2.50**	3.60
Pensions in payment increases	**3.30**	2.90
Revaluation rate for deferred pensioners	**3.30**	2.90

The discount rate is a key assumption in the valuation of the Plan's liabilities which may, within limits, take a range of values. The results quoted are based on a discount rate of 2.50% 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 £590,000 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 2016 imply the following future life expectations at age 65:

	2016	2015
	Years	Years
Male currently aged 45	**19.9**	19.9
Female currently aged 45	**23.8**	23.8
Male currently aged 65	**18.5**	18.5
Female currently aged 65	**22.2**	22.2

Movement in the plan deficit during the year

	2016	2015
	£000	£000
Deficit at 1 January	**(4,092)**	(4,340)
Pension expenses recognised in the income statement:	**(225)**	(222)
Amounts recognised in other comprehensive income	**(470)**	288
Contributions by employer	**169**	182
Deficit at 31 December	**(4,618)**	(4,092)

The actuarial (loss)/gain recognised in other comprehensive income comprises:

	2016	2015
	£000	£000
Experience adjustment on plan assets	**1,854**	(70)
Experience adjustment on plan liabilities	**140**	39
Effect of change in assumptions	**(2,464)**	319
	(470)	288

Notes to the accounts (continued)

23. Consolidated cash flow statement

Analysis of net debt:

	Opening balance 2016 £000	Cash Flow £000	Transfers £000	Exchange movement £000	**Closing balance 2016 £000**
Cash	**5,857**	2,635	–	1,003	**9,495**
Overdrafts	**(2,508)**	(510)	–	(498)	**(3,516)**
Cash and cash equivalents	**3,349**	2,125	–	505	**5,979**
Debt due within one year	**(5,739)**	3,169	(3,631)	(1,127)	**(7,328)**
Debt due after more than one year	**(13,845)**	(4,788)	3,631	(2,684)	**(17,686)**
	(16,235)	506	–	(3,306)	**(19,035)**

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 2016 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 2016 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)

	2016				2015			
Group	**US$ £000**	**Euro £000**	**Other £000**	**Total £000**	US$ £000	Euro £000	Other £000	Total £000
Functional currency of operations								
Malawi: US dollar (2015: Kwacha)	**–**	**–**	**(629)**	**(629)**	(7,430)	–	(24)	(7,454)
UK: Pound sterling	**1,183**	**–**	**–**	**1,183**	1,109	–	–	1,109
Zambia: US dollar	**–**	**1,311**	**874**	**2,185**	–	793	1,175	1,968
	1,183	**1,311**	**245**	**2,739**	(6,321)	793	1,151	(4,377)

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
2016	**+ 10%**	**(108)**	**(119)**	**38**	**(189)**
	– 10%	**118**	**131**	**(42)**	**207**
2015	+ 10%	574	(72)	2	504
	– 10%	(633)	79	(2)	(556)

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 2016 and 2015 were:

	Floating rate £000	Fixed rate £000	Total £000	Weighted average of Fixed rate debt interest rate %	Weighted average of Fixed rate debt period years
2016					
US dollar	**24,527**	**3,716**	**28,243**	**11**	**4.1**
Malawi kwacha	**287**	**-**	**287**		
	24,814	**3,716**	**28,530**		
2015					
US dollar	20,010	1,519	21,529	13	3.4
Malawi kwacha	563	–	563		
	20,573	1,519	22,092		

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 2016, with all other variables held constant.

	Basis points increase/ decrease	Effect on profit before tax £000
2016		
US Dollar	± 100	± 245
Malawi kwacha	± 100	± 3
2015		
US dollar	± 100	± 200
Malawi kwacha	± 100	± 6

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 16.

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 2016 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 2016					
Interest bearing loans and borrowings	**10,844**	**5,049**	**12,164**	**473**	**28,530**
Other liabilities	**5,265**	**2,743**	**-**	**-**	**8,008**
Trade and other payables	**2,711**	**158**	**-**	**-**	**2,869**
	18,820	**7,950**	**12,164**	**473**	**39,407**
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

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 2016 and 31 December 2015.

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.

	2016 **£000**	2015 (Restated) £000
Interest bearing loans and borrowings	**28,530**	22,092
Less: cash and short term deposits	**(9,495)**	(5,857)
Net debt	**19,035**	16,235
Equity attributable to equity holders of the parent	**40,428**	31,054
Gearing ratio	**47.1%**	52.3%

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	
	2016	2015	**2016**	2015
Categories of financial instruments	**£000**	£000	**£000**	£000
Financial assets				
Trade and other receivables	**6,701**	5,053	**12**	10
Cash and cash equivalents	**9,495**	5,857	**11,568**	10,658
At amortised cost	**16,196**	10,910	**11,580**	10,668
Derivitive financial instruments at fair value through profit or loss	**11**	6	**11**	6
Current asset investments at fair value through profit or loss	**13**	8	**-**	-
Total financial assets	**16,220**	10,924	**11,591**	10,674
Financial liabilities				
Trade and other payables	**10,840**	8,006	**805**	685
Bank overdraft	**3,516**	2,508	**-**	-
Interest-bearing loans and borrowings				
Floating rate borrowings	**21,298**	18,065	**-**	-
Fixed rate borrowings	**3,716**	1,519	**-**	-
At amortised cost	**39,370**	30,098	**805**	685
Derivitive financial instruments at fair value through profit or loss	**-**	-	**-**	-
Total financial liabilities	**39,370**	30,098	**805**	685

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

	2016		2015	
	Level 1	**Level 2**	Level 1	Level 2
Financial assets at fair value through profit or loss	**£000**	**£000**	£000	£000
Trading derivatives:				
Foreign exchange contracts	**-**	**11**	-	6
Other financial assets	**13**	**-**	8	-

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
	2016	**2016**
	£000	**£000**
At 1 January	**14**	**-**
Exchange differences	**2**	**-**
Profit for year recognised in income statement	**8**	**-**
At 31 December	**24**	**-**

A profit of £3,000 is recognised within Other operating income. A profit of £5,000 is recognised within 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.

Notes to the accounts (continued)

26. Directors' emoluments

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

	2016	2015
	£000	£000
Aggregate emoluments	**592**	533
Social security costs	**63**	57
Company pension contributions to defined contribution scheme	**26**	34
	681	624

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 (2015: £nil). For the purpose of this disclosure, the directors are considered to be the key management of the Group.

Emoluments of highest paid director:

	2016	2015
	£000	£000
Aggregate emoluments	**296**	258
Company pension contributions to defined contribution scheme	**14**	22
	310	280

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

	2016	2015
	£000	£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 £80,000 (2015: £76,000) in respect of administration and other expenses which have been charged to the plan. No amount was outstanding for payment at 31 December 2016 (2015: £nil). Other related party transactions with the Company are covered in Note 14.

b) Three loans amounting to £12.9 million (2015: £13.2 million) were owing at 31 December 2016 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 £0.8 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 £1.2 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 2016 amounted to £1.2 million (2015: £1.0 million).

28. Contingent liabilities

a) 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.

b) In April 2016, the President of Zimbabwe clarified the Zimbabwe Government's position on the National Indigenisation and Economic Enpowerment Policy to resolve confusion that had arisen from the implementation of the Indigenisation and Economic Empowerment Act (Chapter 14:33) promulgated in 2010 and the subsequent multiple Statutory Instruments that had been created to bring the law into effect. This Act, inter alia, required that all businesses transfer at least 51% of their ownership to indigenous Zimbabweans.

   The April 2016 clarification categorised both agriculture and power generation in the "Non-Resource Sector", a business category that is no longer subject to the transfer of 51% of the ownership to indigenous Zimbabweans.

   The provisions of the April 2016 document have not yet been incorporated into the laws of Zimbabwe.

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

29. Changes in accounting policies
The Group has adopted the amendments to IAS16 and IAS41 in relation to bearer plants this year. These amendments have resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

Bearer plants
In June 2014, the IASB made amendments to IAS16 Property, Plant and Equipment and IAS41 Agriculture, which distinguish bearer plants from other biological assets. Bearer plants are solely used to grow produce over their productive lives and are seen to be similar to an item of machinery. They will therefore now be accounted for under IAS 16. However, agricultural produce growing on bearer plants will remain within the scope of IAS 41 and continue to be measured at fair value less cost to sell.

The Group's tea bushes, macadamia trees and rose plants qualify as bearer plants under the new definition in IAS 41. As required under IAS 8, the change in accounting policy has been applied retrospectively. As a consequence, the bearer plants were reclassified to property, plant and equipment effective 1 January 2015 and comparative figures have been restated accordingly.

The bearer plants are now measured at amortised cost and depreciated over their useful lives, which is estimated to be between 15 and 60 years. As permitted under the transitional rules, the fair value of the bearer plants at 1 January 2015 (£15.425 million) was deemed to be their cost going forward.

Impact on financial statements
As a result of the changes in accounting policies, prior year financial statements have been restated. The following tables show the adjustments recognised for each individual line item. As permitted under the transitional rules, the impact on the current period is not disclosed.

Income Statement (abbreviated)	Prior year restatement		
	2015 (Prev. stated)	Movement	2015 (Restated)
	£000	£000	£000
Revenue	37,547	–	37,547
Cost of sales (incl bearer plants depreciation)	(19,605)	(694)	(20,299)
Distribution and administrative expenses	(12,437)	–	(12,437)
Other operating income and associate's results	147	–	147
Fair value adjustments	633	(633)	–
Net finance costs	(3,502)	–	(3,502)
Profit before tax	2,783	(1,327)	1,456
Taxation	(795)	669	(126)
Profit for the year	1,988	(658)	1,330
Profit attributable to:			
Owners	1,757	(928)	829
Non-controlling interests	231	270	501
	1,988	(658)	1,330
	£	£	£
Basic earnings per share	140.23	(74.06)	66.17

Balance sheet (abbreviated)	Restatement of prior years					
	31 December 2015			1 January 2015		
	(Prev. stated)	Movement	(Restated)	(Prev. stated)	Movement	(Restated)
	£000	£000	£000	£000	£000	£000
Goodwill	315	–	315	298		298
Biological assets	16,043	(15,793)	250	17,070	(16,836)	234
Property, plant and equipment	41,322	13,232	54,554	35,898	15,425	51,323
Investments	114	–	114	344	–	344
Biological assets	–	1,290	1,290	–	1,411	1,411
Inventories	3,405	–	3,405	5,370	–	5,370
Other current assets	11,278	–	11,278	13,457	–	13,457
Total assets	72,477	(1,271)	71,206	72,437	–	72,437
Current liabilities	(14,113)	–	(14,113)	(15,856)	–	(15,856)
Deferred tax liabilities	(3,534)	669	(2,865)	(3,658)	–	(3,658)
Other non-current labilities	(20,142)	–	(20,142)	(18,705)	–	(18,705)
Net Assets	34,688	(602)	34,086	34,218	–	34,218
Share capital and other reserves	32,771	–	32,771	32,771	–	32,771
Retained earnings	(848)	(869)	(1,717)	(1,482)	–	(1,482)
Non-controlling interests	2,765	267	3,032	2,929	–	2,929
Total equity	34,688	(602)	34,086	34,218	–	34,218

Included within the restated Property, plant and equipment at 1 January 2015 are immature bearer plants amounting to £3,118,000

Investments in subsidiaries

The Group had the following subsidiaries and associates at 31 December 2016. 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
Hauna Power Station (Pvt) Ltd	Zimbabwe	100	Hydro-electric power generation
Nyamingura Power Station (Pvt) Ltd	Zimbabwe	100	Hydro-electric power generation
Hydro Power Contractors (Pvt) Ltd	Zimbabwe	100	Hydro-electric power construction
Honde Hydro Power Consolidated (Pvt) Ltd	Zimbabwe	100	Holding company
Nyangani Renewable Energy (Pvt) Ltd	Zimbabwe	60	Hydro-electric power management
Trading, logistics and marketing			
PGI Holdings Ltd	UK	100	Holding company and trading
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
Michuru Ltd	Malawi	100	Holding company
Overseas Farmers Group Ltd	UK	100	Dormant
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 company Renewable Energy Africa Ltd is exempt from the Companies Act requirements relating to the audit of its individual accounts.

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

Opinion on financial statements
We have audited the group and parent company financial statements ("the financial statements") on pages 6 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent's affairs as at 31 December 2016 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.

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 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 and, based on the work undertaken in the course of our audit, the Strategic report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' report.

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.

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.

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

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

12 April 2017