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Bestway (Holdings) Limited

Annual report and financial statements

Registered number 01392861

For the year ended 30 June 2016

Contents

Company information

Registered number	01392861
Registered office	2 Abbey Road Park Royal London United Kingdom NW10 7BW
Directors	Sir MA Pervez, OBE HPk (Chairman) ZM Choudrey, CBE BA (Hons), FCA (Group Chief Executive) MY Sheikh R Pervez, ACA D Pervez, BA (Hons), MA Oxon, Solicitor AK Bhatti; *retired 14 November 2016* AK Chaudhary; *retired 14 November 2016* AM Chaudhary; MBA- *retired 14 November 2016*
Secretary	D Pervez, BA (Hons), MA Oxon, Solicitor
Auditor	KPMG LLP 15 Canada Square London E14 5GL
Solicitors	Hogan Lovells International LLP Atlantic House Holborn Viaduct London EC1A 2FG

Chairman's statement

On behalf of the Board of Directors, I am pleased to place before you the consolidated financial statements of Bestway (Holdings) Limited and its subsidiaries ('the Group') for the year ended 30 June 2016.

Business overview

Over the years, Bestway has transformed itself from a regional wholesaler to a truly vibrant national wholesaler with presence across the UK. The Group now boasts a portfolio consisting of the 2nd largest independent wholesaler and 3rd largest retail pharmacy in UK, in addition to, the largest cement manufacturer and 2nd largest private bank in Pakistan.

Group turnover, for the year ended 30 June 2016 totalled £2.81 billion compared to £2.52 billion in the previous year, an increase of 11.5%. Profit before tax increased by 7.6% to £400.7 million compared to £372.1 million in the previous year.

During the period under review, the Group's focus was on consolidating the acquisition of Well Pharmacy and Pakcem Cement into its existing operations.

Bestway Wholesale has invested in new technologies and delivery channels to assist our customers in the Independent Retail & Grocery Sector to remain competitive.

Well Pharmacy's rebranding was completed during the year and the business' performance was in line with our targets despite the challenges being faced by the pharmacy sector.

Bestway Cement Limited has maintained its position as the largest cement producer in Pakistan as well as the largest exporter of cement to Afghanistan and India.

United Bank Limited was adjudged 'Best Bank 2016' at the first Pakistan Banking Awards in May 2016. This award highlights UBL's position as the leading bank in the industry and endorses its reputation as a progressive and innovative bank.

Social responsibility

In June 2016 Bestway Group organised its 22nd annual charity event at Royal Ascot. The chosen charity this year was The Duke of Edinburgh's Award (DofE). Bestway Foundation has a long standing relationship with the DofE Award Scheme going back to 1994.

During the period under review Bestway Foundation donated £254,000 to eleven national charities, including British Asian Trust, Crimestoppers and Springboard, among others.

Bestway Foundation also provided £187,000 in scholarships to students of South Asian origin to various universities such as Cambridge, Warwick, Westminster, Nottingham and Kings College London.

Last year, the Foundation set up a fund of £1.8 million which will provide scholarships to two graduate students from Pakistan every year to study at Oxford University in perpetuity.

In October 2016, Bestway Foundation signed its third University Scholarship Partnership agreement with the University of Kent. This five year multiple scholarship agreement commits Bestway Foundation and University of Kent to £250,000 each to jointly fund five annual scholarships to postgraduate students from Pakistan. This replicates the arrangement with University of Bradford which was also renewed for another five years.

In Pakistan, Bestway Foundation Pakistan has built schools and basic health unites and provided scholarships to thousands of students. In April 2016, the Bestway Foundation School in Chakwal was officially inaugurated at a cost of $1 million aimed towards providing free education to local children.

We have continued with our support of the Retail Development Awards (RDAs). The RDAs underline Bestway's commitment to the nation's independent retail sector.

Outlook

The Board remains confident that Bestway is strategically placed in today's challenging global environment and that our strength leads to opportunity. Our time tested proactive approach has served us well and has positioned us for long-term growth. Thanks to a highly diversified business model, and a clear and well-articulated strategy with a focus on fundamentals, we look forward to the future with enthusiasm and confidence.

In our 40th Anniversary year, we are very much aware of the potential challenges but the inherent strength of our businesses. Our partnerships with industry suppliers, the loyalty of our customer base and dedication and commitment of our staff will guide us in the future. There are still many challenges and milestones ahead of us and I am sure that we will continue to meet and exceed these, as we have done in the past.

Sir MA Pervez HPK *(Chairman)*

11 January 2017

Strategic report: Group Chief Executive's review

On behalf of the Board of Directors, I am pleased to present the audited financial statements for Bestway (Holdings) Limited for the year ended 30 June 2016.

Review of business

2016 has been a year of consolidation for Bestway Group. Despite difficult business conditions in the UK, we have maintained our market share across the Wholesale and Pharmacy businesses. During the year, Well Pharmacy was fully separated from The Co-Operative Group and it is now a standalone business, thus eliminating a key business risk.

Business conditions in Pakistan have been more favourable than last year and we have capitalised on opportunities to enhance our market share in the cement and banking sectors through Bestway Cement Limited and United Bank Limited. During the year, Pakcem has been fully integrated into Bestway Cement Limited and has enabled us to enhance our market leader position in the sector.

Group financial performance

The accounts have been prepared in accordance with IFRS and the move from UK GAAP accounting has resulted in a conversion of the financial statements for the year ended 30 June 2015.

During the year ended 30 June 2016, the Group's turnover increased by 11.5% to £2.81 billion from £2.52 billion in 2015. All our businesses were profitable for the year under review and overall Group profit before tax increased by 7.7% to £400.7 million as compared to £372.1 million in 2015. This was due to an improvement in the underlying performance of the Banking Group and the Cement business as well as a full reflection of the twelve month performance of Well Pharmacy and Pakcem.

Tangible fixed assets after depreciation as at 30 June 2016 stood at £850.6 million, compared to £758.4 million in the previous year.

The Trading Group has improved cash in hand to £90.2 million in 2016 as compared to £65.0 million in 2015.

During the year, the Group made repayments of £164.7 million as part of its ongoing de-leveraging strategy. This included £118.0 million repayment of debt in the UK, which had been taken as part of the acquisition of Well Pharmacy, as well as repayments of £46.7 million of debt by Bestway Cement Limited as part of Pakcem's acquisition.

The Group remains committed to reducing its financial risk and will continue to repay its debt as quickly as possible.

Bestway Wholesale

The wholesale sector has been adversely affected by food price deflation, intense competition and changing consumer habits. This has no doubt impacted our turnover and profitability. However, our focus on the three pillars, as explained below, remains strong.

Turnover in the wholesale business amounted to £1.71 billion, a decrease of 1.1% compared to the corresponding period last year. The marginal decrease was in line with the performance of the broader wholesale sector.

Profit before tax decreased to £7.1 million. This has been driven by a conscious decision to invest in margin to support the independent retail sector against the increased competition from the multiples. There has also been investment in Foodservice and Symbol Club, which should translate into a more positive trading performance going forward. The variance in profitability is also explained by a lower gain on revaluation of properties of £3.0 million in 2016 compared to £18.8 million in 2015.

Trading stock as at 30 June 2016 amounted to £131.6 million as compared to £144.9 million in the previous year.

Despite the challenges, we have maintained our focus on the three pillars of Symbol & Club, Foodservice and Digital;

Symbol & Club: The Best-one and Xtra Local retail club membership continues to grow as we ensure greater discipline and compliance among our affiliated stores. During the year, we introduced The Great Rebate and MyRewards schemes to help our customers increase their margins and profitability.

Foodservice: Our catering sales are up 5% with over 25 major suppliers now enjoying growth of over 20%.

Digital: Our online business now has over 28,500 registered users with weekly sales averaging £4.7 million. The mobile app accounts for nearly 15% of all online transactions.

Strategic report: Group Chief Executive's review *(continued)*

Well Pharmacy

The period under review reflects the first full year of trading of Well Pharmacy within the Bestway Group. Given the challenges presented by government intervention, both directly in pharmacy via reduction in NHS funding and indirectly via National Living Wage policy, Well Pharmacy's performance for the year ended 30 June 2016 has been very credible.

Despite, the impending reduction in Government funding, Well Pharmacy is well-placed to adapt to market conditions and deliver on its strategic plans. In the medium-term, there will need to be focus on driving efficiencies in the business without compromising on patient service.

Turnover of the pharmacy business for the year ended June 2016 was £802.7 million, with profit before tax of £27.5 million.

The sales growth was driven by prescription volumes and is now comfortably above our competitors and ahead of the market in UK. During the year under review, Well's market share of the prescriptions nationally grew to 6.0%.

Overall stores performance was driven by good cost control and higher operating margins.

Last year we introduced new initiatives like B2B trading under "Bestway Medhub" and "WellCarePlus", a care home pharmaceutical supply solution. The B2B business has grown steadily during the period under review and delivered on its forecast profit target through growing volume of accounts and sales per account.

WellCarePlus has grown sales steadily during the year. The conversion of sales to implemented revenue generating activity was initially a challenge. However, these have now been addressed and WellCarePlus has a strong pipeline.

The rebranding of Well Pharmacy was completed in October 2015 and this coincided with the move to its new headquarter in Manchester. In February 2016, Well Pharmacy's operations were fully separated from the Co-operative Group. During the year, the company added Care4U and Ideal Healthcare Limited to its existing portfolio.

United Bank Limited ('UBL')

UBL is one of the largest banks in Pakistan that has market leading positions in all core businesses and was awarded the "Best Bank 2016" award at the inaugural Pakistan Banking Awards. The bank's long term strategy is to evolve its leading segments resulting in deeper market access and creating opportunities through new product development.

UBL has been able to counteract the narrowing of the interest rate corridor through continued focus on expanding its low-cost deposit base and diversifying of its non-fund income portfolio. There is likely to be ongoing pressure on interest rates in Pakistan in the medium term, however, UBL is well placed to continue to drive volume growth to counteract market conditions.

UBL's net interest income increased by 15.6% from £342.2 million in 2015 to £395.6 million in 2016. UBL's profit before tax recognised in the accounts during the period under review increased from £272.1 million in 2015 to £307.8 million, an increase of 13.1%. or the year ended 30 June 2016, the bank declared a total dividend of 13 PKR per share or 130%.

UBL's total assets at 30 June 2016 were £12.1 billion as compared to £8.8 billion for the corresponding period last year, an increase of 37.5%. UBL's deposit base grew by 30.3% to £8.6 billion for the year to 30 June 2016.

Buoyed by the good performance of the Tanzanian subsidiary, the bank recently opened up another branch in Tanzania.

UBL's branchless banking, Omni has doubled its agent network to over 40,000 spread across Pakistan.

Bestway Cement Limited ('BCL')

Pakcem was fully integrated within Bestway Cement and BCL's figures reflect a full 12 months of trading of Pakcem.

BCL has been able to capitalise on the growing cement demand in Pakistan and maximise capacity utilisation both of its core business as well as the recently acquired Pakcem plant. The gap between supply and demand has enabled the Pakistani cement sector to maximise sales with the benefit of stable pricing. However, in the medium term there is likely to be a wave of capacity expansion, which may impact both cement prices and capacity utilisation. BCL is well placed for a change in market conditions given it is the lowest cost producer in the country and it has a diversified cement brand portfolio.

During the period under review, BCL's despatches increased by 42.2% to 6.9 million tonnes from 4.9 million tonnes in 2015. This increase reflected Pakcem's despatches for the full 12 months compared to only two months despatches in the corresponding period last year.

Domestic despatches increased by 43.9% to 5.9 million tonnes from 4.1 million tonnes in 2015. On a like to like basis, domestic despatches increased by 13.3%. Exports grew by 21.9% to 941 thousand tonnes as compared to 772 thousand tonnes in 2015. BCL maintained its position as the largest cement producer and the market leader in the domestic market and the largest exporter to Afghanistan and India.

Strategic report: Group Chief Executive's review *(continued)*

Bestway Cement Limited ('BCL') *(continued)*

Turnover for the financial year 2016 increased by 44.2% to £295.7 million compared to £205.0 million for 2015. Profit before tax registered an increase of 41.8% from £68.2 million in 2015 to £96.7 million for the year to 30 June 2016. This is due to the increase in sales volumes.

In April 2015, BCL had taken on debt of £182 million for Pakcem. During the year under review, the company repaid £46.7 million of its debt.

Construction work on the 12MW Waste Heat Recovery Power Plant (WHRPP) at Pakcem plant is on schedule and the plant is expected to be fully operational by March 2017. This will reduce our cost of production, as we will be relying on our own power sources, and we shall be able to enjoy financial benefits in future years. This will also reduce emission of waste gases and positively impact the environment.

In May 2016, the merger of Pakcem into BCL was approved by the shareholders of both companies.

For the year ended 30 June 2016, BCL declared a combined dividend of 10 PKR per share.

Principal risks & uncertainties

The Group's wholesale business is exposed to the market risk of an increasing number of multiples which is putting pressure on margins. Economic risks of reducing commodity prices and deflationary factors in the economy could adversely affect sales and margins. There is a liquidity risk surrounding the management of stock and working capital.

The Group's pharmacy business is exposed to funding risks linked to the NHS, which is under pressure to reduce costs. Risks associated with separation have been alleviated in the year due to the smooth transition away from The Co-operative Group.

Due to the Group's presence in Pakistan, it is exposed to foreign exchange risk and interest rate movements. As the cement industry is directly related to the state of the economy a key risk is the performance of the Pakistani economy. Additionally, the increase in power costs in Pakistan continues to pose a threat to the cement sector.

The Group's banking subsidiary faces the risk of future net interest margin compression as the State Bank of Pakistan has cut interest rates in the last year. There is economic risk as the state of the economy has an effect on lending. As with any bank there is regulatory compliance risk.

The Group has taken the necessary measures to reduce, or where possible eliminate, the key risks in the business.

Key performance indicators

The Board of Directors uses many performance indicators, both financial and non-financial, to monitor the Group's position.

Among the financial performance indicators within the wholesale business, the key performance indicators are gross profit margin, sales per depot, sales per department, wages per depot, stock availability and stock levels.

Among the financial performance indicators within the pharmacy business, the key performance indicators are prescription growth, over the counter sales growth, profitability per branch, stock levels and cost per prescription.

Financial performance indicators in the cement business are margin, daily despatches and cost of production.

Among the financial performance indicators within the banking business, the key performance indicators are deposit levels, assets under management, return on assets, return on equity, net interest margin and non-financial income.

General non-financial performance indicators are staff turnover, staff, supplier and customer satisfaction and health and safety reports, amongst others. The Board is of the belief that the monitoring of the aforementioned indicators is an effective aspect of business performance review.

Future outlook

The Group's focus is to continue to de leverage its debt and enhance market share in its respective business sectors.

The wholesale business will focus on organic growth which is supported by investments in existing and new initiatives. Despite the tough trading conditions, we are confident that we will continue to provide maximum support to our customers by delivering the best prices, value and service to them.

The pharmacy sector is adversely affected by the reduction in government funding. In the medium term, there will be financial pressure on the pharmacy market, however, with low operating costs, Well is in a sound position. We will continue to focus on delivering our strategic plans whilst minimising capital expenditure and expediting good control of working capital.

Strategic report: Group Chief Executive's review *(continued)*

Future outlook *(continued)*

BCL, being one of the most efficient and lowest cost producer in the country is comparatively better positioned to face the challenges of rising coal prices, endemic power shortages, and pressure on the Pakistani rupee. In the medium term BCL will consider the possibility of further expansion, either through greenfield sites or acquisitions, as a wave of capacity expansion is expected in the Pakistani cement section

UBL continues its focus on managing its asset portfolio, improving asset quality and expanding its network both through branches and through Omni branchless banking. The bank is well positioned to take benefit from the implementation of the China Pakistan Economic Corridor (CPEC). UBL will also continue its strategy of increasing deposit volumes and diversifying its income base to protect against interest rate movements.

On 23 June 2016, the UK electorate voted to discontinue its membership of the European Union. Until further clarity is known regarding terms in which the UK will exit, the directors are not able to assess the impact on the Group or what the wider regulatory and legal consequences of the UK leaving the European Union would be on the Group.

We see challenges ahead of us both in UK and in Pakistan as the respective economies go through an economic stabilisation phase. We will continue to enhance our market share in UK wholesale and pharmacy sectors and in the Pakistan cement and banking sectors whenever suitable opportunities arise.

In the last twelve months we have continued to demonstrate the strength of our business model and to create value for all our stakeholders. This has been accomplished with the continued support of our employees and our highly successful relationships with suppliers and customers.

I would like to thank all our suppliers and employees for their commitment to the business. I would also like to thank my fellow directors for their contribution to our strategic deliberations.

Z M Choudrey, CBE, BA (Hons), FCA

Group Chief Executive

11 January 2017

Directors' report

The directors submit their report and the financial statements of Bestway (Holdings) Limited for the year ended 30 June 2016.

Principal activities

The principal activities of the Group during were in the wholesale, pharmacy, cement and financial services sectors.

Directors

The directors who held office during the year were as follows:

- Sir MA Pervez, OBE HPk (Group Chairman)
- ZM Choudrey, BA (Hons), FCA (Group Chief Executive)
- MY Sheikh
- R Pervez, ACA
- D Pervez, BA (Hons), FRSA MA Oxon, Solicitor
- AK Bhatti; *resigned 14 November 2016*
- AK Chaudhary; *resigned 14 November 2016*
- AM Chaudhary, MBA; *resigned 14 November 2016*

Indemnity provisions

No qualifying third party provision is in force for the benefit of any director of the company.

Employee involvement and equal opportunities

The Group informs and consults regularly with employees on matters affecting their interests with a view to achieving a common awareness of the financial and economic factors affecting its performance. The views expressed by employees have been taken into account when making decisions where appropriate.

The Group is an equal opportunities employer and its policies for the recruitment, training, career development and promotion of employees are based on the relevant merits and abilities of the individuals concerned. It recognises its responsibilities towards the disabled and gives full and fair consideration to applications for employment from them and so far as particular disabilities permit, and will give continued employment to any existing employee who becomes disabled. It is the policy of the company that the training, career development and promotion of disabled persons should as far as possible be identical to that of other employees.

Financial instruments

The Group's policy is to finance its operations on a medium term basis from retained profits, related party borrowings and bank facilities. Additional uncommitted borrowing and overdraft facilities are utilised for short term financing requirements.

The financial instruments utilised by the company are borrowings, short-term cash deposits and items such as trade creditors which arise directly from its operations. Borrowing and deposit facilities are on a floating rate basis. The company's policy is not to trade in other financial instruments.

Political donations

£115,000 of political donations have been made in 2016 (2015: £127,000).

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Z M Choudrey
Director

2 Abbey Road
Park Royal
London
NW10 7BW
11 January 2017

Statement of directors' responsibilities in respect of the annual report, strategic report, the directors' report and the financial statements

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Bestway (Holdings) Limited

We have audited the financial statements of Bestway (Holdings) Limited for the year ended 30 June 2016 set out on pages 11 to 101. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 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 EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Mike Woodward

Mike Woodward (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
11 January 2017

Consolidated Income Statement
for the year ended 30 June 2016

	Note	**Trading Group 2016 *£000***	**Banking Group 2016 *£000***	**Total Combined 2016 *£000***	Trading Group 2015* *£000*	Banking Group 2015* *£000*	Total Combined 2015* *£000*
Revenue	*5*	2,812,703	-	2,812,703	2,522,197	-	2,522,197
Cost of sales		(2,336,455)	-	(2,336,455)	(2,162,234)	-	(2,162,234)
		476,248	-	476,248	359,963	-	359,963
Interest income	*6*	-	659,734	659,734	-	584,451	584,451
Interest expense	*15*	-	(264,132)	(264,132)	-	(242,301)	(242,301)
Net interest income		-	395,602	395,602	-	342,150	342,150
Gross written premium		-	12,051	12,051	-	7,169	7,169
Premium ceded to reinsurer		-	(7,540)	(7,540)	-	(4,490)	(4,490)
Net written premiums		-	4,511	4,511	-	2,679	2,679
Gross benefits and claims paid		-	(4,784)	(4,784)	-	(3,321)	(3,321)
Claims ceded to reinsurer		-	2,991	2,991	-	2,104	2,104
Movement in technical provisions		-	(204)	(204)	-	171	171
		-	(1,997)	(1,997)	-	(1,046)	(1,046)
Fee and commission income		-	91,423	91,423	-	85,443	85,443
		-	91,423	91,423	-	85,443	85,443
Gross profit		476,248	489,539	965,787	359,963	429,226	789,189
Dividend income on investments		-	15,370	15,370	-	14,121	14,121
Gains and losses on investments	*8*	-	60,155	60,155	-	50,907	50,907
Other operating income	*7*	7,189	1,565	8,754	2,678	2,573	5,251
Other gains and losses	*9*	3,045	2,975	6,020	23,386	150	23,536
Distribution costs		(7,606)	-	(7,606)	(4,954)	-	(4,954)
Administrative expenses		(338,550)	(264,528)	(603,078)	(244,987)	(227,035)	(472,022)
Share of profits of equity *accounted investees net of tax*		-	2,703	2,703	-	2,151	2,151
Restructuring costs	*10*	(4,273)	-	(4,273)	(6,224)	-	(6,224)
Operating profit		136,053	307,779	443,832	129,862	272,093	401,955
Finance income	*14*	736	-	736	1,013	-	1,013
Finance expense	*15*	(43,862)	-	(43,862)	(30,875)	-	(30,875)
Profit before tax		92,927	307,779	400,706	100,000	272,093	372,093
Taxation for the year	*16*	(32,372)	(110,872)	(143,244)	(22,443)	(106,049)	(128,492)
Profit for the year		60,555	196,907	257,462	77,557	166,044	243,601

Consolidated Income Statement *(continued)*
for the year ended 30 June 2016

	Note	Trading Group 2016	Banking Group 2016	Total Combined 2016	Trading Group 2015*	Banking Group 2015*	Total Combined 2015*
		£000	£000	£000	£000	£000	£000
Profit for the year		60,555	196,907	257,462	77,557	166,044	243,601
Attributable to:							
Owners of the Company		31,329	103,393	134,722	54,442	82,883	137,325
Non-controlling interests	38	29,226	86,458	115,684	23,115	76,261	99,376
Investors of UBL funds		-	7,056	7,056	-	6,900	6,900
Profit for the year		60,555	196,907	257,462	77,557	166,044	243,601

*Figures converted from UK GAAP to IFRS. See note 45.

The results shown above are derived entirely from continuing operations.

The notes on pages 19 to 96 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2016

	Note	Trading Group 2016 £000	Banking Group 2016 £000	Total Combined 2016 £000	Trading Group 2015* £000	Banking Group 2015* £000	Total Combined 2015* £000
Profit after taxation		60,555	196,907	257,462	77,557	166,044	243,601
Items that will not be reclassified subsequently to profit or loss:							
Profit attributable to investors of UBL funds		-	(7,056)	(7,056)	-	(6,900)	(6,900)
Revaluation of Property Plant and Equipment		-	4,863	4,863	-	32,187	32,187
Remeasurement of net defined benefit liability net of tax		(3,473)	(2,471)	(5,944)	(150)	(634)	(784)
		(3,473)	(4,664)	(8,137)	(150)	24,653	24,503
Items that may be reclassified subsequently to profit or loss:							
Gains/(losses) on revaluation of assets net of tax		(1,763)	22,920	21,157	-	100,228	100,228
Less: reclassification adjustments for gains/(losses) included in profit net of deferred tax effects		-	-	-	-	(13,846)	(13,846)
Issuance and repurchase of units		-	-	-	-	4,101	4,101
Other losses		-	(5,592)	(5,592)	-	(2,318)	(2,318)
Exchange differences on translation of foreign operations		184,696	-	184,696	38,078	-	38,078
		182,933	17,328	200,261	38,078	88,165	126,243
Other comprehensive income for the year		179,460	12,664	192,124	37,928	112,818	150,746
Total comprehensive income for the year		240,015	209,571	449,586	115,485	278,862	394,347
Total comprehensive income attributable to:							
Owners of the Company		125,559	116,101	241,660	72,663	145,050	217,713
Non-controlling interests		114,456	93,470	207,926	42,822	133,812	176,634
Total comprehensive income for the year		240,015	209,571	449,586	115,485	278,862	394,347

The notes on pages 19 to 96 are an integral part of these consolidated financial statements.

*Figures converted from UK GAAP to IFRS. See note 45.

Consolidated Balance Sheet
As at 30 June 2016

	Note	At 30 June 2016 £000	At 30 June 2015* £000	At 1 July 2014* £000
Non-current assets				
Group Goodwill	17	**214,977**	212,520	98,056
Trading Group				
Other intangible assets	19	**501,173**	535,777	-
Property, plant and equipment	20	**578,741**	543,290	354,887
Investment property	21	**122,266**	117,801	95,221
Other receivables		**-**	921	586
Banking Group				
Other intangible assets	19	**7,100**	7,547	8,086
Property, plant and equipment	20	**271,857**	215,155	164,041
Investment property	21	**25,543**	11,845	9,807
Reinsurance assets		**10,606**	5,229	3,854
Investments in equity accounted investees	23	**23,803**	17,582	16,339
Other financial assets classified as held for sale	25a	**3,636,520**	2,914,450	2,025,120
Lendings to financial institutions and advances	27	**1,543,610**	1,276,463	1,064,848
		6,936,196	**5,858,580**	**3,840,845**
Current assets				
Trading Group				
Inventories	24	**238,407**	244,127	185,971
Other financial assets classified as held for sale	25	**447**	437	587
Tax receivable		**7,303**	1,856	702
Trade and other receivables	26	**210,863**	210,910	47,881
Cash and cash equivalents	28	**90,157**	65,012	35,661
Banking Group				
Other financial assets classified as held for sale	25a	**2,764,453**	1,429,472	777,899
Lendings to financial institutions and advances	27	**2,587,324**	1,839,384	1,733,322
Tax receivable		**53,456**	20,383	36,367
Trade and other receivables	26	**272,438**	219,791	240,576
Deferred acquisition costs		**-**	374	188
Cash and cash equivalents	28	**942,470**	858,989	810,882
		7,167,318	**4,890,735**	**3,870,036**
TOTAL ASSETS		**14,103,514**	**10,749,315**	**7,710,881**
Current liabilities				
Trading Group				
Trade and other payables	29	**546,855**	505,258	326,863
Tax payable		**998**	-	5,414
Bank overdraft	28	**7,394**	-	-
Other interest bearing loans and borrowings	31	**26,544**	47,209	48,701
Provisions	32	**12,864**	1,727	4,944
Banking Group				
Trade and other payables	29	**344,178**	291,385	242,742
Deposits and other accounts	30	**8,225,328**	5,950,940	5,127,550
Payable to investors of UBL funds		**99,630**	61,930	88,858
Bills payable		**87,272**	91,516	74,538
Bank overdraft	28	**4,065**	2,300	-
Other interest bearing loans and borrowings	31	**1,555,115**	729,851	173,460
		10,910,243	**7,682,116**	**6,093,070**

Consolidated Balance Sheet *(continued)*
As at 30 June 2016

	Note	At 30 June 2016 £000	At 30 June *2015** £000	At 1 July *2014** £000
Non-current liabilities				
Trading Group				
Other interest bearing loans and borrowings	*31*	**542,435**	686,512	36
Employee benefits	*34*	**11,151**	7,029	6,802
Deferred tax liabilities	*33*	**145,085**	144,354	42,373
Preference shares	*32*	**516**	514	514
Banking Group				
Other interest bearing loans and borrowings	*31*	**6,727**	31,995	36,687
Deposits and other accounts	*30*	**415,790**	614,194	353,555
Employee benefits	*34*	**7,716**	6,325	4,950
Deferred tax liabilities	*33*	**72,640**	52,302	1,244
Technical provisions	*32*	**14,663**	7,672	5,794
Other financial liabilities	*29a*	**85,718**	14,541	24,139
		1,302,441	1,565,438	476,094
TOTAL LIABILITIES		**12,212,684**	9,247,554	6,569,164
TOTAL NET ASSETS		**1,890,830**	1,501,761	1,141,717
Equity				
Share capital		**96**	96	96
Share premium		**3,055**	3,055	3,055
Revaluation reserve		**302,403**	235,403	57,595
Capital redemption reserve		**14**	14	14
Statutory reserve		**185,270**	141,836	123,617
Reserve pertaining to UBL funds		**8,133**	5,301	3,011
Translation reserves		**222,774**	38,078	-
Retained earnings		**469,408**	525,710	544,392
Equity attributable to owners of the Company		**1,191,153**	949,493	731,780
Non-controlling interests	*38*	**699,677**	552,268	409,937
TOTAL EQUITY		**1,890,830**	1,501,761	1,141,717

The notes on pages 19 to 96 are an integral part of these consolidated financial statements.

*Figures converted from UK GAAP to IFRS. See note 45.

These financial statements were approved by the Board of Directors on 11 January 2017 and were signed on its behalf by:

Z M Choudrey, CBE, BA (Hons), FCA
(Chief Executive)

M Y Sheikh
(Director)

Company registered number: 01392861

Consolidated Statement of Changes in Equity
For the year ended 30 June 2016

	Share Capital account £000	Share premium account £000	Revaluation reserve £000	Capital redemption reserve £000	Statutory reserve £000	Reserve pertaining to UBL Funds £000	Translation reserve £000	Retained Earnings £000	Total attributable to owners £000	Minority Interest £000	Total £000
At 1 July 2014*	96	3,055	57,595	14	123,617	3,011	-	544,392	731,780	409,937	1,141,717
Disaggregation of reserves	-	-	111,591	-	18,219	-	-	(129,810)	-	-	-
At 1 July 2014*	96	3,055	169,186	14	141,836	3,011	-	414,582	731,780	409,937	1,141,717
Profit for the period	-	-	-	-	-	-	-	137,325	137,325	99,376	236,701
Other comprehensive income for the period	-	-	66,217	-	-	2,290	38,078	(26,197)	80,388	77,258	157,646
Total comprehensive income for the period	-	-	66,217	-	-	2,290	38,078	111,128	217,713	176,634	394,347
Dividends paid	-	-	-	-	-	-	-	-	-	(53,458)	(53,458)
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	19,155	19,155
At 30 June 2015*	96	3,055	235,403	14	141,836	5,301	38,078	525,710	949,493	552,268	1,501,761
Profit for the period	-	-	-	-	-	-	-	134,722	134,722	115,684	250,406
Other comprehensive income for the period	-	-	67,000	-	23,701	2,832	184,696	(171,291)	106,938	92,242	199,180
Total comprehensive income for the period	-	-	67,000	-	23,701	2,832	184,696	(36,569)	241,660	207,926	449,586
Dividends paid	-	-	-	-	-	-	-	-	-	(58,893)	(58,893)
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	(1,624)	(1,624)
Transfers	-	-	-	-	19,733	-	-	(19,733)	-	-	-
At 30 June 2016	96	3,055	302,403	14	185,270	8,133	222,774	469,408	1,191,153	699,677	1,890,830

*Figures converted from UK GAAP to IFRS. See note 45.

The notes on pages 19 to 96 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement
for the year ended 30 June 2016

	Trading Group 2016 £000	Banking Group 2016 £000	Total Combined 2016 £000	Trading Group 2015* £000	Banking Group 2015* £000	Total Combined 2015* £000
Cash flows from operating activities						
Profit for the year	60,555	196,907	257,462	77,557	166,044	243,601
Adjustments for:						
Share of profit of equity accounted investees	-	(2,703)	(2,703)	-	(2,151)	(2,151)
Finance income	(736)	-	(736)	(1,013)	-	(1,013)
Other gains and losses	(3,045)	(2,975)	(6,020)	(23,386)	(150)	(23,536)
Finance costs	43,862	-	43,862	30,875	-	30,875
Taxation	32,372	110,872	143,244	22,443	106,049	128,492
Depreciation of property, plant and equipment	35,279	10,899	46,178	30,695	10,117	40,812
Amortisation of intangible assets	37,243	2,690	39,933	27,738	3,008	30,746
Profit/(loss) on disposal of property, plant and equipment	(248)	(167)	(415)	304	(187)	117
Increase / (decrease) in provisions	8,380	18,261	26,641	(9,535)	37,908	28,373
Increase in pension provision	4,122	2,007	6,129	227	1,997	2,224
Impairment of goodwill	11,529	-	11,529	-	-	-
Operating cash flows before movements in working capital	229,313	335,791	565,104	155,905	322,635	478,540
Decrease in inventories	5,874	-	5,874	5,743	-	5,743
Decrease / (increase) in receivables	1,857	(640,684)	(638,827)	(42,775)	(206,871)	(249,646)
Increase in payables	27,247	1,138,470	1,165,717	132,547	761,525	894,072
(Increase) / decrease in investments	(10)	(1,481,518)	(1,481,528)	150	(1,312,577)	(1,312,427)
	264,281	(647,941)	(383,660)	251,570	(435,288)	(183,718)
Tax paid	(36,821)	(141,338)	(178,159)	(29,011)	(88,403)	(117,414)
Interest paid	(43,862)	-	(43,862)	(30,875)	-	(30,875)
Net cash from / (used in) operating activities	183,598	(789,279)	(605,681)	191,684	(523,691)	(332,007)
Cash flows from investing activities						
Interest received	736	-	736	1,013	-	1,013
Proceeds on disposal of property, plant and equipment	3,643	1,002	4,645	2,021	3,227	5,248
Purchases of property, plant and equipment	(35,647)	(38,845)	(74,492)	(27,026)	(27,449)	(54,475)
Proceeds on disposal of of intangible assets	1,074	-	1,074	-	-	-
Purchase of intangible assets	(513)	(1,317)	(1,830)	(1,161)	(2,079)	(3,240)
Acquisition of subsidiary net of cash	(3,709)	-	(3,709)	(558,887)	-	(558,887)
Dividends paid to non-controlling interest	(60,517)	-	(60,517)	(53,458)	-	(53,458)
Net cash (used in) investing activities	(94,933)	(39,160)	(134,093)	(637,498)	(26,301)	(663,799)

Consolidated Cash Flow Statement *(continued)*
for the year ended 30 June 2016

	Trading Group 2016 £000	**Banking Group 2016 £000**	**Total Combined 2016 £000**	Trading Group 2015* £000	Banking Group 2015* £000	Total Combined 2015* £000
Cash flows from financing activities						
Net borrowings to/(from) third parties	(84,910)	800,292	713,080	412,355	551,698	964,054
Net borrowings related party	11,918	-	11,918	61,995	-	61,995
Rights issue made by subsidiary	-	-	-	-	7,043	7,043
Net cash (used in)/from financing activities	(72,992)	800,292	724,998	474,350	558,741	1,033,092
Net increase/(decrease) in cash and cash equivalents	15,672	(28,149)	(14,779)	28,536	8,750	37,287
Cash and cash equivalents at beginning of year	65,012	856,689	921,701	35,661	810,882	846,543
Effect of foreign exchange rate changes	2,079	109,865	111,944	815	37,057	37,872
Cash and cash equivalents at end of year	82,763	938,405	1,021,168	65,012	856,689	921,701

*Figures converted from UK GAAP to IFRS. See note 45.

The notes on pages 19 to 96 are an integral part of these consolidated financial statements.

Notes
(forming part of the financial statements)

1. General information

Bestway (Holdings) Limited (the Company) is a company incorporated and domiciled in the United Kingdom under the Companies Act.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group.

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 97 to 101.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements and in preparing an opening IFRS balance sheet at 01 July 2014 for the purposes of the transition to Adopted IFRSs.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 43.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates.

2. Adoption of new and revised standards

Amendments to IFRSs that are mandatorily effective for the current year

The following new standards and interpretations to existing standards have been published and are mandatory for the Group's future accounting. The application of the amendments has had no material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

- IAS 19 (amendments): *Defined Benefit Plans: Employee Contributions*
- Annual Improvements to IFRSs – 2010-2012 Cycle: *deemed cost for properties previously measured at fair value: FRS 8 and IAS 24 amendments*
- Annual Improvements to IFRSs – 2011-2013 Cycle: *The amendments are in the nature of clarifications rather than substantive changes to existing requirements*

New and revised IFRSs in issue but not yet effective

At the date of authorisation off these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and had not yet been adopted by the EU:

- IFRS 9: *Financial instruments*

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete.

The Group will start the process of evaluating the impact of this new standard over the next 12 months. However, it is expected that there will be an increase in the total level of impairment allowances.

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Notes *(continued)*

2. Adoption of new and revised standards *(continued)*

New and revised IFRSs in issue but not yet effective ***(continued)***

- IFRS 9: *Financial instruments (continued)*

Impairment – Financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets. Under IFRS 9, loss allowances will be measured on either of the following bases: – 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and – lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument. Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component. The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model.

Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

– the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and

– the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and the Group has no current intention to do so. The Group's preliminary assessment did not indicate any material impact if IFRS 9's requirements regarding the classification of financial liabilities were applied at 31 December 2016.

- IFRS 15: *Revenue from contracts with customers*
- IFRS 11 (amendments): *Joint arrangements*
- IAS 1 (amendments): *Financial statement disclosure*
- IAS 27 (amendments): *Separate Financial statements*
- IAS 16 and IAS 18: *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Annual Improvements to IFRSs – 2012-2014 Cycle: *Amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures. It is not practicable to provide a reasonable estimate of the effect of these standards.

Notes *(continued)*

2. Adoption of new and revised standards *(continued)*

Transition to Adopted IFRS

The Group is preparing its financial statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in note 45.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to transition date have not been restated.
- Fair value or revaluation as deemed cost – At first day of comparative period, fair value has been used as deemed cost for properties previously measured at fair value.
- Employee benefits – All cumulative gains and losses on remeasurement of defined benefit plans have been recognised in equity at first day of comparative period.
- Cumulative translation differences – cumulative translation differences for all foreign operations have been set to zero on 1 July 2014.

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Going concern

The Group accounts have been prepared on a going concern basis. The Group balance sheet shows net assets of £1,891 million as at the balance sheet date. The Group is profitable with profit after tax of £257million in 2016. The Group has significant cash and bank balances of £1,032 million. It is for these reasons that the directors believe it is appropriate to prepare the accounts on a going concern basis. The directors are confident that the Group has access to sufficient financial resources to meets its liabilities as they fall due.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Due to the size and significance of the United Bank Limited, in order to provide users of the financial statements clarity in the financial statements, the results have been separately disclosed between those of the "Trading Group" (incorporating the Holding Companies, Wholesale, Pharmacy and Cement operations) and those of the "Banking Group" (incorporating the Bank and Insurance operations).

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of another entity.

Application of the equity method to associates and joint ventures; Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence [or joint control] ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Basis on consolidation (continued)

Change in subsidiary ownership and loss of control

Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the group loses control of a subsidiary, the assets and liabilities are derecognised along with any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

Subject to the transitional relief in IFRS 1, all business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:
-the fair value of the consideration transferred; plus
-the recognised amount of any non-controlling interests in the acquiree; plus
-the fair value of the existing equity interest in the acquiree; less
-the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

Acquisitions prior to 1 July 2014 (date of transition to IFRSs):

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The Group and Company elected not to restate business combinations that took place prior to transition date. In respect of acquisitions prior to application date, goodwill is included at transition date or earlier if applicable on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that only separable intangibles were recognised and goodwill was amortised.

On transition, certain items recognised as other intangibles under Adopted IFRSs have been/were separately accounted for with appropriate adjustments against goodwill and amortisation of goodwill ceased as required by IFRS 1. The classification and accounting treatment of business combinations that occurred prior to transition date by merger accounting was not reconsidered.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Foreign Currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be.

Intangible assets- Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Intangible assets- Licences and other intangible assets

Intangible assets acquired on the acquisition of pharmacies are stated at cost less accumulated amortisation. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Licenses	20 years
Software	5 years

Revenue recognition

Wholesale

Turnover is measured at the fair value of the consideration received or receivable and represents the invoiced amounts receivable for goods provided to customers in the normal course of business, net of discounts, VAT and other sales-related taxes. Turnover is reduced for estimated customer returns, rebates and other similar allowances. Turnover is recognised when the risks and rewards of ownership are transferred to the customer, which is at the point of sale (or on despatch for delivered items).

The revenue and profit before taxation were derived from its principal activity and performed solely in the United Kingdom.

Pharmacy

Revenue includes cash sales and goods sold on credit, exclusive of VAT. NHS sales, included in group revenue are estimated for November to January by reference to the number of items dispensed, the expected cost of drugs, together with the remuneration element published by the National Health Service.

Cement

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recorded on despatch of goods to the customer.

Investment Property

Turnover represents the gross value of rents receivable. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Leases

The group as lessee

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

The group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating leases are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans and other post employment benefits is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Group determines the net interest on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

The Group presents defined benefit costs within administrative expenses (see note 34) in its consolidated income statement. Net-interest expense or income is recognised within finance costs (see note 15).

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. For investment property that is measured at fair value deferred tax is provided at the rate applicable to the sale of the property except for that part of the property that is depreciable and the Group's business model is to consume substantially all of the value through use. In the latter case the tax rate applicable to income is used.

Property, plant and equipment

Property, plant and equipment within the trading group are stated at historical cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Land and buildings within the Banking Group are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above-mentioned surplus account. The surplus on revaluation of fixed assets, to the extent of incremental depreciation, is transferred to unappropriated profit.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described above.

Assets in the course of construction represent the assets under development but not yet complete at the balance sheet date. All such assets are held at cost and transferred to investment properties on completion.

Depreciation method, useful lives and residual value are reviewed at each blance sheet date. Depreciation is charged to the income statement for all property, plant and equipment other than freehold and long leasehold land at rates calculated to write each asset down to its estimated residual value over its expected useful life as follows:

Freehold and long leasehold properties	2% straight line
Plant and machinery	5 - 25% straight line or reducing balance
Fixtures, fittings and equipment	10 - 25% reducing balance
Motor vehicles	20 - 25% reducing balance

Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Non-derivative financial instruments (continued)

Classification of financial instruments issued by the Group (continued)

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Intra-group financial instrument

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete and slow moving items.

Impairment excluding inventories, investment properties and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Impairment excluding inventories, investment properties and deferred tax assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Retrospective rebates and discounts

The Group's cash and carry subsidiaries negotiate discounts directly with suppliers. These discounts are accounted for once the directors are confident that those companies are entitled to the discount. Supplier allowances and credits are recorded as a reduction of cost of sales as they are earned according to the underlying agreement. Allowances consist primarily of promotional allowances, quantity discounts and payments under merchandising agreements. Amounts received under promotional or other merchandising allowance agreements that require specific performance are recognised when the performance is satisfied, the amount is fixed and determinable and the collection is reasonably assured.

Financial income and expenses

Financial income comprises interest receivable on cash and intercompany balances. Interest income is recognised as it accrues, using the effective interest method. Financial expenses comprise interest on cash and intercompany balances as well as the interest element of pension scheme liabilities. Interest is recognised in the profit and loss as it accrues using the effective interest method.

Reserves Categorisation

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operations.

Revaluation reserves

The revaluation reserve relates to the revaluation of property plant and equipment immediately before its reclassification as investment property.

UBL Funds

The reserve pertaining to UBL funds relates to the consolidated general reserve position on the mutual funds under management of UBL Fund Managers Limited.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Reserves Categorisation (continued)

Statutory reserve

The statutory reserve is in relation to the requisition of State of Bank of Pakistan's Banking Companies Ordinance, which requires the transfer of certain percentage of profits to a statutory capital reserve to meet capital adequacy requirements.

Revaluation reserves

The revaluation reserve relates to the revaluation of property plant and equipment immediately before its reclassification as investment property.

The Banking Group specific accounting policies

Non-derivative financial instruments

Non-derivative financial instruments comprise investments, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Interest income

Mark-up, return and interest on performing advances and investments is recognised on a time proportionate basis that takes into account the effective yield of the asset over the term of the advances and interest earning investments. Where debt securities are purchased at a premium or discount, such premium / discount is amortised through the profit and loss account over the remaining period of maturity of the debt securities.

In case of Murabaha financing, mark-up is the agreed profit on cost plus basis for deferred sale of goods under which one party purchases goods from a supplier and sells the goods to another party at cost price plus an agreed mark-up. Markup income is recognised on a straight line basis over the period of the instalments.

Interest expense

Interest expense on borrowings and deposits is recognised on an effective interest rate method as an expense in the period in which it is incurred.

Insurance revenue

Commission and other forms of revenue from reinsurer are recognised in the profit or loss as revenue in accordance with the pattern of recognition of the insurance premiums.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the statement of financial position date. Forward foreign exchange contracts and foreign bills purchased are measured at fair value using forward exchange rates applicable to their respective maturities.

Non-monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the date of initial recognition of the non-monetary assets or liabilities.

Foreign operations and subsidiaries

The assets and liabilities of foreign operations and subsidiaries are translated to rupees at exchange rates prevailing at the statement of financial position date. The results of foreign operations and subsidiaries are translated at the average rate of exchange for the year.

Translation gains and losses

Translation gains and losses are taken to the profit and loss account, except those arising on translation of foreign currency securities classified as Available for Sale and on translation of the net investment in foreign branches and subsidiaries which are taken to reserves until the disposal of the net investment, at which time these are recognised in the profit and loss account.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Loans and advances

Loans and advances to banks/customers are initially measured at fair value and subsequently measured at their amortised cost (less impairment losses) using the effective interest method. For details pertaining to impairment, refer to accounting policy section on impairment.

In this case, the amount advanced (being the purchase price) is classified as loans and advances while the differential between the purchase price and the resale price is amortised over the period of the agreement and recorded as income. Securities held as collateral are not recognized in the books, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

Advances are written off when there is no realistic prospect of recovery. The amount so written off is a book entry and does not necessarily prejudice to the Bank's right of recovery against the customer.

The Bank determines write-offs in accordance with the criteria prescribed by the SBP vide BPRD Circular No. 06 dated 5th June 2007.

Investment securities

Investments of the Group, other than investments in subsidiaries and associates, are classified as held for trading, held to maturity and available for sale.

Fair Value through Profit and Loss

The Group classifies its investments in equity and debt instruments as fair value through profit and loss (Held for trading). These are the securities which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements and dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exists.

Held to maturity

These are securities with fixed or determinable payments and fixed maturities, in respect of which the Bank has the positive intent and ability to hold to maturity.

Available for sale

These are investments, other than those in subsidiaries and associates that do not fall under the held for trading or held to maturity categories.

Initial measurement

All purchases and sales of investments are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the investment. Investments are initially recognised at fair value which, in the case of investments other than held for trading, includes transaction costs associated with the investments. Transaction costs on investments held for trading are expensed as incurred.

Subsequent measurement

Held for trading

These are measured at subsequent reporting dates at fair value. Gains and losses on re-measurement are included in the profit and loss account.

Held to maturity

These are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

Available for sale

Investments in debt and equity securities held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in the revaluation reserve), except for impairment losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Borrowings and deposits

Borrowings and deposits from banks and deposits from customers are recorded at fair value which is the amount of proceeds received.

Borrowings from banks also include securities sold under repurchase agreements. Securities sold subject to a repurchase agreement are continued to be recorded as investments since the risk and rewards associated with the security is not transferred while the amount of cash advanced is reported as borrowings from financial institutions. The differential between the sale price and the repurchase price is amortised over the period of the agreement and recorded as an expense.

Fee and commission

Fee and commission income from services provided by the Banking Group during the year are recognised on an accrual basis when the services are rendered and no significant uncertainties remain regarding the recovery of consideration due.

Dividend income

Dividend income is recognised when the right to receive the dividend is established.

Impairment

Impairment of financial instruments carried at amortised cost or debt securities

The Group considers evidence of impairment for loans and advances, held-to-maturity and available for sale investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Group uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on debt securities are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

Impairment of available for sale debt securities

The Group considers all available evidence of impairment, including observable market data or information about events specifically relating to the securities which may result in a shortfall in recovery of future cash flows. These events may include a significant financial difficulty of the issuer, a breach of contract such as a default, bankruptcy or other financial reorganisation, or the disappearance of an active market for the debt security because of financial difficulties relating to the issuer, information about the issuer's liquidity, business and financial risk exposures, level of and trends in default for similar financial assets, national and local economic conditions. While assessing for objective evidence of impairment, the Group considers the performance of the underlying collateral, changes in credit rating, credit enhancements, default events etc.

Impairment loss is calculated as the difference between the carrying amount and the fair value.

Impairment losses are recognised in profit or loss. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

Impairment of available for sale equity investments

Available for sale equity investments are impaired when there has been a significant or prolonged decline in their fair value below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates, among other factors, the normal volatility in share price.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Impairment (continued)

Impairment in non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is charged to the profit and loss account except for an impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the revaluation surplus.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when their fair value is positive and liabilities when their fair value is negative. Any change in the fair value of derivative financial instruments during the period is taken to the profit and loss account.

Hedge accounting

The Banking Group makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks. In order to manage particular risks, the Banking Group may undertake a hedge. The Banking Group applies hedge accounting for transactions which meet the specified criteria.

At the inception of the hedging relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. A formal assessment is also undertaken to ascertain whether the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is regarded as highly effective if, during the period for which the hedge is designated, changes in the fair value or cash flows attributable to the hedged item are expected to be offset by between 80% to 125% by corresponding changes in the fair value or cash flows attributable to the hedging instrument.

For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognised initially in the statement of changes in equity, and recycled through the profit and loss account in the periods when the hedged item will affect profit or loss. Any gain or loss on the ineffective portion of the hedging instrument is recognised in the profit and loss account immediately.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the profit and loss account.

Offsetting financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Bank intends to either settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Banking Group has access to at that date. The fair value of a liability reflects its non-performance risk.

When available, the Banking Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, the Banking Group then uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

The Banking Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Notes *(continued)*

4. Segmental reporting

The Group's revenue and profit before taxation arose principally from its financial services, cement, wholesale and pharmacy activities. The Group's turnover, profits before taxation and net assets are principally attributable to activities in the United Kingdom and Pakistan. Segmental analysis is presented after elimination of intra-group sales, profits / (losses) and balances.

The Holding company analysis disclosed below pertains to Bestway Holdings, Bestway HoldCo Limited and Bestway Securities Limited. Included within these figures are the interest costs relating to debt required for the acquisition of Bestway Panacea Holdings Limited; impairment of goodwill for all entities where goodwill arises in the holding company, foreign exchange movements and elimination of subsidiaries retained earnings on acquisition where applicable.

	Wholesale	**Pharmacy**	**Cement**	**Financial Services**	**Holding Companies**	**Total**
	2016	**2016**	**2016**	**2016**	**2016**	**2016**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Revenue	**1,714,286**	**802,732**	**295,685**	**-**	**-**	**2,812,703**
Profit before taxation	**7,109**	**27,542**	**96,731**	**307,779**	**(38,455)**	**400,706**
Net assets	**282,372**	**273,235**	**299,830**	**1,221,881**	**(186,488)**	**1,890,830**

	Wholesale	Pharmacy	Cement	Financial Services	Holding Companies	Total
	2015	2015	2015	2015	2015	2015
	£000	£000	£000	£000	£000	£000
Revenue	1,734,225	582,993	204,979	-	-	2,522,197
Profit before taxation	44,953	14,577	68,211	272,093	(27,741)	372,093
Net assets	253,366	238,340	171,310	977,445	(138,700)	1,501,761

5. Revenue

Trading Group	**2016**	2015
	£000	£000
Continuing operations		
Wholesale: sales of goods	**1,706,494**	1,727,433
Pharmacy: sales of goods	**802,732**	582,993
Cement: sales of goods	**295,510**	204,979
Investment property: rental income	**7,967**	6,792
	2,812,703	2,522,197

Notes *(continued)*

6. Interest income

Banking Group	**2016**	2015
	£000	£000
Operating Interest Income on:		
Available for sale investments	**238,003**	193,609
Held for trading securities	**13,400**	10,898
Held to maturity securities	**188,584**	128,935
Loans and advances to financial institutions	**7,622**	9,902
Loans and advances to customers	**209,507**	237,601
Deposits from banks	**2,618**	3,506
	659,734	584,451

7. Other operating income

Trading Group	**2016**	2015
	£000	£000
Net gain on disposal of property, plant and equipment	**194**	-
Management fee income from a related party	**4,874**	1,668
Other income	**2,121**	1,010
	7,189	2,678

Banking Group	**2016**	2015
	£000	£000
Investment property rental income	**1,314**	2,573
Other income	**251**	-
	1,565	2,573

8. Gains and losses on investments used within operations

Banking Group	**2016**	2015
	£000	£000
Income from dealing in foreign currencies	**14,528**	18,798
Gain on sale of securities - realised	**36,614**	25,354
Unrealised gain/(loss) on revaluation of investments classified as held for trading	**3,014**	(754)
Other income	**5,999**	7,509
	60,155	50,907

This relates to investment income, gains and losses relating to banking operations other than net interest income. Other investment income is shown in note 9, which relates to non-operating investment revenues.

Notes *(continued)*

9. Other gains and losses

Trading Group	**2016**	2015
	£000	£000
Gain on revaluation of investment property	**3,045**	23,386
	3,045	23,386

Banking Group	**2016**	2015
	£000	£000
Gain on revaluation of investment property	**2,975**	150
	2,975	150

No other gains or losses have been recognised in respect of loans and receivables or held-to-maturity investments, other than as disclosed in note 8.

10. Restructuring costs

On 05 October 2014, the Group acquired the Co-operative Pharmacy in the UK for £428.2 million. As part of this, the group incurred £4.3 million (2015: £6.2 million) of costs relating to the separation of the pharmacy business from its legacy parent and set-up of the operation as a discrete re-branded business known as Well Pharmacy. This process was completed in November 2015.

11. Expenses

Profit for the year after charging:	**Trading Group 2016 £000**	**Banking Group 2016 £000**	**Total 2016 £000**	Trading Group 2015 £000	Banking Group 2015 £000	Total 2015 £000
Depreciation of property, plant and equipment	**35,279**	**10,899**	**46,178**	30,695	10,117	40,812
(Gain)/loss on disposal of property, plant and equipment	**(248)**	**(167)**	**(415)**	304	(187)	117
Amortisation of intangible assets	**37,243**	**2,690**	**39,933**	27,738	3,008	30,746
Amortisation of loan fees and interest cap	**9,038**	**-**	**9,038**	6,697	-	6,697
Provision against loans and advances	**-**	**15,502**	**15,502**	-	981	981
Provision for diminution in value of investments	**-**	**9,140**	**9,140**	-	3,253	3,253
Unrealised (gain) / loss on revaluation of investments classified as held for trading	**-**	**(3,014)**	**(3,014)**	-	754	754
Impairment of goodwill	**11,529**	**-**	**11,529**	-	-	-
Increase/(decrease) in fair value of investment property	**3,045**	**2,975**	**6,020**	23,386	150	23,536
Cost of inventories recognised as expense	**2,328,099**	**-**	**2,328,099**	2,155,950	-	2,155,950
Write down of investories recognised as an expense	**8,356**	**-**	**8,356**	6,284	-	6,284
Staff costs	**247,008**	**93,006**	**340,014**	183,580	79,209	262,789

Notes *(continued)*

12. Auditor's remuneration

	2016 £000	2015 £000
Fees payable to the company's auditor and their associates for the audit of these financial statements	15	17
The audit of the company's subsidiaries	653	744
Total audit fees	**668**	761
Taxation compliance services	125	81
Other services	42	1,666
Total non-audit fees	**167**	1,747

Fees payable to KPMG LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

The company's policy on the use of the external auditor for non-audit services is to ensure that any work undertaken does not impair the auditor's independence. We have considered the auditor's independence and we continue to believe that KPMG LLP is independent within the meaning of all UK regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired.

The non-audit services provided within the period were, in the opinion of the group, more efficiently provided by KPMG LLP than other comparable firms due to it having information which it collects during the audit process. We believe that appropriate safeguards are in place and no services were provided pursuant to contingent fee arrangements.

13. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	Trading Group 2016 Number	**Banking Group 2016 Number**	**Total 2016 Number**	Trading Group 2015 Number	Banking Group 2015 Number	Total 2015 Number
Office and Management	2,541	-	2,541	2,224	-	2,224
Retailing	10,906	-	10,906	8,943	-	8,943
Manufacturing	1,438	-	1,438	1,188	-	1,188
Distribution	800	-	800	872	-	872
Banking	-	10,256	10,256	-	9,329	9,329
	15,685	10,256	25,941	13,227	9,329	22,556

Notes *(continued)*

13. Staff numbers and costs *(continued)*

Their aggregate remuneration comprised:

	Trading Group 2016 £000	Banking Group 2016 £000	Total 2016 £000	Trading Group 2015 £000	Banking Group 2015 £000	Total 2015 £000
Wages & salaries	224,543	91,008	315,551	166,820	77,635	244,455
Social security costs	16,997	966	17,963	12,444	764	13,208
Other pension costs	5,468	1,032	6,500	4,316	810	5,126
	247,008	93,006	340,014	183,580	79,209	262,789

14. Finance income

Trading Group

	Total 2016 £000	Total 2015 £000
Bank deposits	129	643
Other interest	-	2
Interest from related parties	607	368
	736	1,013

15. Finance expense

Trading Group

	Total 2016 £000	Total 2015 £000
Interest on bank overdrafts and loans	43,657	31,359
Interest on obligations under finance leases	-	51
Less: amounts included in the cost of qualifying assets	-	(816)
Net interest expense on defined benefit obligation	205	281
	43,862	30,875

Interest payable of £0 (2015: £816,000) has been transferred to non-current assets. The amount transferred represents the cost of funds forming part of the Trading Group's general borrowings which were used in financing major capital projects.

Notes *(continued)*

15. Finance expense *(continued)*

Banking Group

	Total 2016 £000	Total 2015 £000
On deposits	**191,017**	205,620
On securities sold under repurchase agreements	**58,957**	18,374
On short term borrowings	**10,999**	14,745
On long term borrowings	**3,159**	3,562
	264,132	242,301

16. Taxation

i) Analysis of charge in period:

Recognised in the income statement	Total 2016 £000	Total 2015 £000
Current tax expense:		
UK corporation tax on profits of the period	**16,249**	10,885
Adjustments in respect of previous periods	**13,685**	233
Foreign tax: Current tax on income in the period	**125,496**	116,471
Total current tax	**155,430**	127,589
Deferred tax expense:		
Origination and reversal of timing differences	**(6,425)**	11,221
Effects of corporation tax rate change	**(5,761)**	(1,669)
Movement in IAS 19 pension liability	-	(241)
Adjustments in respect of previous periods	-	(8,408)
Total deferred tax	**(12,186)**	903
Tax on profit on ordinary activities	**143,244**	128,492

Income tax recognised in other comprehensive income	Total 2016 £000	Total 2015 £000
Remeasurements of defined benefit liability	**(1,943)**	(327)
Total current tax	**(1,943)**	(327)

Corporation tax is calculated at 20% (2015: 20.75%) of the estimated taxable profit for the year.

Notes *(continued)*

16. Taxation *(continued)*

ii) Reconciliation of effective tax rate:

Recognised in the income statement	**Total 2016 £000**	Total 2015 £000
Profit before tax on continuing operations	**400,706**	372,093
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.75%).	**80,141**	77,209
Effects of:		
Expenses that are not deductible in determining taxable profit	**2,049**	3,417
Income not taxable for tax purposes	**(8,100)**	(7,185)
Other timing differences	**(11,641)**	(10,106)
Utilisation of losses	**-**	851
Higher rates of tax on overseas earnings	**63,050**	50,936
Adjustment to tax charge in respect of previous periods	**13,685**	8,175
Overseas withholding tax	**9,821**	6,864
Rate change impact	**(5,761)**	(1,669)
	143,244	128,492

iii) Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. Accordingly, the Company's profits for this accounting period are subject to tax at a rate of 20% (2015: 20.25%). An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016.

Notes *(continued)*

17. Goodwill

Group Goodwill	**Total**
	£000
Cost	
At 1 July 2014	98,056
Exchange differences	1,959
Acquisitions through business combinations	112,505
30 June 2015	212,520
Exchange differences	15,170
30 June 2016	227,690
Accumulated impairment loss	
At 1 July 2014 and 30 June 2015	-
Impairment losses for the year	11,529
Exchange differences	1,184
30 June 2016	12,713
Net book value	
At 30 June 2016	214,977
At 30 June 2015	212,520
At 30 June 2014	98,056

The impairment loss represents the unwinding of goodwill booked based on the future cashflow benefit the Group realised on acquiring a functioning Cement plant following the purchase of Pakcem Limited.

The impairment charge is recognised in administrative expenses in the income statement. Management has also conducted a sensitivity analysis taking into consideration the impact of reasonably possible changes in the discount factor, budgeted cash flows and growth assumptions. The results of this indicate no further impairments are required.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs), or group of units that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

Group Goodwill	**2016**	2015	2014
	Total	Total	Total
	£000	£000	£000
Trading segment			
Wholesale	**12,055**	12,055	12,055
Cement	**112,028**	115,668	44,669
Pharmacy	**41,330**	41,574	-
Banking	**49,564**	43,223	41,332
	214,977	212,520	98,056

Notes *(continued)*

17. Goodwill *(continued)*

The Group tests goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired.

The recoverable amounts of the CGUs and the group of units are determined from the higher of value in use and fair value less costs of disposal calculations. In accordance with IAS 36:19, if either the fair value less costs of disposal or the value in use is found to be higher than the carrying amount, the asset is not impaired, and there is no need to calculate the other amount.

Goodwill in pharmacy business:

The goodwill in the pharmacy business has a deemed indefinite life and is assessed annually for impairment. Impairment has been considered in comparison to the Group's total carrying amount compared to cash generating units of the pharmacy group.

The recoverable amount of the pharmacy cash generating unit has been calculated with reference to its value in use. The key assumptions of this calculation are shown below:

	2016	2015
Period on which management approved forecasts are based	**20 years**	20 years
Growth rate applied beyond approved forecast period	**2%**	2%
Discount rate	**9.3%**	9.3%

Management have used an approved forecast period of greater than 5 years because the 20 year life of the asset is deemed more appropriate given the average length of the licences.

The growth rates used in value in use calculation reflect the average industry growth rate over 20 years.

The recoverable amount of the Pharmacy business has been calculated with reference to its fair value less cost to sell. In calculating this value, management have assumed an increase in budgeted EBITDA. Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected based upon the latest forecasts at the time of review and is in line with the average growth rate for the industry.

Goodwill in wholesale business:

The goodwill in the wholesale business has a deemed indefinite life and is assessed annually for impairment. Impairment has been considered in comparison to the Group's total carrying amount compared to cash generating units of the wholesale group.

The recoverable amount of the wholesale cash generating unit has been calculated with reference to its value in use. The key assumptions of this calculation are shown below:

	2016	2015
Period on which management approved forecasts are based	**5 years**	5 years
Growth rate applied beyond approved forecast period	**nil**	nil
Discount rate	**9.3%**	9.3%

The growth rates used in value in use calculation reflect the average industry growth expected.

The recoverable amount of the wholesale business has been calculated with reference to its fair value less cost to sell. In calculating this value, management have assumed an increase in budgeted EBITDA. Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected based upon the latest forecasts at the time of review and is in line with the average growth rate for the industry.

Goodwill in cement business:

The goodwill in the cement business has a deemed indefinite life and is assessed annually for impairment. For the Cement business, where a quoted share price is available, the fair value is determined using the group's percentage share of the market capitalisation in the respective subsidiaries. Since the goodwill allocated to the Cement segment is denominated in PKR, the goodwill assessment is performed in PKR. The group assumes costs to sell to be 10% of the fair value, to cover professional, legal costs and taxes relating to the transaction. This assumption is based on historic examples of disposals of similar sized businesses.

Notes *(continued)*

17. Goodwill *(continued)*

Goodwill in banking business:

The goodwill in the banking business has a deemed indefinite life and is assessed annually for impairment. For the banking business, where a quoted share price is available, the fair value is determined using the group's percentage share of the market capitalisation in the respective subsidiaries. Since the goodwill allocated to the business segment are denominated in PKR, the goodwill assessment is performed in PKR. The group assumes costs to sell to be 10% of the fair value, to cover professional, legal costs and taxes relating to the transaction. This assumption is based on historic examples of disposals of similar sized businesses.

18. Acquisition of subsidiary

Acquisitions in the current period

On the 28 August 2015, Bestway National Chemists a wholly owned subsidiary of Bestway UK HoldCo Limited, acquired 100% of the share capital of Ideal Healthcare Limited for £4,398,000 satisfied in cash. The acquisition of Ideal Healthcare Limited, four pharmacies and an online prescription business in Weymouth, is complimentary to the Bestway National Chemists business and increases the businesses UK shop front presence.

Assets acquired and liabilities assumed

No goodwill arose on the purchase. The fair values of the identifiable assets and liabilities of Ideal Healthcare Limited as at the date of acquisition were:

	Ideal Healthcare Limited £000
Intangible assets (Licences)	3,161
Property, plant and equipment	188
Inventories	154
Debtors	889
Cash in Bank	689
Trade and other payables	(668)
Provision for liabilities	(15)
Total net assets acquired	4,398
Consideration paid:	
Cash price paid	4,398
Total consideration	4,398
Goodwill	-

On acquisition, Ideal Healthcare Limited had licences with a book value of £228,000. These licences were revalued to £3,161,000 to reflect their fair value at acquisition.

Notes *(continued)*

18. Acquisition of subsidiary *(continued)*

Acquisition related costs

The group incurred acquisition related cost of £10,000 related to legal and professional services. These costs have been included in administrative expenses in the Group's consolidated statement of comprehensive income.

Acquired receivables

The fair value of acquired receivables was £889,000. The gross contractual amounts receivable are £889,000 and, at the acquisition date, £nil of contractual cash flows were not expected to be received.

Financial results

In the 10 months to 30 June 2016 the subsidiary contributed net profit of £247,000 to the consolidated net profit for the year. If the acquisition had occurred on first day of the accounting period, the Group revenue would have been an estimated £2,813,338,000 and profit after tax would have been an estimated £257,511,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on first day of the accounting period.

Acquisitions in the prior period

On 5 October 2014, Bestway Panacea Holdings Limited became a 100% owned subsidiary of the Group, in exchange for cash. Bestway Panacea Limited is the Holding company of the third largest pharmacy chain in the United Kingdom trading under the name 'Co-operative Pharmacy' on acquisition. This has subsequently been re-branded as 'Well Pharmacy.'

On 27 February 2015, Care4u Pharmacy Limited became a 100% owned subsidiary of the Group, in exchange for cash. Care4u Pharmacy Limited comprises of 9 high street pharmacies located in Devon. The acquisition of both pharmacy businesses was in line with the diversification strategy of the Group which has led to establishing a presence in the health sector.

On 22 April 2015, Pakcem Limited became an 88.2% subsidiary of Bestway Cement Limited, in exchange for cash. Bestway Cement Limited in turn is owned by Bestway (Holdings) Limited. Pakcem is a cement plant with the capacity of 2.4 million tonnes per annum. The acquisition supports the Group's ambition to grow market share in the cement sector in Pakistan. Bestway Cement is now the largest producer of cement in Pakistan.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities at the date of acquisition were:

	Bestway Panacea Holdings Limited £000	Care4u Pharmacy Limited £000	Pakcem Limited £000	Total £000
Intangible assets	554,507	8,326	123	562,354
Deferred tax liabilities	(43,981)	(1,865)	-	(45,846)
Property, plant and equipment	67,001	1,765	118,709	187,475
Inventories	51,132	377	12,390	63,899
Debtors	113,943	635	5,676	120,254
Cash in Bank	29,059	935	850	30,844
Trade and other payables	(108,334)	(2,981)	(13,847)	(124,560)
Interest-bearing borrowings	(222,206)	-	(20,423)	(242,629)
Provision for liabilities	(61,722)	-	(731)	(62,453)
Total net assets transferred	379,399	7,192	102,747	489,338
Less non-controlled interest	-	-	(12,112)	(12,112)
Total net assets acquired	379,399	7,192	90,635	477,226

Notes *(continued)*

18. Acquisition of subsidiary *(continued)*

	Bestway Panacea Holdings Limited £000	Care4u Pharmacy Limited £000	Pakcem Limited £000	Total £000
Total net assets acquired	379,399	7,192	90,635	477,226
Consideration paid:				
Cash paid	419,108	9,057	161,566	589,731
Total consideration	**419,108**	**9,057**	**161,566**	**589,731**
Goodwill	**39,709**	**1,865**	**70,931**	**112,505**

On acquisition, Bestway Panacea Holdings Limited had licences with a book value of £310,169,000. These licences were revalued to £554,507,000 to reflect their fair value at acquisition.

The goodwill acquired with the pharmacy business is attributable mainly to the skills of the business workforces and their close understanding of the pharmacy business which is of great importance to entities when diversifying. Some synergies are also expected due to the purchase of multiple pharmacy businesses in the year.

The goodwill acquired with the cement business is attributable mainly to the synergies and benefits of economies of scale associated with increased capacity.

Acquisition related costs

The group incurred acquisition related cost of £586,000 related to legal and professional services. These costs have been included in administrative expenses in the group's consolidated statement of comprehensive income.

Acquired receivables

The fair value of acquired receivables was £120,254,000. The gross contractual amounts receivable are £120,254,000 and, at the acquisition date, £nil of contractual cash flows were not expected to be received.

Financial results

The above acquisitions gave rise to the following results:

	Bestway Panacea Holdings Limited **2016 £000**	***Care4u Pharmacy Limited*** **2016 £000**	**Pakcem Limited 2016 £000**	**Total 2016 £000**
Revenue	796,194	6,538	267,259	1,069,991
Operating profit	38,767	696	59,592	99,055

	Bestway Panacea Holdings Limited 2015 £000	Care4u Pharmacy Limited 2015 £000	Pakcem Limited 2015 £000	Total 2015 £000
Revenue	580,269	2,724	13,668	596,661
Operating profit	21,446	290	1,315	23,051

Notes *(continued)*

19. Other intangible assets

Trading Group	**Licences £000**	**Total £000**
Cost		
At 1 July 2014	-	-
Acquired on acquisition of a subsidiary	562,354	562,354
Additions purchased externally	826	826
Additions from internal development	335	335
30 June 2015	563,515	563,515
Acquired on acquisition of a subsidiary	3,161	3,161
Additions purchased externally	513	513
Exchange difference	68	68
Disposals	(1,964)	(1,964)
30 June 2016	565,293	565,293
Amortisation		
At 1 July 2014	-	-
Charge for the year	27,738	27,738
30 June 2015	27,738	27,738
Charge for the year	37,243	37,243
Exchange differences	29	29
Disposals	(890)	(890)
30 June 2016	64,120	64,120
Net book value		
At 30 June 2016	501,173	501,173
At 30 June 2015	535,777	535,777
At 1 July 2014	-	-

Licences are amortised over the estimated useful economic life of the asset, which is 20 years.

Notes *(continued)*

19. Other intangible assets *(continued)*

Banking Group	**Software £000**	**Total £000**
Cost		
At 1 July 2014	9,855	9,855
Additions from internal development	2,079	2,079
Exchange difference	(31)	(31)
Disposals	(9)	(9)
30 June 2015	11,894	11,894
Additions purchased externally	1,317	1,317
Exchange difference	926	926
30 June 2016	14,137	14,137
Amortisation		
At 1 July 2014	1,769	1,769
Charge for the year	3,008	3,008
Exchange differences	(421)	(421)
Disposals	(9)	(9)
30 June 2015	4,347	4,347
Charge for the year	2,690	2,690
30 June 2016	7,037	7,037
Net book value		
At 30 June 2016	7,100	7,100
At 30 June 2015	7,547	7,547
At 1 July 2014	8,086	8,086

Software is amortised over the estimated useful economic life of the asset, which is between 3 and 10 years.

Notes *(continued)*

20. Property, plant and equipment

Trading Group	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Assets in course of construction	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 July 2014	256,621	202,147	30,191	9,239	3,069	501,267
Additions	978	6,829	4,680	3,341	9,138	24,966
Acquired in business combination	43,647	93,860	48,448	119	1,401	187,475
Disposals	(233)	(716)	(2,400)	(2,527)	(458)	(6,334)
Exchange difference	1,692	6,122	62	65	292	8,233
Transfers	2,860	9,929	-	-	(12,789)	-
Transfers from investment property	2,396	-	-	-	-	2,396
At 30 June 2015	307,961	318,171	80,981	10,237	653	718,003
Additions	1,551	4,651	19,907	2,511	6,726	35,346
Acquired in business combination	-	-	188	-	-	188
Disposals	(2,127)	(1,661)	(2,650)	(1,220)	-	(7,658)
Exchange difference	10,667	36,445	244	285	722	48,363
Transfers	-	767	23	-	(790)	-
Transfers to investment property	(1,501)	-	-	-	(51)	(1,552)
At 30 June 2016	316,551	358,373	98,693	11,813	7,260	792,690
Depreciation						
At 1 July 2014	39,852	76,222	24,167	6,139	-	146,380
Charged in year	10,383	10,819	8,033	1,460	-	30,695
Disposals	(95)	(586)	(2,070)	(1,822)	-	(4,573)
Exchange difference	523	1,615	34	39	-	2,211
At 30 June 2015	50,663	88,070	30,164	5,816	-	174,713
Charged in year	7,716	11,769	13,333	2,461	-	35,279
Disposals	(1,657)	(600)	(1,835)	(953)	-	(5,045)
Exchange difference	1,944	6,824	127	107	-	9,002
At 30 June 2016	58,666	106,063	41,789	7,431	-	213,949
Net book value						
At 30 June 2016	257,885	252,310	56,904	4,382	7,260	578,741
At 30 June 2015	257,298	230,101	50,817	4,421	653	543,290
At 1 July 2014	216,769	125,925	6,024	3,100	3,069	354,887

Notes *(continued)*

20. Property, plant and equipment *(continued)*

Assets pledged as security

Freehold land and buildings with a carrying amount of £257.9 million (2015: £257.3 million) have been pledged to secure borrowings of the Group (see note 39). The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Banking Group	**Land and buildings**	**Plant and machinery**	**Fixtures, fittings and equipment**	**Motor vehicles**	**Assets in course of construction**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or valuation						
At 1 July 2014	125,415	4,146	25,607	1,558	12,926	169,652
Additions	1,380	2,617	6,197	1,046	11,967	23,207
Disposals	(70)	(835)	(1,633)	(441)	-	(2,979)
Exchange difference	4,977	231	2,653	234	511	8,606
Transfers from investment property	490	-	12	-	-	502
Revaluation	27,423	-	-	-	-	27,423
At 30 June 2015	159,615	6,159	32,836	2,397	25,404	226,411
Additions	10,372	1,108	9,652	871	13,607	35,610
Disposals	(262)	(2,119)	(444)	(349)	(6)	(3,180)
Exchange difference	24,195	1,086	9,914	489	5,102	40,786
Transfers to investment property	(5,399)	-	(9)	-	-	(5,408)
Revaluation	4,863	-	-	-	-	4,863
At 30 June 2016	193,384	6,234	51,949	3,408	44,107	299,082
Depreciation						
At 1 July 2014	1,546	733	3,175	157	-	5,611
Charged in year	2,715	1,270	5,707	425	-	10,117
Disposals	(54)	(551)	(1,353)	(295)		(2,253)
Exchange difference	644	89	1,627	186	-	2,546
Revaluation	(4,765)	-	-	-	-	(4,765)
At 30 June 2015	86	1,541	9,156	473	-	11,256
Charged in year	2,682	1,548	6,263	406	-	10,899
Disposals	(104)	(1,672)	(329)	(242)	-	(2,347)
Exchange difference	752	405	6,046	214	-	7,417
At 30 June 2016	3,416	1,822	21,136	851	-	27,225
Net book value						
At 30 June 2016	189,968	4,412	30,813	2,557	44,107	271,857
At 30 June 2015	159,529	4,618	23,680	1,924	25,404	215,155
At 1 July 2014	123,869	3,413	22,432	1,401	12,926	164,041

Notes *(continued)*

20. Property, plant and equipment *(continued)*

The properties of the Banking Group were last revalued by independent professional valuers as at 31 December 2014. The revaluation was carried out by M/s. Pirsons Chemicals Engineering (Private) Limited, M/s. Sadruddin Associates, M/s. Engineering Pakistan International (Private) Limited and M/s. Indus Surveyors (Private) Limited on the basis of professional assessment of present market values. The total surplus arising against the revaluation of fixed assets as at 30 June 2016 amounts to £143.9 million.

The properties of UBL UK were last revalued by independent professional valuers, RONA and Advance Surveyors Limited, as at 31 December 2012. The total surplus arising against the revaluation of fixed assets as at 30 June 2016 amounts to £7.4 million.

Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

Banking Group	Cost 2016 £000	Accumulated depreciation 2016 £000	**Net book value** **2016** **£000**
Freehold land	5,589	-	**5,589**
Leasehold land	9,527	(10)	**9,517**
Buildings on freehold land	13,753	(2,304)	**11,449**
Buildings on leasehold land	4,063	(762)	**3,301**

21. Investment Property

Trading Group	**Total** **£000**
Cost or valuation	
At 1 July 2014	95,221
Additions	2,060
Disposals	(564)
Transfers to property plant and equipment	(2,396)
Exchange difference	94
Revaluation	23,386
At 30 June 2015	117,801
Additions	301
Disposals	(781)
Exchange difference	348
Transfers from property plant and equipment	1,552
Revaluation	3,045
At 30 June 2016	122,266
Net book value	
At 30 June 2016	122,266
At 30 June 2015	117,801
At 1 July 2014	95,221

Notes *(continued)*

21. Investment Property *(continued)*

The last full valuation was performed during the year ended 30 June 2015. An investment property fair value exercise was undertaken in the year to 30 June 2016, based on a desktop valuation performed by an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued.

The valuations, which are supported by market evidence, are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

Any gain or loss arising from a change in fair value is recognised in profit or loss.

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Level 1	Level 2	Level 3	Fair value as at 30/06/16
	£000	£000	£000	£000
Commercial property units:				
Located in the United Kingdom	-	119,763	-	119,763
Located in the Pakistan	-	2,503	-	2,503
	-	122,266	-	122,266

The Trading Group has pledged £119.8 million (2015: £117.2 million) of its investment property to secure general banking facilities granted to the Trading Group.

The property rental income earned by the Trading group from its investment property, all of which is leased out under operating leases, amounted to £8.0 million (2015: £6.8 million). Direct operating expenses arising on the investment property which generated rental income in the period amounted to £0.2 million (2015: £0.2 million).

Banking Group	**Total**
	£000
Cost or valuation	
At 1 July 2014	9,807
Additions	4,243
Disposals	(2,316)
Transfers to property plant and equipment	(502)
Exchange differences	463
Revaluation	150
At 30 June 2015	11,845
Additions	3,235
Transfers from property plant and equipment	5,408
Exchange differences	2,080
Revaluation	2,975
At 30 June 2016	25,543

Notes *(continued)*

21. Investment Property *(continued)*

	Total £000
Net book value	
At 30 June 2016	25,543
At 30 June 2015	11,845
At 1 July 2014	9,807

The UBL investment properties were revalued during the year by qualified external valuers. The last external valuation of investment properties was performed by M. J. Surveyors (Pvt) Limited (domestic operations) on 26 August 2015 and Chesterton International LLC (International branches) on 2 July 2015.

The valuations, which are supported by market evidence, are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation. Any gain or loss arising from a change in fair value is recognised in profit or loss.

The property rental income earned by the Banking Group from its investment property, all of which is leased out under operating leases, amounted to £1.3 million (2015: £2.6 million). Direct operating expenses arising on the investment property which generated rental income in the period amounted to £0.1 million (2015: £0.1 million).

22. Subsidiaries

The group consists of a parent company, Bestway (Holdings) Limited, incorporated in the UK and a number of subsidiaries held directly and indirectly by Bestway (Holdings) Limited. Note 48 to the Company's separate financial statements lists details of the interests in subsidiaries.

There are no significant restrictions on the ability of the group to access or use assets and settle liabilities.

Information about the composition of the Group and Company at the end of the reporting period is as follows with all shareholding being indirect unless otherwise stated:

Trading Group	**UK Company number**	**Country of incorporation**	**Class of shares held**	**Ownership %**	
				2016	2015
Bestway Securities Limited (direct)	**09106250**	**United Kingdom**	**Ordinary**	**100.00**	100.00
Bestway UK HoldCo Limited	**09106288**	**United Kingdom**	**Ordinary**	**100.00**	100.00
Bestway Panacea Holdings Limited	**09225479**	**United Kingdom**	**Ordinary**	**100.00**	100.00
Bestway Wholesale Limited	**01207120**	**United Kingdom**	**Ordinary**	**100.00**	100.00
Palmbest Limited	**02548785**	**United Kingdom**	**Ordinary**	**100.00**	100.00
Batleys Properties Limited	**00170410**	**United Kingdom**	**Ordinary**	**100.00**	100.00
MAP Trading Limited	**01826942**	**United Kingdom**	**Ordinary**	**100.00**	100.00
Euroimpex (U.K.) Limited	**01584125**	**United Kingdom**	**Ordinary**	**100.00**	100.00
Batleys Limited	**00675326**	**United Kingdom**	**Ordinary**	**100.00**	100.00
Bestway Direct Limited	**04103203**	**United Kingdom**	**Ordinary**	**100.00**	100.00
MAP (UK) Limited*	**01702612**	**United Kingdom**	**Ordinary**	**-**	100.00
Bestway Limited*	**02596168**	**United Kingdom**	**Ordinary**	**-**	100.00
Bestway Bluechip Limited*	**08751222**	**United Kingdom**	**Ordinary**	**-**	100.00
Prospect Pharmaceuticals*^	**09225435**	**United Kingdom**	**Ordinary**	**100.00**	100.00
Bestway Pharmacy NDC Limited	**01050265**	**United Kingdom**	**Ordinary**	**100.00**	100.00
Donald Wardle and Son^	**02914910**	**United Kingdom**	**Ordinary**	**100.00**	100.00
Optus Pharmaceuticals Limited*^	**05888155**	**United Kingdom**	**Ordinary**	**100.00**	100.00
Bestway Panacea Healthcare Limited	**09225514**	**United Kingdom**	**Ordinary**	**100.00**	100.00
Bestway National Chemists Limited	**09225457**	**United Kingdom**	**Ordinary**	**80.00**	80.00
Portslade Medical Supplies Limited*	**01663067**	**United Kingdom**	**Ordinary**	**100.00**	100.00
FA Parkinson (Chemists) Limited^	**SC038900**	**United Kingdom**	**Ordinary**	**100.00**	100.00

Notes *(continued)*

22. Subsidiaries *(continued)*

Trading Group	UK Company number	Country of incorporation	Class of shares held	Ownership % 2016	Ownership % 2015
Parkinson (Palsley) Limited^	09225435	United Kingdom	Ordinary	100.00	100.00
Bestway Belfast Chemists Limited^	01050265	United Kingdom	Ordinary	100.00	100.00
Ebbw Vale Consortium Limited*^	01338409	United Kingdom	Ordinary	100.00	100.00
Care4U Pharmacy Limited^	03983332	United Kingdom	Ordinary	100.00	100.00
Ideal Healthcare Limited^	03443725	United Kingdom	Ordinary	100.00	-
Pills Limited*		United Kingdom	Ordinary	100.00	100.00
RLJ Consultancy Limited*	03283312	United Kingdom	Ordinary	100.00	100.00
CCS (West Street) Limited*	06149560	United Kingdom	Ordinary	100.00	100.00
G Lightfoot & Son Limited*		United Kingdom	Ordinary	100.00	100.00
Crown Imperial Associates Limited*	03262921	United Kingdom	Ordinary	100.00	100.00
Crewe Complete Solution Limited*	05765407	United Kingdom	Ordinary	100.00	100.00
Thomas Hetherington Limited*	SC095304	United Kingdom	Ordinary	100.00	100.00
P.H.C Pharmacy Limited*	SC115847	United Kingdom	Ordinary	67.00	67.00
Cannon St. (HCC) Limited*	01659041	United Kingdom	Ordinary	59.00	59.00
P Williams Chemists (Chester) Limited*	03210568	United Kingdom	Ordinary	100.00	100.00
Three Swans Pharmacy Limited*	06975508	United Kingdom	Ordinary	50.00	50.00
Penrith Health Centre (PD) Consortium Limited*	01775075	United Kingdom	Ordinary	50.00	50.00
Penrith Health Centre (PD) Consortium Limited*	01775075	United Kingdom	A	77.00	77.00
Batleys Glasgow Limited	SC125810	United Kingdom	Ordinary	100.00	100.00
Benson (Grocers) Limited	SC256747	United Kingdom	Ordinary	100.00	100.00
Bellevue Cash and Carry Limited	SC046528	United Kingdom	Ordinary	100.00	100.00
Bestway Cement Limited (direct)		Pakistan	Ordinary	53.86	55.32
Pakcem Limited		Pakistan	Ordinary	n/a	88.20
Banking Group					
United Bank Limited (direct)"		Pakistan	Ordinary	59.25	59.25
United Bank AG Zurich"		Switzerland	Ordinary	100.00	100.00
United National Bank Limited "		United Kingdom	Ordinary	55.00	55.00
UBL Bank (Tanzania) Limited"		Tanzania	Ordinary	100.00	100.00
United Executives & Trustees Company Limited"		Pakistan	Ordinary	100.00	100.00
UBL Fund Managers Limited"		Pakistan	Ordinary	100.00	100.00
Al Ameen Financial Services (Pvt.) Limited "		Pakistan	Ordinary	98.87	98.87
UBL Insurers Limited (partially direct)		Pakistan	Ordinary	85.60	85.60

Pakcem Limited's (Pakcem) immediate parent is Bestway Cement Limited (BCL). In 2015, BCL owned a 88.2% share in Pakcem. Although this means the Group's effective interest in Pakcem is 48.79%, the Group has control over this subsidiary by virtue of its control over BCL. In 2016, Pakcem was amalgamated into Bestway Cement Limited, with a share issue to the non-controlling interest of Pakcem

*Dormant in the financial year. All other entities are included in the consolidation.

^These entities are not required to obtain an audit of its accounts for the year in question in accordance with section 479A of the Companies Act 2006, due to the existence of a parental guarantee given by this parent undertaking of this group which prepares these consolidated accounts.

"These entities have 31 December year ends

Notes *(continued)*

23. Equity accounted investees

The nature of the activities of the Group's associates' is in banking, power and pharmacy services. These are seen as complementing the Group's operations and contributing to achieving the Group's overall strategy.

Trading Group	Country of incorporation	Class of shares held	Ownership % 2016	Ownership % 2015
Victoria Pharmacy Limited*	United Kingdom	Ordinary	25.00	25.00
Victoria Pharmacy Limited*	United Kingdom	A	43.00	43.00
Keighley Health Centre Limited*	United Kingdom	Ordinary	33.00	33.00
Baillieston Health Centre Pharmacy Limited*	United Kingdom	Ordinary	36.00	36.00
DHA Cogen Limited	Pakistan	Ordinary	20.99	20.99
Banking Group				
Oman Exchange Company	Oman	Ordinary	25.00	25.00
Khushhali Bank Limited	Pakistan	Ordinary	29.69	29.69

All of the above associates are accounted for using the equity method in these consolidated financial statements as set out in the group's accounting policies in note 3.

The summarised financial information in respect of each of the Group's material associates is presented below, all other associates are immaterial.

Name	Year of Financial Statements	Revenue £000s	Profit / (loss) after tax £000s	Total assets £000s
Khushhali Bank Limited	December 2015	36,315	9,520	210,201

24. Inventory

Trading Group	Total 2016 £000	Total 2015 £000
Stores, spares and loose tools	43,176	25,759
Raw materials	3,139	2,501
Work-in-progress	5,681	11,908
Finished goods	186,411	203,959
	238,407	244,127

The cost of inventories recognised as an expense during the year in respect of continuing operations was £2,336 million (2015: £2,162 million).

The cost of inventories recognised as an expense includes £8.4 million (2015: £6.3 million) in respect of write-downs of inventory to net realisable value.

No inventories are expected not to be recovered in the next twelve months (2015: nil).

Inventories with a carrying amount of £185 million (2015: £201 million) have been pledged as security for certain of the Trading Group's borrowings.

Notes *(continued)*

25. Other financial assets

	Trading Group 2016 £000	Banking Group 2016 £000	Total 2016 £000	Trading Group 2015 £000	Banking Group 2015 £000	Total 2015 £000
Listed investments	447	-	447	437	-	437
Other investments (see note 25a)	-	6,400,973	6,400,973	-	4,343,921	4,343,921
	447	6,400,973	6,401,420	437	4,343,921	4,344,358

Listed investments in current assets are held at fair value.

25a. Current asset investments

Banking Group	Current 2016 £000	Non-current 2016 £000	Total 2016 £000	Current 2015 £000	Non-current 2015 £000	Total 2015 £000
Available-for-sale investments carried at fair value						
Market Treasury Bills	466,231	1,644	467,875	233,634	1,414	235,048
Pakistan Investment Bonds	723,909	1,706,429	2,430,338	172,012	1,596,572	1,768,584
Government of Pakistan Sukuk	-	47,466	47,466	30,627	27,958	58,585
Government of Pakistan Eurobonds	36,423	77,485	113,908	-	90,502	90,502
Ordinary shares of listed companies	188,907	403	189,310	156,556	-	156,556
Preference shares	2,929	-	2,929	2,649	-	2,649
Ordinary shares of unlisted companies	1,738	-	1,738	1,883	-	1,883
Term Finance Certificates	8,372	5,025	13,397	-	17,281	17,281
Units of mutual funds:						
Investment in REIT	3,275	-	3,275	2,859	-	2,859
Foreign bonds	102,255	314,022	416,277	104,490	252,877	357,367
Other bonds	-	2,137	2,137	-	730	730
	1,534,039	2,154,611	3,688,650	704,710	1,987,334	2,692,044
Trading investments carried at fair value						
Market Treasury Bills	7,378	-	7,378	128,658	-	128,658
Pakistan Investment Bonds	82,374	13,966	96,340	147,926	-	147,926
Ordinary shares of listed companies	4,137	-	4,137	5,882	-	5,882
Term Finance Certificates	4,122	-	4,122	6,303	-	6,303
Sukuk Bonds	-	-	-	153	-	153
Government of Pakistan Sukuks	11,246	-	11,246	2,220	-	2,220
	109,257	13,966	123,223	291,142	-	291,142

Notes *(continued)*

25a. Current asset investments *(continued)*

Banking Group	**Current**	**Non-current**	**Total**	Current	Non-current	Total
	2016	**2016**	**2016**	2015	2015	2015
	£000	**£000**	**£000**	£000	£000	£000
Held-to-maturity investments carried at amortised cost						
Market Treasury Bills	**281,999**	**-**	**281,999**	365,815	-	365,815
Pakistan Investment Bonds	**761,661**	**1,302,472**	**2,064,133**	41,366	866,649	908,015
Government of Pakistan Eurobonds	**37,760**	**25,052**	**62,812**	-	32,562	32,562
Government of Pakistan Sukuks	**-**	**-**	**-**	1,276	-	1,276
Other Federal Government Securities	**38,501**	**-**	**38,501**		-	-
Term Finance Certificates	**15,780**	**22,137**	**37,917**	12,722	22,085	34,807
Sukuk Bonds	**10,121**	**36,438**	**46,559**	5,543	21,401	26,944
Participation Term Certificates	**20**	**-**	**20**	17	-	17
Debentures	**16**	**-**	**16**	14	-	14
Foreign Bonds	**3,882**	**83,887**	**87,769**	11,512	-	11,512
Recovery Note	**300**	**2,008**	**2,308**	1,954	-	1,954
CDC SAARC Fund	**-**	**2**	**2**	2	-	2
	1,150,040	**1,471,996**	**2,622,036**	440,221	942,697	1,382,918
Provision for diminution in value of investments	**(28,883)**	**(4,053)**	**(32,936)**	(6,601)	(15,582)	(22,183)
	2,764,453	**3,636,520**	**6,400,973**	1,429,472	2,914,449	4,343,921

26. Trade and other receivables

Trading Group	**2016**	2015
	£000	£000
Amount receivable for the sale of goods	**145,828**	118,538
Allowance for doubtful debts	**(2,173)**	(1,851)
	143,655	116,687
Other debtors	**30,676**	56,596
Prepayments and accrued income	**36,532**	37,627
	210,863	210,910

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Notes *(continued)*

26. Trade and other receivables *(continued)*

The average credit period taken on sales of goods for our wholesale business is 30 days, 38 days for the Pharmacy business and 10 days for the cement business. No interest is charged on the receivables balance. The Trading Group has recognised an allowance for doubtful debts of 100% against all receivables over 90 days because historical experience has been that receivables that are past due beyond 90 days are less likely to be recoverable.

Before setting up a new customer account on credit, the Group assesses the potential customer's credit quality.

Trading Group	**2016**	2015
	£000	£000
Ageing of past due but not impaired receivables		
31-60 days	**1,772**	3,021
61-90 days	**381**	1,116
91 + days	**1,046**	2,708
	3,199	6,845

Movement in the allowance for doubtful debts	**2016**	2015
	£000	£000
Balance at the beginning of the period	**1,851**	1,064
Acquisition of Subsidiary	**-**	125
Impairment losses recognised	**394**	982
Impairment losses reversed	**(72)**	(320)
Balance at the end of the period	**2,173**	1,851

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

Ageing of impaired trade receivables:

	2016	2015
	£000	£000
91-120 days	**2,173**	1,851
	2,173	1,851

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Banking Group	**2016**	2015
	£000	£000
Other debtors	**272,144**	219,654
Prepayments and accrued income	**294**	137
	272,438	219,791

Notes *(continued)*

27. Lending to financial institutions

Banking Group	**Current 2016 £000**	**Non-current 2016 £000**	**Total 2016 £000**	Current 2015 £000	Non-current 2015 £000	Total 2015 £000
Lendings to financial institutions						
Call money lendings	**45,897**	**10,268**	**56,165**	12,522	4,155	16,677
Repurchase agreement lending	**42,222**	**9,446**	**51,668**	4,117	1,366	5,483
Other lending to financial institutions	**137,448**	**30,753**	**168,201**	99,000	32,853	131,853
Provision against lending to financial institutions	**(5,092)**	**(1,139)**	**(6,231)**	(4,011)	(1,331)	(5,342)
	220,475	**49,328**	**269,803**	111,628	37,043	148,671
Advances						
Loans, cash credits, running finances, etc.	**2,246,454**	**1,418,272**	**3,664,726**	1,723,191	1,236,145	2,959,336
Bills discounted and purchased	**294,216**	**185,750**	**479,966**	166,317	119,309	285,626
Provision against advances	**(173,821)**	**(109,740)**	**(283,561)**	(161,752)	(116,034)	(277,786)
	2,366,849	**1,494,282**	**3,861,131**	1,727,756	1,239,420	2,967,176
	2,587,324	**1,543,610**	**4,130,934**	1,839,384	1,276,463	3,115,847

Movement in provision against advances	**2016 £000**	2015 £000
Balance at the beginning of the period	**277,786**	272,150
Charge for the year	**15,502**	981
Transfer in	**2,223**	7,983
Write backs	**(49,678)**	(4,429)
Exchange differences	**37,728**	1,101
Balance at the end of the period	**283,561**	277,786

28. Cash and cash equivalents

	Trading Group 2016 £000	**Banking Group 2016 £000**	**Total 2016 £000**	Trading Group 2015 £000	Banking Group 2015 £000	Total 2015 £000
Cash and cash equivalents	**90,157**	**942,470**	**1,032,627**	65,012	858,989	924,001
Bank overdraft	**(7,394)**	**(4,065)**	**(11,459)**	-	(2,300)	(2,300)
	82,763	**938,405**	**1,021,168**	65,012	856,689	921,701

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

Notes *(continued)*

29. Trade and other payables

	Trading Group 2016 £000	Banking Group 2016 £000	Total 2016 £000	Trading Group 2015 £000	Banking Group 2015 £000	Total 2015 £000
Trade creditors	365,824	-	365,824	327,265	-	327,265
Other banking group payables	-	338,615	338,615	-	288,799	288,799
Insurance payables	-	4,493	4,493	-	2,076	2,076
Other taxation and social security costs	3,920	-	3,920	7,466	-	7,466
Amounts due to related parties	122,774	-	122,774	110,856	-	110,856
Other creditors and accruals	54,337	1,070	55,407	59,671	510	60,181
	546,855	344,178	891,033	505,258	291,385	796,643

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 55 days. For all suppliers no interest is charged on overdue invoices. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. The directors consider that the carrying amount of trade payables approximates to their fair value.

29a. Other financial liabilities

Banking Group	2016 £000	2015 £000
Provision against off - balance sheet obligations	1,053	-
Deferred income	5,341	3,454
Deferred liabilities	15,390	11,087
Acceptances	63,934	,
	85,718	14,541

30. Deposits and other accounts

Banking Group	Current 2016 £000	Non-current 2016 £000	Total 2016 £000	Current 2015 £000	Non-current 2015 £000	Total 2015 £000
Customers						
Fixed deposits	2,331,734	117,869	2,449,603	1,669,210	172,279	1,841,489
Savings deposits	2,297,836	116,155	2,413,991	1,845,352	190,458	2,035,810
Sundry deposits	169,490	8,568	178,058	90,340	9,324	99,664
Margin deposits	42,274	2,137	44,411	29,074	3,000	32,074
Current accounts - remunerative	82,902	4,191	87,093	42,746	4,412	47,158
Current accounts - non-remunerative	2,927,451	147,983	3,075,434	2,125,704	219,393	2,345,097
Financial Institutions						
Remunerative deposits	276,637	13,984	290,621	103,284	10,660	113,944
Non-remunerative deposits	97,004	4,903	101,907	45,230	4,668	49,898
	8,225,328	415,790	8,641,118	5,950,940	614,194	6,565,134

Notes *(continued)*

31. Other interest-bearing loans and borrowings

Trading Group	**2016**	2015
	£000	£000
Unsecured borrowing at amortised cost		
Redeemable preference shares	**516**	514
Amounts due to related parties	**30,000**	30,000
	30,516	30,514
Secured borrowing at amortised cost		
Bank loans	**538,979**	703,721
	538,979	703,721
	569,495	734,235
Amount due for settlement within 12 months	**26,544**	47,209
Redeemable preference shares after 12 months	**516**	514
Amount due for settlement after 12 months	**542,435**	686,512
	569,495	734,235

This note provides information about the contractual terms of the Trading Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Trading Group's exposure to interest rate see note 39.

Trading Group	**2016**	2015
	£000	£000
Non-current liabilities		
Redeemable preference shares	**516**	514
Amounts due to related parties	**30,000**	30,000
Secured borrowing at amortised cost	**512,435**	656,512
	542,951	687,026
Secured borrowing at amortised cost		
Bank loans	**26,544**	47,209
	26,544	47,209
	569,495	734,235

Analysis of borrowings by currency:	**Sterling 2016 £000**	**Pakistani Rupee 2016 £000**	**Total 2016 £000**	Sterling 2015 £000	Pakistani Rupee 2015 £000	Total 2015 £000
Redeemable preference shares	**516**	**-**	**516**	514	-	514
Amounts due to related parties	**30,000**	**-**	**30,000**	30,000	-	30,000
Bank loans	**403,712**	**135,267**	**538,979**	521,698	182,023	703,721
	434,228	**135,267**	**569,495**	552,212	182,023	734,235

Notes *(continued)*

31. Other interest-bearing loans and borrowings *(continued)*

The cumulative preference shares have been classified as non-current liabilities in the current and prior year as they are redeemable, accruing dividends at 8% and 10%. In both the current and prior year the dividend has been waived, consequently no charge has been recognised in the profit and loss account.

Holders of cumulative preference shares are entitled to priority over other shareholders in receipt of their 8% and 10% preference dividends or on share redemption on distribution of assets in a winding up. Holders are not entitled to attend or vote at general meetings of the company except where there is default in respect of, or proposed resolutions to modify, their rights. Preference shareholder consent is required for the issue of new or additional preference shares and modifications to the directors' borrowing powers under the Articles of Association.

During the prior period the Group attained bank finance in order to complete its acquisition of Panacea Holdings Limited. This consists of two tranches. The first tranche amounted to £195,000,000 which is repaid biannually until 06 October 2020. The second tranche amounted to £425,000,000 repayable on 06 October 2021. The loans initially attracted interest of LIBOR + 3.75% and LIBOR + 4.75% respectively.

During the prior period the group also acquired of term finance facility of 25 billion Pakistani Rupees from a syndicate of banks with Allied Bank Limited as the lead bank. This facility is repayable in 10 stepped up semi annual instalments starting from October 2015. Interest is payable on semi annual basis at the rate of 6 months' KIBOR plus 0.50% per annum. The facility is secured against all present and future assets excluding land and buildings of the Cement group

Analysis of borrowings by currency:	Currency	Nominal interest rate	Year of maturity	Carrying amount 2016 £000	Carrying amount 2015 £000
Loan from related parties	GBP	LIBOR + 4%	2020	30,000	30,000
Shares classified as debt	GBP	8%		2	-
Shares classified as debt	GBP	10%		514	514
				516	514
Term loan A	GBP	LIBOR + 3.5%	2020	114,713	163,624
Term loan B	GBP	LIBOR + 4.5%	2021	297,639	375,386
Loan fees amortisation	GBP			(8,640)	(17,312)
				403,712	521,698
Syndicate loan	PKR	KIBOR + 0.5%	2020	135,267	182,023
				569,495	734,235

Notes *(continued)*

31. Other interest-bearing loans and borrowings *(continued)*

Banking Group	**2016**	2015
	£000	£000
Unsecured borrowing at amortised cost		
Call borrowings	**62,063**	31,417
Other borrowings	**68,465**	39,375
	130,528	70,792
Secured borrowing at amortised cost		
Export refinance scheme	**82,229**	78,810
Refinance facility for modernisation of SME	-	161
Long term financing facility	**72,238**	39,593
Long term financing under export oriented projects	**4**	590
Repurchase agreement borrowings	**1,276,843**	571,900
	1,431,314	691,054
	1,561,842	761,846
Amount due for settlement within 12 months	**1,555,115**	729,851
Amount due for settlement after 12 months	**6,727**	31,995
	1,561,842	761,846

The Banking Group has entered into agreements with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amounts from the Bank at the date of maturity of the finances by directly debiting the Bank's current account maintained with the SBP. These borrowings are repayable within six months, latest by December 2016. These carry mark-up at a rate of 3.5% per annum.

These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernizing their plant and machinery. These borrowings are repayable within a period ranging from 1 year to 10 years. These carry mark-up at rates ranging from 2.00% to 10.25% per annum.

These borrowings have been obtained from the SBP for providing financing facilities for import of machinery, plant, equipment and accessories thereof by export oriented units. These carry mark-up at a rate of 7% per annum.

These repurchase agreement borrowings are secured against Market Treasury Bills and Pakistan Investment Bonds and carry mark-up at rates ranging from 5.25% to 6.25% per annum. These borrowings are repayable latest by October 2016.

These are unsecured borrowings carrying mark-up at rates ranging from 0.05% to 2.27% per annum and are repayable latest by May 2017.

These borrowings carry mark-up at rates ranging from 1.75% to 4.45% per annum, and are repayable by December 2016.

Notes *(continued)*

32. Provisions

Trading Group	**2016**	2015
	£000	£000
Provision for reduction in government pharmacy funding	**9,800**	-
Dilapidation provision	**480**	457
Other provision	**2,584**	1,270
	12,864	1,727

Trading Group	**Reduction in pharmacy funding**	**Dilapidation provision**	**Other**	**Total**
	£000	**£000**	**£000**	**£000**
At the beginning of the year	-	457	1,270	1,727
Additional provision in the year	9,800	23	1,567	11,390
Utilisation of provision	-	-	(253)	(253)
At the end of the year	**9,800**	**480**	**2,584**	**12,864**

The reduction in government funding relates to a provision made for the NHS funding cut announced by DoH and NHS England; additionally a provision for Category M adjustments relating to the NHS year ended March 2016 was made.

Banking Group	**2016**	2015
	£000	£000
Insurance contract liabilities	**14,663**	7,672
	14,663	7,672

Banking Group	**Insurance contract liabilities**	**Total**
	£000	***£000***
At the beginning of the year	7,672	7,672
Additional provision in the year	8,432	8,432
Utilisation of provision	(2,267)	(2,267)
Exchange differences	826	826
At the end of the year	**14,663**	**14,663**

Notes *(continued)*

33. Deferred Tax

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

Trading Group	Property, plant & equipment 2016 £000	Intangible assets 2016 £000	Investment property 2016 £000	Investments and associates 2016 £000	Tax losses 2016 £000	Sub total 2016 £000
At a 1 July 2015	52,601	105,253	2,236	4,938	(18,707)	146,321
Charge to profit and loss	232	(20,842)	88	1,710	19,414	602
Charge to the OCI	-	-	-	84	-	84
Exchange differences	7,741	1,061	-	913	(707)	9,008
	60,574	85,472	2,324	7,645	-	156,015

Trading Group	Sub total 2016 £000	Employee benefits 2016 £000	Tax credits 2016 £000	Short term timing 2016 £000	Other 2016 £000	Total 2016 £000
At a 1 July 2015	146,321	(1,114)	(2,368)	1,466	49	144,354
Charge to profit and loss	602	-	(5,927)	(1,572)	-	(6,897)
Charge to the OCI	84	(488)	-	-	-	(404)
Exchange differences	9,008	-	(969)	(13)	6	8,032
	156,015	(1,602)	(9,264)	(119)	55	145,085

Banking Group	Employee benefits 2016 £000	Tax losses 2016 £000	Retirement fund 2016 £000	Property, plant & equipment 2016 £000	Investment property 2016 £000	Sub total 2016 £000
At a 1 July 2015	(2,444)	-	(12,773)	3,513	159	(11,545)
Charge to profit and loss	(522)	(3,352)	(1,255)	(175)	107	(5,197)
Charge to the OCI	-	(304)	(1,834)	3,159	-	1,021
Exchange differences	(413)	(384)	(2,198)	828	35	(2,132)
	(3,379)	(4,040)	(18,060)	7,325	301	(17,853)

Banking Group	Sub total 2016 £000	Investments 2016 £000	Associates 2016 £000	Short term timing 2016 £000	Total 2016 £000
At a 1 July 2015	(11,545)	54,656	3,740	5,451	52,302
Charge to profit and loss	(5,197)	-	(674)	(234)	(6,105)
Charge to the OCI	1,021	16,596	-	(49)	17,568
Exchange differences	(2,132)	9,760	478	769	8,875
	(17,853)	81,012	3,544	5,937	72,640

Notes *(continued)*

34. Employee benefits

Trading Group

The Trading Group operates a number of pension plans throughout the world, devised in accordance with local conditions and practices. The majority of the plans are defined benefit plans and are funded by payments to separately administered trusts or insurance companies. The principal plans are in the United Kingdom and Pakistan.

United Kingdom Scheme

The schemes in the United Kingdom are subject to the funding legislation, which came into force on 30 December 2005, outlined 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 United Kingdom;

The trustees of the Schemes are required to act in the best interest of the Schemes' beneficiaries. The appointment of the trustees is determined by the Scheme's trust documentation. It is policy that one third of all trustees should be nominated by the members.

Full actuarial valuations were carried out as at 30 April 2014 for the Main Scheme and 31 December 2012 for the Officers' Scheme in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the Schemes are agreed between the Company and the trustees in line with those requirements. These in particular require the surplus/deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions.

These actuarial valuations showed a deficit of £2,215,000 for the Main Scheme and £1,585,000 for the Officers' Scheme.

The Company has agreed with the trustees that it will aim to eliminate the deficit for the Main Scheme over a period of 5 years from 30 April 2015 by the payment of annual contributions of £455,000 increasing each year by 3%. The Company has agreed with the trustees that it will aim to eliminate the deficit for the Officers' Scheme over a period of 2 years and 8 months from 1 April 2014 by the payment of annual contributions of £200,000 in respect of the deficit. In addition and in accordance with the actuarial valuations, the Company has agreed with the trustees that it will meet expenses of the Schemes and levies to the Pension Protection Fund.

Defined benefit pension schemes

The information disclosed below is in respect of the whole of the plans for which the Group is the sponsoring employer throughout the periods shown.

Present values of scheme liabilities, fair values of assets and deficit:	**2016**	2015
	£000	£000
Present value of scheme liabilities	**(36,230)**	(30,635)
Fair value of assets	**25,079**	23,606
Deficit	**(11,151)**	(7,029)
Related deferred tax asset	**1,602**	1,114
Net liability	**(9,549)**	(5,915)

The present value of plan liabilities is measured by discounting the best estimate of future cash flows to be paid out by the plan using the projected unit credit method. The value calculated in this way is reflected in the net liability in the balance sheet as shown above.

Notes *(continued)*

34. Employee benefits *(continued)*

All actuarial gains and losses are recognised in the year in which they occur in Other Comprehensive Income (OCI).

Impact of the Asset Ceiling

The Group has reviewed implications of the guidance provided by IFRIC 14 and have concluded that it is not necessary to make any adjustments to the IAS 19 figures in respect of an asset ceiling or Minimum Funding Requirements as at 30 June 2016.

Movements in present value of defined benefit obligations:	**2016**	2015
	£000	£000
Defined benefit obligation at beginning of period	**30,635**	28,766
Current service costs	**212**	179
Interest cost	**1,278**	1,359
Actuarial losses	**4,724**	1,415
Benefits paid	**(1,010)**	(1,026)
Exchange differences	**391**	(58)
At the end of the period	**36,230**	30,635

There have been no Scheme amendments, curtailments or settlements in the accounting period.

Movements in fair value of plan assets:	**2016**	2015
	£000	£000
Value of scheme assets at beginning of period	-	21,853
Transfer from group company	**23,606**	-
Expected return on plan assets	**930**	962
Actuarial gains	**718**	1,281
Contributions by employer	**703**	380
Benefits paid	**(878)**	(870)
At the end of the period	**25,079**	23,606

Expense recognised in the profit and loss account:	**2016**	2015
	£000	£000
Interest on defined benefit pension plan obligation	**1,278**	1,359
Expected return on defined benefit pension plan assets	**(930)**	(962)
Total expense	**348**	397

Notes *(continued)*

34. Employee benefits *(continued)*

Expense recognised in other comprehensive income:	**2016**	2015
	£000	£000
Actuarial losses	**4,724**	1,415
Actuarial gains	**(718)**	(1,281)
Total expense	**4,006**	134

The fair value of the plan assets and the return on those assets were as follows:

	2016	2015
	Fair value	Fair value
	£000	£000
Cash	**764**	2,162
Equities	**7,545**	12,198
Bonds	**1,177**	7,510
Hedge funds	**139**	1,736
Liability Driven Investments (LDI)	**4,991**	-
Diversified growth	**10,463**	-
	25,079	23,606

None of the fair values of the assets shown above include any direct investments in the company's own financial instruments or any property occupied by, or other assets used by, the company. All of the scheme assets have a quoted market price in an active market with the exception of the Trustee's bank account balance.

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages)

	2016	**2016**	2015	2015
	UK	**Pakistan**	UK	Pakistan
Discount rate	**3.05%**	**7.25%**	3.95%	9.75%
Inflation (RPI)	**3.10%**	**-**	3.30%	-
Inflation (CPI)	**2.10%**	**-**	2.30%	-
Future salary increases	**3.30%**	**6.25%**	3.50%	8.75%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.4 years (male), 24.5 years (female).
- Future retiree upon reaching 65: 24.6 years (male), 26.8 years (female).

Notes *(continued)*

34. Employee benefits *(continued)*

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions:

	Change in assumption	Change in liabilities
Discount rate	Decrease of 0.25% p.a.	Increase by 4.5%
Rate of inflation	Increase of 0.25% p.a.	Increase by 1.5%
Rate of salary growth	Increase of 0.25% p.a.	Increase by 0.5%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.3%
Commutation	Members commute an extra 10% of Post A Day pension on retirement	Decrease by 1.2%

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 30 June 2016 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation, pension increases and salary growth. The average duration of the defined benefit obligation at the period ended 30 June 2016 is 17 years.

The Schemes typically expose the Group to actuarial risks such as investment risk, interest rate risk, salary growth risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to plan liabilities. This would detrimentally impact the balance sheet position and may give rise in increased charges in future income statement accounts. This effect would be partially offset by an increase in the value of the Schemes' bond and LDI holdings, and in qualifying death in service insurance policies that cover the mortality risk. Additionally, caps on inflationary increases are in place to protect the plan against extreme inflation.

The best estimate of contributions to be paid by the Group to the Schemes for the period beginning 1 July 2016 is £602,000.

Banking Group

The Banking Group operates a funded pension scheme established in 1986. The Banking Group also operates a funded gratuity scheme for new employees and for those employees who have not opted for the pension scheme.

The Banking Group also maintains an employee compensated absences scheme. The liabilities of the Bank in respect of these schemes are determined based on actuarial valuations carried out using the Projected Unit Credit Method.

Actuarial valuations of the defined benefit schemes are carried out every year and the latest valuation was carried out as at 30 June 2016.

The number of employees covered under the following defined benefit schemes are:

Banking Group	2016	2015
Pension fund	**6,926**	6,897
Gratuity fund	**8,329**	7,085
Post-retirement medical benefit scheme	**9,882**	10,458

Notes *(continued)*

34. Employee benefits *(continued)*

Principal actuarial assumptions

The actuarial valuations were carried out as at 30 June using the following significant assumptions:

Banking Group	**2016**	2015
Discount rate and expected rate of return on plan assets	**7.25%**	9.75%
Expected rate of future salary increase	**5.25%**	7.75%
Expected rate of increase in pension and medical benefit	**1.25%**	2.00%
Expected rate of increase in pension	**7.25%**	9.75%
Post-retirement mortality at age 60:		
Pension fund	**12.29**	11.77
Post-retirement medical benefit scheme	**13.73**	11.70

Present values of scheme liabilities, fair values of assets and deficit:

	Pension fund 2016 £000	**Gratuity fund 2016 £000**	**Post-retirement medical benefit 2016 £000**	**Total 2016 £000**
Present value of scheme liabilities	**22,222**	**4,367**	**8,675**	**35,264**
Fair value of plan assets	**(22,799)**	**(4,749)**	**-**	**(27,548)**
	(577)	**(382)**	**8,675**	**7,716**

	Pension fund 2015 £000	Gratuity fund 2015 £000	Post-retirement medical benefit 2015 £000	Total 2015 £000
Present value of scheme liabilities	18,361	3,603	6,463	28,427
Fair value of plan assets	(18,177)	(3,925)	-	(22,102)
Fair value of plan assets	184	(322)	6,463	6,325

	Pension fund £000	**Gratuity fund £000**	**Post-retirement medical benefit £000**	**Total £000**
Defined benefit obligation at 1 July 2015	18,361	3,603	6,463	28,427
Current service cost	117	601	30	748
Interest cost	771	372	616	1,759
Benefits paid	(3,795)	(943)	(854)	(5,592)
Return allocated to other funds	915	-	-	915
Actuarial loss on obligations	3,048	184	1,352	4,584
Exchange difference	2,805	550	1,068	4,423
At 30 June 2016	**22,222**	**4,367**	**8,675**	**35,264**

Notes *(continued)*

34. Employee benefits *(continued)*

Movement in fair value of plan assets:	Pension fund	Gratuity fund	Post-retirement medical benefit	Total
	2015	2015	2015	2015
	£000	£000	£000	£000
Value of scheme assets at 1 July 2015	18,177	3,925	-	22,102
Interest income on plan assets	1,668	403	-	2,071
Contribution by employer	2,232	609	-	2,841
Benefits paid	(2,683)	(980)	-	(3,663)
Actuarial gain / (loss) on plan assets	553	193	-	746
Exchange difference	2,852	599	-	3,451
At 30 June 2016	22,799	4,749	-	27,548

Expense recognised in profit and loss account:	**Pension fund**	**Gratuity fund**	**Post-retirement medical benefit**	**Total**
	2016	**2016**	**2016**	**2016**
	£000	**£000**	**£000**	**£000**
Current service cost	**117**	**601**	**30**	**748**
Net interest on defined benefit asset or liability	**(925)**	**(31)**	**616**	**(340)**
Return allocated to other funds	**915**	**-**	**-**	**915**
	107	**570**	**646**	**1,323**

Movement recognised in the statement comprehensive income:	**Pension fund**	**Gratuity fund**	**Post-retirement medical benefit**	**Total**
	2016	**2016**	**2016**	**2016**
	£000	**£000**	**£000**	**£000**
Actuarial gain on obligations				
Experience adjustments	**1,017**	**(16)**	**1,758**	**2,759**
Return on plan assets over interest income	**2,033**	**200**	**(406)**	**1,827**
Adjustment for mark up	**(541)**	**(193)**	-	**(734)**
Experience adjustments	2,509	(9)	1,352	3,852

Notes *(continued)*

34. Employee benefits *(continued)*

The fair value of the plan assets and the return on those assets were as follows	Pension fund	Gratuity fund	Total
	2016	*2016*	*2016*
	£000	£000	£000
Quoted securities			
Ordinary shares	894	55	949
Term finance certificates	418	73	491
Return on plan assets over interest income			
Term finance certificates	247	-	247
Pakistan investment bonds	11,296	2,715	14,011
Special savings certificates	9,486	1,898	11,384
Special savings certificates	*458*	*8*	*466*
	22,799	4,749	27,548

The funds primarily invests in government securities and accordingly do not carry any significant credit risk. These are subject to interest rate risk based on market movements. Investment in term finance certificates are subject to credit risk and interest rate risks, while equity securities are subject to price risk. These risks are regularly monitored by Trustees of the employee funds.

Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase/(decrease) in the present value of defined benefit obligations as a result of a change in each assumption is summarised below:

Banking Group	Pension fund	Gratuity fund	Post-retirement medical benefit	Pension fund	Gratuity fund	Post-retirement medical benefit
	2016	2016	2016	2015	2015	2015
	£000	£000	£000	£000	£000	£000
Increase in discount rate by 1%	(821)	(345)	(731)	(449)	(269)	(513)
Decrease in discount rate by 1%	939	402	868	500	312	607
Increase in expected future increment in salary by 1%	-	406	-	-	315	-
Decrease in expected future increment in salary by 1%	-	(354)	-	-	(276)	-
Increase in expected future increment in pension by 1%	245	-	-	436	(3,603)	-
Decrease in expected future increment in pension by 1%	(213)	-	-	(394)	(3,603)	-
Increase in expected future increment in medical benefit by 1%	-	-	196	-	-	160
Decrease in expected future increment in medical benefit by 1%	-	-	(172)	-	-	(141)

Although the analysis does not take account of the full distribution of expected cash flows, it does provide an approximation of the sensitivity of the assumptions shown.

Expected contributions to be paid to the funds in the next financial year

The Banking Group contributes to the pension and gratuity funds according to the actuary's advice. Based on actuarial advice, management estimates that the expected contribution of £740,000 in the financial year to 30 June 2017.

Notes *(continued)*

34. Employee benefits *(continued)*

Funding policy

The Bank endeavours to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

35. Operating lease arrangements

Trading Group	**2016**	2015
	£000	£000
Lease payments under operating leases recognised as an expense in the year	**15,469**	10,276

At the balance sheet date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016	2015
	£000	£000
Less than one year	**13,911**	11,398
Between one to five years	**43,869**	33,496
More than five years	**60,389**	89,032
	118,169	133,926

Operating lease payments represent rentals payable by the group for certain of its office properties. Leases are negotiated for an average term of 8 years and rentals are fixed for an average of 8 years with an option to extend for a further period at the then prevailing market rate.

Leases as lessor

The investment properties are let under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	2016	2015
	£000	£000
Less than one year	**58**	114
Between one and five years	**12,200**	4,045
More than five years	**18,307**	30,873
	30,565	35,032

During the year £7.9 million (2015: £6.8 million) was recognised as rental income.

Banking Group

At 30 June 2016 the Banking Group had no annual commitments under non-cancellable operating leases (2015: nil)

Notes *(continued)*

36. Capital Commitments

At 30 June 2016 the Group had entered into contracts to purchase property, plant and equipment; The Trading Group commitment was £2,555,000 (2015: £1,326,000). The Banking Group commitment was £18,400,000 (2015: £18,846,000).

37. Contingent liabilities

Trading Group

The Trading Group together with Bestway Northern Limited (a related party) became party to a Senior Facilities Agreement with JP Morgan Limited on 6 October 2014, whereby the liabilities to JP Morgan Limited of each of the Group and Bestway Northern are cross guaranteed by each of the companies. The loans under agreement at 30 June 2016 amount to £430 million (2015: £546 million).

Bestway Cement Limited and associates had various appeals pending adjudication related to income tax payable. These appeals are filed with either the Commissioner Inland Revenue (appeals) or the Appellant Tribunal Inland Revenue depending on the stage of the appeal. As management are confident of favourable outcomes in these cases no provision has been made at the balance sheet date. There have been no updates for 2016.

The Competition Commission of Pakistan (CCP) issued a show cause notice dated 28 October 2008 to 21 cement companies (including the Company) under section 30 of the Competition Ordinance, 2007. On 27 August 2009, CCP imposed a penalty aggregating Rs. 1.12 billion on the Company and Pakcem (acquired by the Company). The cement manufacturers (including the Company) have challenged the CCP order in the Honorable High Court and the Honorable High Court has passed an interim order restraining CCP from taking any adverse action against those 21 cement companies. Appeals against the CCP's orders were also filed as an abundant precaution in the Honorable Supreme Court of Pakistan under Section 42 of the Competition Ordinance, 2007. During the year, the cases were fixed for hearing on time to time, however, due to non availability of defendant, the hearings of the case were adjourned. These appeals are still pending and management is confident of a favorable outcome of the case, accordingly no provision has been made in these financial statements.

Banking Group

Claims against the Banking Group not acknowledged as debts mainly represent counter claims filed by the borrowers for restricting the Bank from disposal of assets such as pledged assets kept as security. At 30 June 2016 these amounted to £88,966,000 (2015: £75,344,000). Based on legal advice and the director's internal assessments, management is confident that the matters will be decided in the Banking Group's favour and the possibility of any outcome against the Banking Group is remote and accordingly no provision has been made in these financial statements.

United Bank Limited Yemen (UBL) issued two Standby Letters of Credit (SBLCs) for USD 12 million and USD 13 million in favour of Ministry of Oil and Minerals Yemen (MOM) against the counter SBLCs of a foreign bank. In March 2015, counter party to performance agreement notified MOM of suspension of SBLCs because of force majeure. In September 2015, MOM filed a law suit against UBL at the Preliminary Commercial Court in Sana'a claiming the payment of both SBLC's for the sum of USD 25 million under both the SBLCs. UBL management is pursuing the matter in the courts in Yemen and based on the legal advice of the Bank's legal counsel in Yemen, the management is of the view that it is unlikely that there will be any financial impact on the Bank.

38. Non-controlling interest

Group	**Total £000**
Balance at 1 July 2014	**409,937**
Share of total comprehensive income for the year	176,634
Payment of dividends	(53,458)
Adjustment arising from change in non-controlling interest	19,155
Balance at 30 June 2015	**552,268**
Share of total comprehensive income for the year	207,926
Payment of dividends	(58,893)
Adjustment arising from change in non-controlling interest	(1,624)
Balance at 30 June 2016	**699,677**

Notes *(continued)*

38. Non-controlling interest *(continued)*

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Total 2016 £000	Total 2015 £000
Bestway Cement Limited		
Current assets	**84,019**	74,571
Non-current assets	**471,744**	422,805
Current liabilities	**(69,520)**	(77,832)
Non-current liabilities	**(186,413)**	(192,577)
Equity attributable to owners of the Company	**(299,830)**	(211,230)
Non-controlling interests	**-**	(15,737)
United Bank Limited		
Current assets	**6,613,771**	4,382,921
Non-current assets	**5,500,154**	4,419,848
Current liabilities	**(10,310,060)**	(7,125,333)
Non-current liabilities	**(588,569)**	(719,917)
Equity attributable to owners of the Company	**(1,176,890)**	(925,598)
Non-controlling interests	**(38,406)**	(31,921)

39. Financial instruments

Group

a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2015.

The capital structure of the Group consists of net debt (borrowings disclosed in note 31 after deducting cash and bank balances) and equity of the Group (comprising issued capital and retained earnings as disclosed in the Consolidated Statement of Changes in Equity).

The Group is not subject to any externally imposed capital requirements.

Gearing ratio

	2016	2015
The gearing ratio at the year-end is as follows:	**£000**	£000
Debt	**2,131,337**	1,496,081
Cash and cash equivalents	**(1,021,168)**	(921,701)
Net Debt	**1,110,169**	574,380
Equity	**1,191,153**	949,493
Net debt to equity ratio	**0.92**	0.60

Debt is defined as long- and short-term borrowings as detailed in note 31. Cash & cash equivalents is defined as cash net of outstanding bank overdrafts as detailed in note 28. Equity includes all capital and reserves of the Group excluding non-controlling interest share.

Notes *(continued)*

39. Financial instruments *(continued)*

Trading Group

b) Financial risk

The following table shows the carrying amounts of financial assets and financial liabilities by categories:

Financial Assets	**2016**	2015
	£000	£000
Loans and Receivables		
Amounts receivable for sale of goods	**143,655**	116,687
Other receivables	**30,676**	56,596
Cash and cash equivalents	**90,157**	65,012
Total Financial Assets	**264,488**	238,295
Financial Liabilities		
Overdraft	**7,394**	-
Trade payables	**365,824**	327,265
Amounts due to related parties	**152,774**	140,856
Other interest bearing loans and borrowings	**538,979**	703,721
	1,064,971	1,171,842

Financial risk management objectives

The Trading Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Tradings Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include liquidity risk and cash flow interest rate risk.

The Trading Group seeks to minimise the effects of these risks by detailed forecasting and cash management to ensure that loan covenants are not breached. The Group has a policy of using reasonable cash surpluses to pay down debt and thereby reducing interest costs. The Group has also entered into an interest rate cap arrangement with JP Morgan to reduce the exposure to large increases in LIBOR. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

c) Credit Risk

Credit risk is the risk of financial loss to the Trading Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Trading Group's receivables from customers.

The Trading Group manages credit risk principally through the performance of credit checks on new customers and credit control procedures. The trade debtor balances are made up of a large number of individual customer balances, none of which are individually significant. Cash and cash equivalents represents deposits at high quality financial institutions.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is listed in financial assets within the table above. All trade receivables at the balance sheet date are within the UK or Pakistan. See note 25 for more information on provisions relating to credit customers.

d) Interest rate and liquidity risk

The Group is exposed to interest rate risk because the Trading Group borrows funds at floating interest rates, namely LIBOR and KIBOR.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Trading Group's short, medium and long-term funding and liquidity management requirements. The Trading Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set out below.

Notes *(continued)*

39. Financial instruments *(continued)*

Liquidity and interest risk tables

The following tables detail the Trading Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Trading Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Trading Group may be required to pay.

	Weighted average effective interest rate	1 year or less	1-5 years	5+ years	Total
	%	£000	£000	£000	£000
30 June 2016					
Fixed interest rate instruments:	10	51	206	718	975
Variable interest rate instruments:					
Borrowings from related parties	2.53	14,214	19,082	233,156	266,452
Bank Loans	4.9	34,481	160,343	313,307	508,131
Bank Loans	KIBOR + 0.5%	35,715	99,981	-	135,696
		84,461	279,612	547,181	911,254
30 June 2015					
Fixed interest rate instruments:	10	51	206	769	1,026
Variable interest rate instruments:					
Borrowings from related parties	2.53	9,949	19,892	237,836	267,677
Bank Loans	4.95	43,889	220,005	426,193	690,087
Bank Loans	KIBOR + 0.5%	35,715	146,308	-	182,023
		89,604	386,411	664,798	1,140,813

Financing facilities	2016	2015
	£000	£000
Secured bank overdraft facility:		
Amount used	7,168	-
Amount unused	67,832	75,000
	75,000	75,000

Notes *(continued)*

39. Financial instruments *(continued)*

Sensitivity analysis

The Group has exposure to interest rate risk on:

- Bank loans that bear interest on LIBOR or KIBOR plus basis
- Loan from related party (Bestway Northern) which bears interest at 4% above LIBOR.

A 1% change in LIBOR rates will increase or decrease equity by:

	2016 £000	2015 £000
Bank loans	**5,695**	7,037
Loan to related party	**300**	300
	5,995	7,337

A 1% change in interest rates will increase or decrease profit and loss by:

	2016 £000	2015 £000
Bank loans	**5,695**	7,037
Loan to related party	**300**	300
	5,995	7,337

Fair value measurements

The information set out below provides information about how the Group determines fair values of various financial assets and financial liabilities.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

-Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes *(continued)*

39. Financial instruments *(continued)*

Set out below is a comparison by category of the carrying amounts and fair values of all the Trading Group's financial instruments that are carried in the consolidated balance sheet.

	Fair value hierarchy as at 30/06/16			
	Level 1	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial liabilities				
Financial liabilities held at amortised cost:				
Bank loans, overdraft and preference shares	538,979	-	-	538,979
Amounts due to related parties	30,000	-	-	30,000
	568,979	-	-	568,979

	Fair value hierarchy as at 30/06/15			
	Level 1	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial liabilities				
Financial liabilities held at amortised cost:				
Bank loans, overdraft and preference shares	703,721	-	-	703,721
Amounts due to related parties	30,000	-	-	30,000
	733,721	-	-	733,721

The carrying value of trade receivables less impairment and trade payables are assumed to approximate fair value and are excluded from the above table.

Banking Group

This section presents information about the Banking Group's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments such as credit, market, liquidity, and operational risks.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Banking Group has access to at that date.

Investments which are tradable in an open market are revalued at the market prices prevailing on the statement of financial position date. The fair value of unquoted equity investments is carried at cost less impairment, if any.

The fair value of fixed term loans, other assets (except for unrealised gain on derivative financial instruments and forward exchange contracts), other liabilities (except for unrealised loss on derivative financial instruments and forward exchange contracts) and fixed term deposits cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

The following table shows financial instruments carried at fair value, analysed between those whose fair value is based on:

- Quoted prices in active markets for identical assets or liabilities (Level 1) ,
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); (Level 2)
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

Notes *(continued)*

39. Financial instruments *(continued)*

Fair value of financial instruments *(continued)*

	Fair value hierarchy as at 30/06/16			
	Level 1	**Level 2**	**Level 3**	**Carrying Value**
	£000	**£000**	**£000**	**£000**
Financial assets measured at fair value				
Investments:	-			
-Market Treasury Bills	-	473,608	-	473,608
-Pakistan Investment Bonds	-	2,523,500	-	2,523,500
-Government of Pakistan Sukuk	-	58,711	-	58,711
-Government of Pakistan Eurobonds	-	113,908	-	113,908
-Ordinary shares of listed companies	181,309	-	-	181,309
-Term Finance Certificates	-	10,472	-	10,472
-Investment in REIT	3,216	-	-	3,216
-Foreign Bonds	-	414,484	-	414,484
Financial assets not measured at fair value				
Cash and bank balances with treasury banks	-	-	-	647,350
Balances with other banks	-	-	-	294,822
Lending to financial institutions	-	-	-	269,804
Advances	-	-	-	3,861,130
Other financial assets	-	-	-	224,156
Investments	-	-	-	2,639,184
Financial liabilities not measured at fair value				
Bills Payable	-	-	-	(87,272)
Borrowings	-	-	-	(1,565,907)
Deposits and other accounts	-	-	-	(8,641,118)
Other financial liabilities	-	-	-	(458,301)
	184,525	3,594,683	-	963,056

Operating fixed assets and investment properties are carried at revalued amounts determined by professional valuers (level 2 measurement) based on their assessment of the market values as disclosed in note 21. Particulars relating to fair value of off-balance sheet financial instruments are given 39f.

During the year there have been no transfers between the levels.

Risk management

The Banking Group has an integrated risk management structure in place. The Board Risk Management Committee (BMRC) oversees the entire risk management process of the Bank. The Risk and Credit Policy Group is responsible for the development and implementation of all risks policies as approved by the BMRC/Board of Directors. The Group is organised into the functions of Market & Financial Institutions Risk, Credit Policy & Research, Credit Risk Management and Operational Risk & Basel II. Each risk function is headed by a senior manager who reports directly to the Group Head, Risk and Credit Policy. The role of the Risk and Credit Policy Group include:

- Determining guidelines relating to the Banking Group's risk appetite;
- Recommending risk management policies in accordance with the Prudential Regulations, Basel II framework and international best practices;
- Reviewing policies/manuals and ensuring that these are in accordance with BMRC/Board of Directors approved risk management policies;
- Developing systems and resources to review the key risk exposures of the Banking Group;
- Approving credits and granting approval authority to qualified and experienced individuals;
- Reviewing the adequacy of credit training across the Banking Group;
- Organising portfolio reviews focusing on quality assessment, risk profiles, industry concentrations, etc.; and
- Setting systems to identify significant portfolio indicators, problem credits and level of provisioning required.

Notes *(continued)*

39. Financial instruments *(continued)*

Banking Group

The carrying amounts of financial instruments by class as shown in the statement of financial position are as follows:

	Related party balances 2016 £000	Other than related party balances 2016 £000	Total 2016 £000
Cash and balances with treasury banks	-	647,350	647,350
Balances with other banks	-	294,822	294,822
Lendings to financial institutions	2,185	267,619	269,804
Investments	52,339	6,366,055	6,418,394
Advances	92,735	3,768,396	3,861,131
Other assets	2,755	221,401	224,156
	150,014	11,565,643	11,715,657
Bills payable	-	87,272	87,272
Borrowings	524	1,565,383	1,565,907
Deposits and other accounts	98,748	8,542,370	8,641,118
Payable to investors of UBL Funds	-	99,630	99,630
Other liabilities	690	357,981	358,671
	99,962	10,652,636	10,752,598
	50,052	913,007	963,059

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. The fair value of unquoted equity securities, other than investments in associates is determined on the basis of the break-up value of these investments as per their latest available audited financial statements. The fair value of associates is based on the net assets of the associates as per their latest financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

(f) Credit risk

Credit risk is the risk that a customer or counterparty may not settle an obligation for full value, either when due or at any time thereafter. This risk arises from the potential that a customer's or counterparty's willingness or ability to meet such an obligation is impaired, resulting in an economic loss to the Banking Group. The credit risk management process is driven by the Bank's Credit Policy, which provides policies and procedures in relation to credit initiation, approval, documentation and disbursement, credit maintenance and remedial management. Individual credit authorities are delegated to credit officers by the Board according to their seasoning/maturity. Approvals for Corporate and Consumer loans are centralised, while approval authorities for Commercial and SME exposures are delegated to a Regional level. All credit policy functions are centrally organised.

Notes *(continued)*

39. Financial instruments *(continued)*

(f) Credit risk (continued)

Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographical region, or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. The Banking Group manages limits and controls concentrations of credit risk to individual counterparties and groups, and to industries, where appropriate. Limits are also applied to portfolios or sectors where the Banking Group considers it appropriate to restrict credit risk concentrations, or to areas of higher risk, or to control the rate of portfolio growth. The table below sets out the carrying amount of financial assets which represents the maximum credit exposure at year end (including geographical segment):

Banking Group	2016 £000
Cash and balances with treasury banks	585,865
Balances with other banks	266,820
Lendings to financial institutions	244,178
Investments (debt securities)	5,622,927
Advances	3,494,405
Other assets	202,866
	10,417,061

Banking Group	2016 £000
Pakistan operations	7,839,308
Middle East	1,877,929
United States of America	51,390
Karachi Export Processing Zone	8,745
Europe	559,906
Africa	79,783
	10,417,061

Notes *(continued)*

39. Financial instruments *(continued)*

(f) Credit risk (continued)

Credit risk – analysis of credit quality

The table below sets out information about the credit quality of financial assets and the allowance for impairment/loss held by the Banking Group against those assets.

	Lendings to financial institutions	Loans and advances	Investments (debt securities)	Off balance sheet items
	2016	2016	2016	2016
	£000	£000	£000	£000
At amortised cost				
Considered good	240,955	3,276,353	2,356,246	-
Watch list	-	167,016	-	-
Substandard	-	30,427	879	-
Doubtful	7,560	20,437	-	-
Loss	1,303	256,802	23,497	-
Less: Allowance for impairment	(5,640)	(256,629)	(8,576)	-
	244,178	3,494,406	2,372,046	-
Available for sale				
Considered good	-	-	3,131,622	-
Watch list	-	-	10,622	-
Loss	-	-	3,116	-
Less: Allowance for impairment	-	-	(2,253)	-
	-	-	**3,143,107**	-
Fair value through profit and loss	-	-	**107,775**	-
Off balance sheet				
Trade-related contingent liabilities	-	-	-	1,055,394
Direct credit substitutes	-	-	-	137,393
Transaction-related contingent liabilities	-	-	-	1,015,030
Forward contracts - purchase	-	-	-	1,304,560
Forward contracts - sale	-	-	-	1,198,076
Derivatives - Interest rate swaps	-	-	-	54,883
Derivatives - Cross currency swaps	-	-	-	3,369
FX options - purchased	-	-	-	1,556
FX options - sold				1,556
Forward purchase of Government securities				9,855
	-	-	-	**4,781,672**

Included in the above loans and advances are restructured loans, details of which are as follows:

	2016
	£000
Gross amount	310,314
Allowance for impairment	(33,597)
Net carrying amount	**276,717**

Notes *(continued)*

39. Financial instruments *(continued)*

(f) Credit risk (continued)

The table below shows the breakdown of the Banking Group's on/off-balance sheet credit exposure 81ategorized by the degree of risk of financial loss:

	Lendings to financial institutions 2016 £000	Loans and advances 2016 £000	Investments (debt securities) 2016 £000	Off balance sheet items 2016 £000
Neither past due nor impaired	240,955	2,948,655	5,606,264	4,781,672
Past due but not impaired				
1 – 59 days	-	134,224	-	-
59 – 89 days	-	131,272	-	-
	-	265,496	-	-
Impaired portfolio				
Not past due but impaired	-	229,218	-	-
Substandard	-	30,427	879	-
Doubtful	7,560	20,437	-	-
Loss	1,303	256,802	26,613	-
Less: Allowance for impairment	(5,640)	(256,629)	(10,829)	-
	244,178	3,494,406	5,622,927	4,781,672

The table below shows a breakdown of the credit exposure by collateral type:

	Lendings to financial institutions 2016 £000	Loans and advances 2016 £000	Investments (debt securities) 2016 £000
Cash	-	243,170	-
Marketable securities	48,208	38,284	25,013
Property	-	1,037,025	-
Stock	-	789,221	-
Guarantee	-	789,780	5,225,014
Others	139,145	100,603	383,770
Unsecured	62,464	752,951	-
	249,817	3,751,034	5,633,797

The bank takes possession of the collaterals (mostly mortgaged properties) incase of settlement arrangements with the defaulted customers. Market value of such properties amounts to £17.5 million.

The bank has pledged its marketable securities amounting to £1,193.8 million against repurchase borrowings.

Notes *(continued)*

39. Financial instruments *(continued)*

(f) Credit risk (continued)

The table below sets out the credit quality of trading debt securities:

State bank of Pakistan rating grade	Govt. bonds 2016 £000	Corporate bonds and others 2016 £000
1	8,157	14,412
2	19,713	8,811
3	26,621	53,238
4	27,898	2,249
5	98,641	6,850
6	175,284	38,514
Unrated	4,905,058	248,352
	5,261,372	**372,426**

The table below sets out the credit quality of trading debt securities. The analysis has been based on following ratings by following rating agencies:

Rating grade	Moody's	Fitch	JCR-VIS	PACRA
1	Aaa	AAA	AAA	AAA
	Aa1	AA+	AA+	AA+
	Aa2	AA	AA	AA
	Aa3	AA-	AA-	AA-
2	A1	A+	A+	A+
	A2	A	A	A
	A3	A-	A-	A-
3	Baa1	BBB+	BBB+	BBB+
	Baa2	BBB	BBB	BBB
	Baa3	BBB-	BBB-	BBB-
4	Ba1	BB+	BB+	BB+
	Ba2	BB	BB	BB
	Ba3	BB-	BB-	BB-
5	B1	B+	B+	B+
	B2	B	B	B
	B3	B-	B-	B-
6	Caa1 and below	CCC+ and below	CCC+ and below	CCC+ and below

Notes *(continued)*

39. Financial instruments *(continued)*

(f) Credit risk (continued)

The table below sets out the credit quality of trading debt securities at 30 June 2016:

Banking Group	**Lendings to financial institutions 2016 £000**	**Loans and advances 2016 £000**	**Investments (debt securities) 2016 £000**	**Off balance sheet 2016 £000**
Concentration of Credit Risk				
Chemical and pharmaceuticals	-	68,760	995	1,533
Agri business	-	471,184	-	27,088
Communication	-	93,355	-	59,006
Textile	-	415,042	1,689	289
Sugar	-	86,488	-	-
Shoes and leather garments	-	13,683	-	1,209
Transportation equipment	-	108,074	4,145	6,564
Financial	276,035	295,197	140,264	2,841,950
Electronics and electrical appliances	-	82,378	-	4,963
Production and transmission of energy	-	637,346	43,287	879,525
Paper and allied	-	25,178	-	-
Wholesale traders	-	117,765	7,744	8,242
Fertilizer dealers	-	92,318	2,035	544
Sports goods	-	274	-	-
Food industries	-	164,150	4,308	2,682
Construction	-	200,844	6,575	45,186
Engineering	-	82,140	-	79,769
Glass and allied	-	2,236	17	315
Hotels	-	23,383	-	-
Polyester and fiber	-	35,490	-	2
Individuals	-	489,916	205,777	431,244
Others	-	639,491	5,808,207	893,379
	276,035	**4,144,692**	**6,225,043**	**5,283,490**
Concentration by locations				
Pakistan operations	138,373	2,691,833	5,458,984	2,277,547
Middle East	114,951	1,177,844	519,246	2,490,881
United States of America	10,764	29,390	1,475	10,470
Karachi Export Processing Zone	-	5,012	3,739	42,520
Europe	9,094	92,842	128,488	429,529
Africa	2,853	74,061	68,981	513
Rest of the World	-	73,709	44,131	32,032
	276,035	4,144,691	6,225,044	5,283,492

Notes *(continued)*

39. Financial instruments *(continued)*

(g) Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate due to movements in market prices. It results from changes in interest rates, exchange rates and equity prices as well as from changes. Measuring and controlling market risk is usually carried out at a portfolio level. However, certain controls are applied, where necessary, to individual risk types, to particular books and to specific exposures. Controls are also applied to prevent any undue risk concentrations in trading books, taking into account variations in price, volatility, market depth and liquidity. These controls include limits on exposure to individual market risk variables as well as limits on concentrations of tenors and issuers.

Trading activities are centred in the Treasury and Capital Markets which facilitates clients and runs proprietary positions. The Banking Group is active in the derivative markets for equity, interest rate and foreign exchange.

The Market and Treasury Risk division performs market risk management activities. Within this division, the Market Risk Management unit is responsible for the development and review of market risk policies and processes, and is involved in research, financial modelling and testing / implementation of risk management systems, while Treasury Middle Office is responsible for implementation and monitoring of market risk and other policies, escalation of deviations to senior management, and MIS reporting.

The functions of the Market Risk Management unit are as follows:

- To keep the market risk exposure within the Group's risk appetite as assigned by the Board of Directors and the BRMC;
- To develop, review and upgrade procedures for the effective implementation of market risk management policies approved by the Board of Directors and BRMC;
- To review new product proposals and propose/recommend/approve procedures for the management of their market risk. Various limits are assigned to different businesses on a product/portfolio basis. The products are approved through product programs, where risks are identified and limits and parameters are set. Any transactions/products falling outside these product programs are approved through separate transaction/product memos; and
- To maintain a comprehensive database for performing risk analysis, stress testing and scenario analysis. Stress testing activities are performed on a quarterly basis on both the Banking and trading books.

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios:

Banking Group	Carrying amount	Risk measure Trading portfolio	Non-trading portfolio
	2016	2016	2016
	£000	£000	£000
Assets Subject to Market Risk			
Cash and balances with treasury banks	647,350	-	647,350
Balances with other banks	294,822	-	294,822
Lendings to financial institutions	269,804	-	269,804
Investments	6,418,394	123,223	6,295,171
Advances	3,861,130	-	3,861,130
Other assets (Including derivative assets)	224,156	-	224,156
	11,715,656	**123,223**	**11,592,433**
Liabilities subject to market risk			
Bills payable	87,272	-	87,272
Borrowings	1,565,907	-	1,565,907
Deposits and other accounts	8,641,118	-	8,641,118
Liabilities against assets subject to finance lease	33	-	33
Payable to investors of UBL Funds	99,630	-	99,630
Other liabilities (including derivative liabilities)	358,637	-	358,637
	10,752,597	-	10,752,597
Net amount	963,059	123,223	839,836

Notes *(continued)*

39. Financial instruments *(continued)*

h) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. Exposures are monitored by currency to ensure that they remain within the established limits for each currency. Exposures are also monitored on an overall basis to ensure compliance with the Banking Group's State bank of Pakistan approved Foreign Exchange Exposure Limit.

The Banking Group is an active participant in the cash and derivatives markets for currencies and carries currency risk from these trading activities, conducted primarily by the Treasury and Capital Markets Group (TCM). These trading exposures are monitored through prescribed stress tests and sensitivity analyses.

The Banking Groups local currency is the Pakistan Rupee, but its assets, liabilities, income and expenses are denominated in multiple currencies and converted to British pounds. From time to time, TCM proactively hedges foreign currency exposures resulting from its market making activities, subject to pre-defined limits.

Banking Group	Assets	Liabilities	Off - balance sheet items	Net currency exposure
	2016	2016	2016	2016
	£000	£000	£000	£000
Pakistan Rupee	8,924,624	7,676,797	(92,480)	1,155,347
US Dollar	1,798,847	1,201,717	(630,002)	(32,872)
Pound Sterling	271,454	316,990	120,141	74,605
Japanese Yen	8,664	8,377	(157)	130
Euro	34,267	90,571	58,240	1,936
UAE Dirham	659,783	1,079,081	416,041	(3,256)
Bahraini Dinar	84,907	132,519	42,600	(5,012)
Qatari Riyal	190,856	249,150	57,514	(779)
Other Currencies	140,522	143,427	28,103	25,198
	12,113,924	10,898,629	-	1,215,297

Sensitivity analysis

The effect of different levels of shocks in the exchange rates would have following impact on the equity of the Banking Group. This analysis assumes that all other variables, in particular interest rates, remain constant.

Banking Group	Liabilities	Off - balance sheet items	Net currency exposure
	£000	£000	£000
Magnitude of shock (%)	**20%**	**30%**	**50%**
Net foreign exposure	49,499	49,499	49,499
Loss on exchange rate change	(9,898)	(14,847)	(24,746)
Tax adjusted loss	(6,434)	(9,651)	(16,085)

Notes *(continued)*

39. Financial instruments *(continued)*

(i) Equity position risk

Equity position risk is the risk that the fair value of a financial instrument will fluctuate due to changes in the prices of individual stocks or the levels of equity indices. The banking group's equity book comprises of held for trading (HFT) and available for sale (AFS) portfolios. The objective of the HFT portfolio is to make short-term capital gains, whilst the AFS portfolio is maintained with a medium term view of earning both capital gains and dividend income. Product program manuals have been developed to provide guidelines on the objectives and policies, risks and mitigants, limits and controls for the equity portfolios of the Banking Group.

(j) Yield/interest risk

Mismatch of interest rate sensitive assets and liabilities

Interest rate risk is the risk that fair value of a financial instrument will fluctuate as a result of changes in interest rates, including changes in the shape of yield curves. Interest rate risk is inherent in the Banking Group's and arises from mismatches between the contractual maturities or the re-pricing of on balance sheet assets and liabilities.

The interest rate sensitivity profile is prepared on a quarterly basis based on the re-pricing or contractual maturities of assets and liabilities. Interest rate risk is monitored and managed by performing periodic gap analysis, sensitivity analysis and stress testing; taking appropriate actions where required.

The table below discloses the mismatch between contractual maturities and re-pricing of cash flows of on balance sheet assets and liabilities:

On balance sheet financial instruments	Effective yield/ interest rate	Total	Up to 1 year	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	Non-interest bearing financial instruments
		2016	2016	2016	2016	2016	2016
	%	£000	£000	£000	£000	£000	£000
Assets							
Cash and balances with treasury banks	0%	647,350	51,313	-	-	-	596,037
Balances with other banks	0%	294,822	80,822	-	-	-	214,000
Lendings to financial institutions	5%	269,803	232,273	13,744	13,816	5,767	4,203
Investments	10%	6,418,394	2,166,659	910,887	1,601,319	1,246,529	493,000
Advances	8%	3,861,130	3,516,650	75,017	57,813	116,780	94,870
Other assets	-	224,156	-	-	-	-	224,156
		11,715,655	6,047,717	999,648	1,672,948	1,369,076	1,626,266
Liabilities							
Bills payable	-	87,272	-	-	-	-	87,272
Borrowings	6%	1,565,907	1,565,907	-	-	-	-
Deposits and other accounts	3%	8,641,119	5,029,174	124,104	263,553	42,769	3,181,519
Liabilities against assets subject to finance lease	-	33	33	-	-	-	-
Payable to investors of UBL Funds	-	99,630	-	-	-	-	99,630
Other liabilities	-	358,637	-	-	-	-	358,637
		10,752,598	6,595,114	124,104	263,553	42,769	3,727,058
On balance sheet gap		963,057	(547,397)	875,544	1,409,395	1,326,307	(2,100,792)

Notes *(continued)*

39. Financial instruments *(continued)*

(j) Yield/interest risk (continued)

Off-balance sheet financial instruments*	**Fair Value**	**Notional Value**	**Totall**	**Exposed to yield / interest rate**			
				Up to 1 year	**1-2 years**	**2-5 years**	**> 5 years**
	2016	**2016**	**2016**	**2016**	**2016**	**2016**	**2016**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Interest Rate Derivatives - Long position	2,330	60,642	60,642	998	6,170	53,474	60,642
Interest Rate Derivatives - Short position			(60,642)	(998)	(6,170)	(53,474)	(60,642)
Cross Currency Swap - Long position	143	3,722	3,615	3,615	-	-	3,615
Cross Currency Swap - Short Position			(3,615)	(3,615)	-	-	(3,615)
Foreign currency forward purchases	(24,853)	1,441,469	1,470,275	1,470,275	-	-	1,470,275
Foreign currency forward sales		(1,323,810)	(1,225,686)	(1,225,686)	-	-	(1,225,686)
FX options - purchased	66	1,719	1,719	1,719	-	-	1,719
FX options - sold			(1,719)	(1,719)	-	-	(1,719)
Forward purchase of Government securities	418	10,890	10,890	10,890	-	-	10,890
Off-balance sheet Gap			255,479	255,479	-	-	-
Total Yield / Interest Rate Risk Sensitivity Gap			1,218,537	(291,918)	875,545	1,409,394	1,326,308
Cum Yield / Interest Rate Risk Sensitivity Gap			-	(291,918)	583,627	1,993,021	3,319,329

** These financial instruments are carried at fair value (level 2 measurement)*

Sensitivity analysis

The effect of different levels of shocks in the interest rate applicable as of the balance sheet date would have following impact on the equity of the Banking Group. This analysis assumes that all other variables remain constant.

Magnitude of shock	**2%**	**3%**	**4%**
Total Assets - £000,000	12,113,925	12,113,925	12,113,925
Net fall in MVE - £000,000	306,440	461,214	614,852
Tax Adjusted Loss - £000,000	199,187	299,791	399,653

(k) Liquidity risk

Liquidity risk is the risk that the Banking Group may be unable to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable cost or losses. The Assets and Liability Management Committee (ALCO) of the banking group is responsible for the oversight of liquidity management and meets on a monthly basis or more frequently, if required. The Banking Group's approach to liquidity management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking sustained damage to business franchises. A centralised approach is adopted, based on an integrated framework incorporating an assessment of all material known and expected cash flows and the availability of collateral which could be used to secure additional funding if required. The framework entails careful monitoring and control of the daily liquidity position, and regular liquidity stress testing under a variety of scenarios. These encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the banking groups business.

Notes *(continued)*

39. Financial instruments *(continued)*

(k) Liquidity risk (continued)

Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Banking Group

The maturity profile presented below has been prepared on the basis of contractual maturities, Except for products that do not have a contractual maturity which are shown in the first bucket.

Banking Group	Total 2016 £000	Up to 1 year 2016 £000	Over 1 year to 2 years 2016 £000	Over 2 years to 5 years 2016 £000	Over 5 years 2016 £000
Assets					
Cash and balances with treasury banks	647,350	647,350	-	-	-
Balances with other banks	294,822	294,822	-	-	-
Lendings to financial institutions	269,804	220,475	23,240	26,089	-
Investments	6,418,393	2,789,794	942,611	1,491,493	1,194,495
Advances	3,861,130	2,366,849	117,261	816,424	560,596
Operating assets and Investment property	303,948	84,240	6,732	34,482	178,494
Other assets	318,478	294,482	509	8,082	15,405
	12,113,925	6,698,012	1,090,353	2,376,570	1,948,990
Liabilities					
Bills payable	87,272	87,272	-	-	-
Borrowings	1,565,907	1,559,180	-	6,727	-
Deposits and other accounts	8,641,117	8,225,328	97,032	304,423	14,334
Deferred tax liabilities	72,651	72,651	-	-	-
Payable to investors of UBL Funds	99,630	99,630	-	-	-
Other liabilities	432,049	338,649	7,050	13,541	72,809
	10,898,626	10,382,710	104,082	324,691	87,143
Net assets/(liabilities)	1,215,299	(3,684,698)	986,271	2,051,879	1,861,847

(l) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Operational Risk & Basel II Division of the Bank is primarily responsible for the oversight of operational risk management across the Group. The operational risk management framework of the Group is governed by the Operational Risk Management Policy and Procedures, while the implementation is supported by an operational risk management system and designated operational risk coordinators within different units across the Group. The framework is in line with international best practices, flexible enough to implement in stages and permits the overall approach to evolve in response to organizational learning and future requirements.

Loss data, collected through a well defined program, is evaluated and processes are reviewed for improvements in mitigation techniques. Periodic workshops are conducted for Risk & Control Self Assessment and key risk exposures are identified and assessed against existing controls to evaluate improvement opportunities. Key Risk Indicators are also defined for monitoring of risk exposures.

Business Continuity Plans have been implemented across the Bank, clearly defining the roles and responsibilities of respective stakeholders, and covering recovery strategy, IT and structural backups, scenario and impact analyses and testing directives. The outsourcing policy has also been augmented to address risks associated with such arrangements.

(m) Capital management

The objective of managing capital is to safeguard the Group's ability to continue as a going concern. It is the policy of the Group to maintain a strong capital base so as to maintain investor, depositor and market confidence and to sustain future development of the business. The Group aims to maintain an optimum level of capital along with maximizing shareholders' return as we consider a sound capital position as more appropriate as opposed to leverage supporting business growth.

Notes *(continued)*

40. Subsequent Events

On the 14th November 2016, the Company completed a transaction to buy back 17.32% of the Company's shares. On this date the Company also completed a transaction to purchase 26% of Oakleaf Limited, the holding company of Bestway Northern. The directors are confident that the funding of the transactions will have no significant impact on the Company's future ability to fund obligations as they fall due

41. Related party transactions

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the group and related party companies are disclosed below.

Trading transactions

During the year, group companies entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Bestway Northern Limited	**34,976**	28,724	**30,121**	29,099
Bestway Stores	**455**	1,526	**-**	-
Peppermill Supermarket Limited	**-**	120	**-**	-
Russell Supermarket	**195**	693	**-**	-
London Food & Wine	**129**	303	**-**	-
Map Rice Mill (Pvt) limited	**-**	-	**3,365**	3,008

	Management fee charged/(received)		Net interest payable	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Bestway Northern Limited	**4,873**	1,668	**6,122**	3,957

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Bestway Northern	**-**	-	**152,744**	140,856
Bestway Stores	**69**	67	**-**	-
London Food & Wine	**31**	45	**-**	-
Map Rice Mill (Pvt) limited	**174**	-	**-**	178

Bestway Northern Limited, Bestway Stores, Peppermill Supermarket Limited, Russel Supermarket and London Food & Wine are related parties of the group because certain directors of Bestway (Holdings) Limited are also directors of these companies.

MAP Rice Mills (Pvt) Limited is a related party of the group because it shares common shareholders with MAP Trading Limited.

Sales and purchases of goods between related parties are either done so at cost or at cost plus a mark-up to cover administrative expenses.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Notes *(continued)*

42. Remuneration of directors

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2016	2015
	£000	£000
Salaries, fees, bonuses and benefits in kind	12,197	8,666
Contribution to money purchase pension scheme	87	67
	12,284	8,733

Aggregate directors' remuneration	2016	2015
	£000	£000
Salaries, fees, bonuses and benefits in kind	5,143	4,745
Contribution to money purchase pension scheme	87	67
	5,230	4,812

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director in the group was £1.6 million (2015: £1.8 million)

There were no directors, in either year, to whom relevant benefits under money purchase schemes are accruing in respect of qualifying services to the company.

Directors' transactions

During the year sales transactions were entered into with certain directors or persons connected with the directors. These transactions were entered into during the normal course of business, with one of the Group companies, on an arm's length basis with certain of the directors' retail shops, although no specific payment terms are set.

The total value of the sales to those retail shows was £0.4 million (2015: £1.5 million). Certain of the retail shops have common directors. As required by the Companies Act 2006, the total transaction value, by director, is set out below:

	2016	2015
	£000	£000
D Pervez	-	110
ZM Choudrey	396	1,497
R Pervez	396	1,497

The outstanding balances due from/(owed to) directors in respect of these transactions were:

	2016	2015
	£000	£000
D Pervez	-	(7)
ZM Choudrey	69	59
R Pervez	69	59

All balances are repayable on demand and attract no interest.

Notes *(continued)*

43. Accounting estimates and judgements

In application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the fair value of the cash-generating units less costs to sell. The determination of a fair value and of suitable selling costs require a level of estimation. In situations where this is lower than the book value of the net assets of the cash generating unit, a value in use calculation will need to be performed. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Details of the impairment loss calculation are set out in note 11.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Group's directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation committee's findings to the board of directors of the Company every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

Notes *(continued)*

44. Share capital

	2016	2015
	£000	£000
Authorised:		
500,000 ordinary share of £1 each	500	500
Allotted, called up and fully paid:		
95,940 ordinary share of £1 each	96	96

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group.

Dividends paid during the period were nil (2015: nil).

Notes *(continued)*

45. Explanation of transition to Adopted IFRSs

As stated in note 2, these are the Group's first consolidated financial statements prepared in accordance with Adopted IFRSs.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 30 June 2016, the comparative information presented in these financial statements for the year ended 30 June 2015 and in the preparation of an opening IFRS balance sheet at 01 July 2014 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to Adopted IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

		1 July 2014 UK GAAP £000	Effect of transition to Adopted IFRSs £000	1 July 2014 Adopted IFRSs £000
Non-current assets				
Group Goodwill	1	69,890	28,166	98,056
Banking Group- *other intangible assets*		8,086	-	8,086
Trading Group- *property, plant and equipment*	3	450,108	(95,221)	354,887
Banking Group- *property, plant and equipment*	3	173,848	(9,807)	164,041
Trading Group- *investment property*	3	-	95,221	95,221
Banking Group- *investment property*	3	-	9,807	9,807
Banking Group- *reinsurance assets*	3	-	3,854	3,854
Banking Group- *investments in equity accounted investees*	3	-	16,339	16,339
Banking Group- *other financial assets classified as held for sale*	3	2,038,426	(13,306)	2,025,120
Banking Group- *lendings to financial institutions and advances*	3	-	1,064,848	1,064,848
Trading Group- *other receivables*	3	-	586	586
		2,740,358	1,100,487	3,840,845
Current assets				
Trading Group- *inventories*	3	185,423	548	185,971
Trading Group- *other financial assets classified as held for sale*		587	-	587
Banking Group- *other financial assets classified as held for sale*	3	842,656	(64,757)	777,899
Banking Group-*lendings to financial institutions and advances*	3	-	1,733,322	1,733,322
Trading Group- *tax receivable*	3	-	702	702
Banking Group- *tax receivable*	3	-	36,367	36,367
Trading Group- *trade and other receivables*	3	85,536	(37,655)	47,881
Banking Group- *trade and other receivables*	3	3,047,755	(2,807,179)	240,576
Banking Group- *deferred acquisition costs*	3	-	188	188
Trading Group- *cash and cash equivalents*		35,661	-	35,661
Banking Group- *cash and cash equivalents*	3	827,962	(17,080)	810,882
		5,025,580	(1,155,544)	3,870,036
TOTAL ASSETS		7,765,938	(55,057)	7,710,881
Current liabilities				
Trading Group- *trade and other payables*	3	304,651	22,212	326,863
Banking Group- *trade and other payables*	3	5,788,126	(5,545,384)	242,742
Banking Group- *deposits and other accounts*	3	-	5,127,550	5,127,550
Banking Group- *payable to investors of UBL funds*	3	-	88,858	88,858
Banking Group- *bills payable*	3	-	74,538	74,538
Trading Group- *tax payable*	3	-	5,414	5,414
Trading Group- *other interest baring loans and borrowings*	3	-	48,701	48,701
Banking Group- *other interest baring loans and borrowings*	3	-	173,460	173,460
Trading Group- *provisions*	3	-	4,944	4,944
		6,092,777	293	6,093,070

Notes *(continued)*

45. Explanation of transition to Adopted IFRSs *(continued)*

		1 July 2014 UK GAAP £000	Effect of transition to Adopted IFRSs £000	1 July 2014 Adopted IFRSs £000
Non-current liabilities				
Trading Group- *other interest baring loans and borrowings*	3	**81,821**	(81,785)	36
Banking Group- *other interest baring loans and borrowings*	3	**414,381**	(377,694)	36,687
Banking Group- *deposits and other accounts*	3	**-**	353,555	353,555
Trading Group- *employee benefits*	3	**5,672**	1,130	6,802
Banking Group- *retirement benefit obligations*	3	**3,760**	1,190	4,950
Trading Group- *deferred tax liabilities*	2,3	**29,246**	13,127	42,373
Banking Group- *deferred tax liabilities*	2,3	**5,794**	(4,550)	1,244
Banking Group- *technical provisions*	3	**-**	5,794	5,794
Trading Group- *preference shares*	3	**-**	514	514
Banking Group- *other financial liabilities*	3	**-**	24,139	24,139
		540,674	(64,580)	476,094
TOTAL LIABILITIES		**6,633,451**	(64,287)	6,569,164
TOTAL NET ASSETS		**1,132,487**	9,230	1,141,717
Equity				
Share capital		**96**	-	96
Share premium		**3,055**	-	3,055
Revaluation reserve	3	**75,873**	(18,278)	57,595
Capital redemption reserve		**14**	-	14
Statutory reserve		**123,617**	-	123,617
Reserve pertaining to UBL funds	3	**1,468**	1,543	3,011
Translation reserves	3	**42**	(42)	-
Retained earnings	3	**545,334**	(942)	544,392
Equity attributable to owners of the Company		**749,499**	(17,719)	731,780
Non-controlling interests		**382,988**	26,949	409,937
TOTAL NET ASSETS		**1,132,487**	9,230	1,141,717

Main movements in the year

(1)	Reversal of amortisation of goodwill
(2)	Deferred tax on licences
(3)	Reclassification on face of Statement of Financial Position

Notes *(continued)*

45. Explanation of transition to Adopted IFRSs *(continued)*

		30 June 2015 UK GAAP £000	Effect of transition to Adopted IFRSs £000	30 June 2015 Adopted IFRSs £000
Non-current assets				
Group Goodwill	1/5	129,343	83,177	212,520
Trading Group- *other intangible assets*	5	536,379	(602)	535,777
Banking Group- *other intangible assets*		7,547	-	7,547
Trading Group- *property, plant and equipment*	3/5	724,858	(181,568)	543,290
Banking Group- *property, plant and equipment*	5	227,000	(11,845)	215,155
Trading Group- *investment property*	5	-	117,801	117,801
Banking Group- *investment property*	5	-	11,845	11,845
Banking Group- *reinsurance assets*	5	-	5,229	5,229
Banking Group- *investments in equity accounted investees*	5	-	17,582	17,582
Banking Group- *other financial assets classified as held for sale*	5	2,909,295	5,155	2,914,450
Banking Group- *lendings to financial institutions and advances*	5	-	1,276,463	1,276,463
Trading Group- *other receivables*	5	-	921	921
		4,534,422	1,324,158	5,858,580
Current assets				
Trading Group- *inventories*	5	243,579	548	244,127
Trading Group- *other financial assets classified as held for sale*		437	-	437
Banking Group- *other financial assets classified as held for sale*	5	1,549,044	(119,572)	1,429,472
Banking Group-*lendings to financial institutions and advances*	5	-	1,839,384	1,839,384
Trading Group- *tax receivable*	5	-	1,856	1,856
Banking Group- *tax receivable*	5	-	20,383	20,383
Trading Group- *trade and other receivables*	5	209,415	1,495	210,910
Banking Group- *trade and other receivables*	5	3,367,462	(3,147,671)	219,791
Banking Group- *deferred acquisition costs*	5	-	374	374
Trading Group- *cash and cash equivalents*		65,012	-	65,012
Banking Group- *cash and cash equivalents*	5	897,544	(38,555)	858,989
		6,332,493	(1,441,758)	4,890,735
TOTAL ASSETS		10,866,915	(117,600)	10,749,315
Current liabilities				
Trading Group- *trade and other payables*	5	554,194	(48,936)	505,258
Banking Group- *trade and other payables*	5	7,260,679	(6,969,294)	291,385
Banking Group- *deposits and other accounts*	5	-	5,950,940	5,950,940
Banking Group- *payable to investors of UBL funds*	5	-	61,930	61,930
Banking Group- *bills payable*	5	-	91,516	91,516
Banking Group- *bank overdraft*	5	-	2,300	2,300
Trading Group- *other interest baring loans and borrowings*	5	-	47,209	47,209
Banking Group- *other interest baring loans and borrowings*	5	-	729,851	729,851
Trading Group- *provisions*	5	-	1,727	1,727
		7,814,873	(132,757)	7,682,116

Notes *(continued)*

45. Explanation of transition to Adopted IFRSs *(continued)*

		30 June 2015 UK GAAP £000	Effect of transition to Adopted IFRSs £000	30 June 2015 Adopted IFRSs £000
Non-current liabilities				
Trading Group- *other interest baring loans and borrowings*	5	687,026	(514)	686,512
Banking Group- *other interest baring loans and borrowings*	5	667,658	(635,663)	31,995
Banking Group- *deposits and other accounts*	5	-	614,194	614,194
Trading Group- *employee benefits*	5	5,915	1,114	7,029
Banking Group- *retirement benefit obligations*	5	4,516	1,809	6,325
Trading Group- *deferred tax liabilities*	4/5	84,801	59,553	144,354
Banking Group- *deferred tax liabilities*	4/5	54,993	(2,691)	52,302
Banking Group- *technical provisions*	5	-	7,672	7,672
Trading Group- *preference shares*	5	-	514	514
Banking Group- *other financial liabilities*	5	-	14,541	14,541
		1,504,909	60,529	1,565,438
TOTAL LIABILITIES		9,319,782	(72,228)	9,247,554
TOTAL NET ASSETS		1,547,133	(45,372)	1,501,761
Equity				
Share capital		96	-	96
Share premium		3,055	-	3,055
Revaluation reserve	1/5	219,233	16,170	235,403
Capital redemption reserve		14	-	14
Statutory reserve	5	144,360	(2,524)	141,836
Reserve pertaining to UBL funds	5	9,618	(4,317)	5,301
Translation reserves	5	-	38,078	38,078
Retained earnings	5	646,920	(121,210)	525,710
Equity attributable to owners of the Company		1,023,296	(73,803)	949,493
Non-controlling interests		523,837	28,431	552,268
TOTAL NET ASSETS		1,547,133	(45,372)	1,501,761

Main movements in the year

(1)	Reclassification of transfers of investment property
(2)	Reversal of amortisation of goodwill
(3)	Reversal of revaluation of trading land and buildings
(4)	Deferred tax recognised on the above (1)-(3)
(5)	Reclassification on face of Statement of Financial Position

Company Balance Sheet
As at 30 June 2016

	Note	2016 £000	2015 £000
Fixed assets			
Investments	*48*	372,549	371,598
		372,549	371,598
Current assets			
Debtors: due within one year	*49*	35,021	11,752
Debtors: due after more than one year	*49*	190,204	185,913
		225,225	197,665
Investments		447	437
Cash at bank and in hand		31,113	1,416
		256,785	199,518
Creditors: amounts falling due within one year	*50*	(68,676)	(53,737)
Net current assets		188,109	145,781
Total assets less current liabilities		560,658	517,379
Provisions for liabilities		-	(809)
Net assets		560,658	516,570
Capital and reserves			
Called up share capital		96	96
Share premium account		3,055	3,055
Capital redemption reserve		14	14
Profit and loss account		557,493	513,405
Shareholders' funds		560,658	516,570

The notes on pages 99 to 101 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 11 January 2017 and were signed on its behalf by:

Z M Choudrey, BA (Hons), FCA
Director

M Y Sheikh
Director

Company registered number: 01392861

Company Statement Changes in Equity

	Share Capital	Share Premium	Capital Redemption Reserve	Retained Earnings	Total Equity
	£000	£000	£000	£000	£000
Balance at 1 July 2014	96	3,055	14	456,113	459,278
Profit for the year	-	-	-	57,292	57,292
Total comprehensive income for the period	-	-	-	57,292	57,292
Balance at 30 June 2015	96	3,055	14	513,405	516,570
Profit for the year	-	-	-	67,440	67,440
Total comprehensive income for the period	-	-	-	67,440	67,440
Capital contribution from owners	-	-	-	(23,352)	(23,352)
Total transactions with owners	-	-	-	(23,352)	(23,352)
Balance at 30 June 2016	96	3,055	14	557,493	560,658

The notes on pages 99 to 101 are an integral part of these financial statements.

Notes

46. Significant accounting policies

The separate financial statements of the company are presented as required by the Companies Act 2006.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. The transition to FRS 101 has not had a material effect to the reported financial performance of the Company.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosure in respect of the compensation of Key Management Personnel
- Disclosures in respect of capital management; and
- The effects of new but not yet effective IFRSs; An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy, or the reclassification of items in the financial statements.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under IFRS 101 available in respect of the following disclosures:

Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

47. Profit for the year

As permitted by section 408 of the Companies Act 2006 the company has elected not to present its own profit and loss account for the year. The company reported a profit for the financial year ended 30 June 2016 of £67,440,000 (2015: £57,292,000).

The auditor's remuneration for audit and other services is disclosed in note 12 to the consolidated financial statements.

48. Investment in subsidiaries

	2016	2015
	£000	£000
Investments	**372,549**	371,598
	372,549	371,598

Notes *(continued)*

48. Investment in subsidiaries *(continued)*

Details of the Company's subsidiaries at 30 June 2016 are as follows (see note 21 for a full list of related undertakings and indirect subsidiaries):

Name	Place of incorporation (or registration) and operation	2016 ownership	2015 ownership
Bestway Securities Limited	United Kingdom	100%	100%
United Bank Limited	Pakistan	51.60%	51.60%
Bestway Cement Limited	Pakistan	53.86%	55.32%
UBL Insurers Limited	Pakistan	55.60%	55.60%

The investments in subsidiaries are all stated at cost less provision for impairment.

49. Debtors

	2016	2015
	£000	£000
Amounts falling due after one year:		
Amounts owed by group undertakings	33,390	6,740
Other debtors	1,631	5,012
Amounts owed by group undertakings	35,021	11,752
Amounts falling due after one year:		
Amounts owed by group undertakings	190,204	185,913
	190,204	185,913

50. Creditors: Amounts falling due within one year

	2016	2015
	£000	£000
Amounts owed to subsidiary	51,704	53,293
Amounts owed to related party	16,430	-
Accruals and other creditors	542	444
	68,676	53,737

Notes *(continued)*

51. Share capital

	2016	2015
	£000	£000
Authorised:		
500,000 ordinary share of £1 each	500	500
Allotted, called up and fully paid		
95,940 ordinary share of £1 each	96	96

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividends paid during the period were nil (2015; nil).

52. Subsequent Events

On the 14th November 2016, the Company completed a transaction to buy back 17.32% of the Company's shares. On this date the Company also completed a transaction to purchase 26% of Oakleaf Limited, the holding company of Bestway Northern. The directors are confident that the funding of the transactions will have no significant impact on the Company's future ability to fund obligations as they fall due

53. Related party transactions

Remuneration of key management personnel

The company has taken advantage of the exemption outlined in FRS 101:8(j) and is therefore not required to disclose key management personnel compensation, analysed into five categories as prescribed by IAS 24 Related Party Disclosures.

Transactions with related parties

The company has taken advantage of the exemption outlined in FRS 101:8(k) and is therefore not required to disclose transactions with fellow group companies, as prescribed by IAS 24 Related Party Disclosures.

No transactions were entered into with the Company's disclosable related parties, as defined by IAS 24.

Aggregate directors' remuneration

The costs relating to the Directors remuneration for the Company was £2,848,000 (2015: £2,981,000). The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director in the group was £1,640,000 (2015: £1,774,000).

54. Explanation of transition to FRS101

As stated in note 46, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 30 June 2016, the comparative information presented in these financial statements for the year ended 30 June 2015 and in the preparation of an opening FRS 101 balance sheet at 01 July 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). There is no material effect, therefore a reconciliation between UKGAAP and FRS 101 has not been performed.