Bestway (Holdings) Limited

Annual report and financial statements

Registered number 01392861

For the year ended 30 June 2018

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, SI, BA (Hons), FCA (Group Chief Executive) MY Sheikh R Pervez, ACA D Pervez, BA (Hons), MA Oxon, Solicitor H Z Choudrey, BA (Hons), ACA (appointed 21 May 2018)
Secretary	RY Sheikh, BA (Hons), Solicitor (appointed 21 May 2018)
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 (the "Company") and its subsidiaries (the "Group") for the year ended 30 June 2018.

Business overview

The Group continues to boast a portfolio consisting of the 2nd largest independent wholesaler and 3rd largest retail pharmacy in the UK, in addition to the largest cement manufacturer and 2nd largest private bank in Pakistan.

Group revenue for the year ended 30 June 2018 totalled £3.2 billion compared to £2.9 billion in the previous year, an increase of 9%. Profit before tax decreased by 46% to £295.8 million compared to £543.5 million in the previous year. However, underlying profit before taxation before adjusting items decreased by 25% to £331.9 million compared to £440.8 million in the previous year.

The decline in profitability was due to difficult trading conditions in Pakistan resulting in softer trading results, a material level of Pakistani Rupee devaluation, as well as the higher credit provisioning in the Middle East loan book within United Bank Limited.

Despite the challenges, it has been an exciting year at Bestway Group and we have been able to capitalise on market opportunities and have continued investment in our technology assets across the business.

In April 2018, Bestway Wholesale acquired the trade and assets of Conviviality Retail for £7.5 million. This latest investment in the national retail sector has helped to secure more than 2,300 jobs. It is expected that the c.800 strong retail store portfolio will add close to £0.5 billion to the Group's annual revenue in the future.

In June 2018, Bestway Cement Limited opened its second new brownfield plant at its Farooqia site. The second plant has a clinker production capacity of 6,000 tonnes per day. This latest capacity expansion takes Bestway Cement's annual production capacity to 10.8 million tonnes and has further enhanced its position as the market leader.

In July 2018, the 'UBL Digital' banking app was launched to much fanfare. It is currently one of the largest banking apps in the country. In September 2018, UBL won the 'Best Corporate Finance House of the Year (Fixed Income) 2017' Award at the 15th CFA Pakistan Annual Excellence Awards.

In September 2018, Well Pharmacy launched its own pharmacy app. The app is designed to work with a customer's GP to organise the prescription and refills. The app was created by Well Digital, a division which was established last year. It's staffed by an in-house team of 30 software engineers, pharmacists and designers.

Social responsibility

Bestway Group is committed to giving back to the communities it operates in through its charitable arm Bestway Foundation as well as through its various subsidiaries. I am happy to report that both of our Pakistani subsidiaries, Bestway Cement Limited and United Bank Limited, have been included in the Top 10 list of publicly listed companies in Pakistan with regards to charitable giving.

In December 2017 Bestway Foundation renewed its scholarship agreement with University of Bradford. A new 5 year agreement was put in place and the endowment fund was increased to £800,000.

During the period under review, Bestway Foundation provided in excess of £200,000 (2017: £174,000) in grants to student of South Asian origin to attend a number of universities in the United Kingdom. In addition, Bestway Foundation donated over £185,000 (2017: £240,000) to nine charities in the UK, including amongst others, The Duke of Edinburgh Award, Crimestoppers and Grocery Aid.

In March 2018, Well Pharmacy donated over 35,000 Foster Grant sunglasses and reading glasses, with a total estimated retail value of £946,000 to In Kind Direct, which distributes consumer goods donated by companies to UK charities.

In June 2018 Bestway Wholesale organised its 24th annual charity race day at the Royal Ascot. This year's beneficiary charity was the Great Ormond Street Hospital Charity.

In Pakistan in June 2018, Bestway Cement Limited, celebrated World Environment Day across all its sites, reiterating the Company's commitment towards the cause of conservation and protection of environment. Bestway Cement has also put in place a comprehensive water conservation strategy at all it sites to ensure sustainable water for all of the communities it operates in.

During the period under review United Bank Limited provided scholarships to over 260 University students, in various programs across the country. UBL also donated £750,000 (£224,000) to education and healthcare causes in Pakistan during the period.

Chairman's Statement *(continued)*

Awards and recognition

In November 2017, Well Pharmacy was awarded the Corporate Supporter of the year award by the Stroke Association. The award recognises the courage shown by stroke survivors and carers as well as the great work and commitment shown by health professionals, groups and supporter organisations.

I am pleased to share with you that our Group Chief Executive Zameer Choudrey CBE SI was appointed the Chairman of UK Advisory Council of the British Asian Trust in January 2018.

In January 2018, at the 10th Annual Pakistan Corporate Philanthropy Awards Bestway Cement received five awards. Bestway won the coveted awards in the categories of green energy initiatives, community development and service, education and scholarship, vocational training and sustainability initiatives.

In March 2018, at the Annual Asian Business Awards 2018, Bestway Foundation was honoured with the 'Philanthropy Award' in recognition of demonstrating excellent standards of philanthropy.

On 23rd March 2018, our Group Chief Executive Zameer Choudrey CBE was awarded 'Sitara-e-Imtiaz' (Star of Excellence) by the President of the Islamic Republic of Pakistan. The award was in recognition of his contributions to advancing Pakistan through his services and his wide array of philanthropic work.

Board appointment

With one eye to the future we have made a number of appointments during the year to strengthen the Group's board of directors as well as our subsidiary management teams. We are delighted to see that the future generations are moving into senior leadership positions within the business.

In May 2018, we welcomed Haider Choudrey onto the Bestway Group Board and he will now assume the role of Group Finance Director. This appointment is in addition to his current responsibilities as a Director of United Bank Limited and Bestway Cement Limited in Pakistan. Haider is the first member of the third generation of the family to join the board.

In May 2018, Rabiah Sheikh was appointed Company Secretary of Bestway Group and its holding companies and this was in addition to her role as Legal Counsel for Bestway Wholesale.

In September 2018, we announced that Dawood Pervez would be replacing Martin Race as Managing Director of Bestway Wholesale from 1 December 2018. Dawood will work alongside Martin during the transition phase and maintain his role as Trading Director.

Outlook

We anticipate more challenging operating conditions in the year ahead both in the UK and Pakistan. The uncertainty regarding Brexit will likely result in further austerity and continue to dampen economic growth. In Pakistan, economic growth is likely to slow down as the government is focused on addressing the balance of payments issue. This coupled with further rupee devaluation, rising interest rates and input costs will create difficulty trading conditions.

However, we believe that our fundamental strengths and the benefits of our business model make us resilient and able to perform well even in testing market conditions. Looking to the future, we aim to grow our businesses and reach more customers through investments in new technologies and processes. I am confident that the combination of our strong Board, and long-term growth horizons, puts Bestway on course for a successful future.

Sir MA Pervez OBE HPK *(Chairman)*
5 December 2018

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 2018.

Review of business

2018 has been a challenging year for Bestway Group. Despite difficult business conditions in both the UK and Pakistan, all our businesses remain profitable.

In the UK, the Wholesale business has been able to capitalise on the turmoil in the Wholesale sector by winning customers following the collapse of Palmer & Harvey and Blakemore Wholesale.

Following the collapse of Conviviality Plc, Bestway Group purchased the trade (Bargain Booze, Wine Rack, Select Convenience and Central Convenience) and assets of Conviviality Retail for £7.5 million out of administration (see Note 20).

Well Pharmacy has had a mixed year, although market share was broadly maintained and there were benefits from strategic buying of medicines, this was counteracted by additional catch up of Category M clawback (see Note 36) adjustments from the Department of Health relating to prior years.

Business conditions in Pakistan have been difficult with the political uncertainty of the change in government and the economy's increasing balance of payments issue resulting in significant foreign currency devaluation.

Bestway Cement was able to maintain its market share in spite of these challenges, however, margins have been compressed due to higher inputs costs and pressure on prices.

United Bank Limited has also managed to maintain its market share but has been challenged by deteriorating credit quality in the International book, as well as one-off pension expense.

There has been a strong emphasis on cash generation across all business units and during the year.

Group financial performance

During the year ended 30 June 2018 Group revenue was £3.2 billion compared to £2.9 billion in the previous year, an increase of 9%. Despite difficult trading conditions all of our businesses remained profitable, however, overall Group's profit before tax decreased by 46% to £295.8 million compared to £543.5 million in the previous year, whilst Group's underlying profit before taxation before adjusting items decreased by 25% to £331.9 million compared to £440.8 million in the previous year.

The decline in profitability was due to difficult trading conditions in Pakistan resulting in softer trading results, a material level of Pakistani Rupee devaluation, as well as the higher credit provisioning in the Middle East loan book within United Bank Limited.

Tangible fixed assets after depreciation as at 30 June 2018 stood at £1,007.8 million, compared to £964.9 million in the previous year.

The Trading Group has improved cash in hand to £169.9 million in 2018 as compared to £109.0 million in 2017.

During the year, the UK Group made external repayments of £93 million as part of its ongoing de-leveraging strategy.

The Group refinanced its £290 million outstanding UK debt in September 2017 at materially lower interest rates and this new facility provides the Group with the funding security to develop its businesses and execute its growth strategy.

Bestway Wholesale

Market conditions in the wholesale sector remain challenging with the continuing pressure of the grocery multiples taking a keener interest in the sector. Following the Tesco/Booker merger, there have been some significant developments with Co-Op acquiring Nisa and Morrison's setting up its own wholesale supply arm. The market environment is increasingly competitive and the strain has been too much for certain providers with Palmer & Harvey and Conviviality Plc entering administration and Blakemore closing down its wholesale arm.

Despite these challenges, Bestway Wholesale has remained committed to its strategic plans and has been able to grow its market share and profitability on the back of the increased customer turmoil. During the year, Bestway Wholesale successfully acquired Palmer & Harvey's Vans business as well as two strategically located depots from Blakemore Wholesale. Management are confident that these two acquisitions will complement our customer offering and drive growth going forward.

During the year, the business has continued to maintain its focus on the growing volume through its customer channels. 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 continued the Great Rebate and MyRewards schemes to help our customers increase their margins and profitability. Our catering sales grew 7.6% during the year to £158.14 million while our online business now has 62,000 registered users compared to 37,000 in the prior year. Weekly sales grew 12.0% with total app and website sales averaging £26 million a month. The mobile app accounts for nearly 25% of all online transactions, compared to 15% in the prior year.

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

Bestway Wholesale *(continued)*

Revenue in the wholesale business, amounted to £2.08billion, an increase of 16.9% compared to the corresponding period last year. However, the prior year only included partial trading for Bestway Northern Limited, on a like for like basis revenue decreased 2.5%. The decrease was ahead of the market as although tobacco sales declined, Bestway Wholesale was able to increase its customer base and benefit from the turmoil in the sector following the collapse of Palmer & Harvey and Costcutter's supply issues.

In prior year Bestway Northern was accounted for as an investment in associate up to the point where it was acquired fully by the Group and subsequently accounted for as a subsidiary.

Bestway Wholesale (excluding Bestway Retail Limited) profit before tax decreased to £28.3 million in 2018 from £33.7 million in 2017. However, it should be noted that the prior year figures included a significant profit on the disposal of certain non-strategic investment properties of £13.5 million, which for this year amounted to £0.7 million. Taking these into account profit before tax increased from £20.2 million to £27.6 million.

Trading stock as at 30 June 2018 amounted to £174.5 million, compared to £171.1 million in the previous year.

On 7 April 2018, Bestway Retail Limited, which forms part of the wholesale business, purchased the trade and assets of Conviviality Retail for £7.5 million out of administration and the numbers in the accounts reflect a little under 3 months of trading activity (see Note 20). Turnover for the period was £80.4 million and profit before tax for the period was £11.5 million, bolstered by the recognition of £20.3 million of gain on bargain purchase.

As part of the deal the Bestway Group acquired a number of brands (Bargain Booze, Wine Rack, Select Convenience and Central Convenience), over 600 franchisee stores, over 207 corporate owned stores as well as a business with annual run rate turnover of c.£0.5 billion.

Although a significant amount of work remains in stabilising the business and reassuring franchisees, Management are confident that the deal will complement the wider Bestway offering and be value accretive in the long-term.

Well Pharmacy

Trading conditions remain difficult within the pharmacy sector with practitioners facing a reduction in overall government funding, increased Category M clawback as well as an increase in costs to serve via the National Living Wage policy.

Despite this backdrop, Well Pharmacy has been able to retain its market share of national prescriptions and remains well place to adapt to market conditions and deliver on its strategic plans. Well Pharmacy has retained its focus on leveraging technology to improve operational efficiency and grow market share as well as diversifying its product offering away from solely medication dispensing.

Well has made good progress on the rollout of its new Patient Medical Records system as well as the Central Fulfilment project during the year. Well has also managed to sustain growth in its diversified offering and its B2B leg, Bestway Medhub, has had a strong year of revenue and profit growth and is gaining increasing recognition in the marketplace. During the year Well has also been working on a digital product offering and its app was formally launched with a limited release in August 2018. To date, the app has c.10,000 customers with a more public launch planner for early 2019. We are confident that this offering will provide customers with increased convenience in managing their medication requirements.

Revenue of the pharmacy business for the year ended 30 June 2018 was £775.4 million compared to £779.2 million in the prior year. The sales contraction was driven by a reduction in funding and drug reimbursement price as the margin mechanism recovers margin overpayment from prior periods. Well's market share of the prescriptions nationally remained broadly at 6.0%.

Profit before tax increased from £3.6 million in 2017 to £8.6 million in 2018. This was driven by improved margin on buying as well as cost efficiencies partially counteracted by a Category M clawback relating to prior periods.

Bestway Cement Limited ('BCL')

During the year, BCL has maintained its position as the largest cement manufacture and market leader in Pakistan as well as the lowest cost producer of cement in the country.

In May 2018, BCL went operational with its brownfield capacity expansion at its Farooqia site. The new plant has a capacity of 6,000 tonnes of clinker per day and a 9MW Waste Heat Recovery Power Plant was also installed at the site to improve cost efficiency.

BCL's capacity expansion was in line with the rest of the market which has seen several competitors go live with their own enhanced capacity. In addition, due to the change in government and the related political and economic uncertainty demand growth has dampened slightly. These factors have resulted in an excess supply situation in the market which has resulted in material negative price pressure. The reduction in market prices, along with increased input costs due to the devaluing rupee, has resulted in margins being compressed significantly.

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

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

It is likely that the price pressure will continue, however, BCL is well placed to withstand this pressure to a greater extent than its competition by continuing to be the lowest cost producer of cement.

During the period under review, BCL's despatches increased by 8.3% to 9.0 million tonnes in 2018 from 8.3 million tonnes in 2017.

Domestic despatches increased by 16.9% during the period to 7.6 million tonnes from 6.5 million tonnes. Exports grew by 2.2% to 1.0 million tonnes. 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.

Revenue for the financial year 2018 decreased by 8.5% to £355.5 million compared to £388.7 million for 2017. BCL's profit before tax recognised in the Group's accounts during the period under review decreased 26.8% to £91.5 million compared to £125.0 million in 2017. The decrease in profitability has been driven by lower retention prices in the market as well as higher input costs due to the rupee devaluation. It should also be noted that a portion of the negative variance can be explained by the weakening of the rupee during the period, hence resulting in a foreign exchange loss on conversion.

In response to the growing issue of water scarcity in the Kahoon Valley region, BCL has proactively started work on a water conservation project at its Chakwal and Kallar Kahar sites. The project cost is c£8.5 million and involves the Water Cooled Condenser system used by the WHRPP's being replaced with a new Air Cooled Condenser. This will result in BCL's Chakwal and Kallar Kahar sites materially reducing their water consumption by 88% and 80% respectively and will also ensure BCL is playing its part towards water conservation in the area. The project was completed and commissioned in November 2018. In addition, the Shree Katas Raj case closed with no adverse finding against the Company.

For the year ended 30 June 2018, BCL declared a combined dividend of 12 PKR per share (£0.08 per share) or 120% (of par value) (2017: 12 PKR per share (£0.09 per share) or 120%).

United Bank Limited ('UBL')

UBL is the 2nd largest private bank in Pakistan by asset base and has a branch network of 1,381 branches globally, with presence in four continents and serving over 4 million customers. The bank's long term strategy is to evolve its leading corporate and consumer lending segments whilst creating opportunities through new digital platforms and product development.

Pakistan is going through an increasing interest rate cycle and rates have risen 75bps over the period from 5.75% to 6.50%. There is a high likelihood that Pakistan will need to reach an agreement with the IMF regarding a bailout and this is likely to result in the devaluation of the rupee as well as a further increase to interest rates. Although in the short-term this will have a negative impact on UBL due to the pace of repricing, in the medium to long term it will offer UBL more attractive investment returns.

UBL's net interest income decreased by 9.2% during the year from £432.3 million in 2017 to £392.7 million in 2018. UBL's profit before tax decreased by 42.9% during the year from £318.4 million in 2017 to £181.7 million in 2018. This was due to a one-off pension provision of £56.5 million (see Note 17) and increase in provision for non-performing loans in Middle East (increase of £55.4 million for the year compared to £37.4 million in the prior year).

UBL's underlying profit before tax decreased 25.2% from £318.4 million in 2017 to £238.2 million in 2018, as a result of the weakening of the rupee during the period and foreign exchange loss on conversion.

On the domestic front, UBL has successfully continued its focus expanding its low-cost deposit base and improving its non-fund income. The volatile foreign exchange markets have also assisted UBL in growing its non-fund income. UBL continues to invest in its Digital Strategy and its mobile app has grown to become one of the largest banking apps with 528,000 downloads and 238,000 registered users to date. UBL is committed to investing technology to improve its customer proposition as well as bring efficiency to its operations and several strategic work streams are planned for 2019.

Whilst the domestic bank has performed strongly, it has been a difficult year for UBL on the international front, which has seen growing compliance costs in its international branch network as well as a significant uptick in provisions for non-performing loans emanating from the economic slowdown in the Gulf, particularly the United Arab Emirates and Qatar. UBL is in the process of rationalising its portfolio and reviewing its risk profile in its various geographies.

The bank declared a total dividend of 13PKR (£0.09) per share or 130% (of par value) during the year ended 30 June 2018 (13PKR (£0.10) per share or 130% (of par value) during the year ended 30 June 2017).

UBL's total assets at 30 June 2018 were £12.2 billion compared to £14.6 billion in the corresponding period last year, a decrease of 16.4%. UBL's deposit base decreased by 10.3% to £8.7 billion for the year to 30 June 2018 as UBL actively decided to shed expensive deposits and improve its cost to income ratio.

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

Principal risks & uncertainties

The Group regularly monitors its banking facilities, cash flow and net debt as it relies on retained profits and bank borrowings in order to meet its working capital and capital expenditure requirements.

Duty fraud on alcohol and non-duty paid tobacco stock in the market are key commercial risks faced by the Group. The Group mitigates these risks through frequently reviewing its product offerings in an attempt to diversify this range, thus reducing the overall risk faced by the Group.

Market conditions in the wholesale sector remain challenging with the continuing pressure of the grocery multiples taking a keener interest in the sector. Following the Tesco/Booker merger, there have been some significant developments with Co-Op acquiring Nisa and Morrison's setting up its own wholesale supply arm. The market environment is increasingly competitive and the strain has been too much for certain providers with Palmer & Harvey and Conviviality Plc entering administration and Blakemore closing down its wholesale arm. The increasing competition and influence of multiple convenience businesses in the wholesale sector is a threat as it imposes pressure on margins. The Group ensures that it frequently reviews its costs so as to be able to remain price competitive whilst also maintaining margins.

The Group's pharmacy business is exposed to Government policy on the funding of the pharmacy sector which remains an uncertainty in the business. The Group continues to mitigate this risk through looking for alternative revenue streams to diversify revenue away from the government.

Due to the Group's presence in Pakistan, it is exposed to foreign exchange risk and interest rate movements.

The Group's cement subsidiary's performance is directly correlated to the state of the economy, a key risk is the performance of the Pakistani economy. Additionally, the increase in energy and input costs in Pakistan continues to pose a threat to the cement sector. There is a risk of increased environmental standards for cement plants, which the Group has mitigated by ensuring that it monitors its environmental impact and benchmarks itself against international standards rather than local standards.

The Group's banking subsidiary faces economic risk as the performance of the banking sector is directly correlated with the state of the economy and the interest rate environment of countries in where it operate. As with any other financial institution the Bank also faces regulatory compliance risk.

All risks and uncertainties related to financial instruments have been disclosed in Note 43.

The impact of the UK's exit from the EU continues to be an important area of discussion. There are some continuing uncertainties around the impact of the Brexit negotiations, particularly in relation to the impact on imported food prices, labour availability and costs, consumer confidence and potential changes to access to EU labour. These uncertainties impact several of the established Group risks and have therefore been factored into the assessment of the relevant risk where appropriate and the required mitigation plans.

The Group has taken the necessary measures to reduce 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, wage cost per depot, stock availability and stock levels.

The financial performance indicators for the retail business include, Like for like ('LfL') sales, sales per department, gross margin, stock availability, operating expenses and wage cost per store.

The financial performance indicators within the pharmacy business include, 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 net retention, 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.

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

Future outlook

We see challenges ahead of us both in the UK and in Pakistan as the respective economies go through an economic stabilisation phase.

Within the UK the wholesale business will focus on growing share in a turbulent market and developing its infrastructure capabilities; whilst the retail business will focus on stabilising itself and rebuilding trust and relationships with customers following a tumultuous period.

Well Pharmacy will continue to focus on outperforming the market in both prescription volumes and margin delivery by investing in technology initiatives that will enable us to reduce our cost to serve as well as grow our market share.

Bestway Cement will retain its focus on being the lowest cost operator in the sector to better enable it to withstand sustain margin pressure.

As Pakistan moves into a higher interest rate environment, United Bank Limited will continue its focus on leveraging technology to grow market share and reduce cost to serve, as well as improving its consumer banking assets and growing non-fund income. UBL will continue its focus on managing growing international compliance requirements and managing the risk profile of its international network.

It has been a challenging twelve months and there have been a number of headwinds we have had to face into. Notwithstanding these pressures, we have been able to show the resilience of our business model and all of our businesses have been able to maintain market share and are well positioned to grow going forward and create value for all stakeholders.

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, SI, BA (Hons), FCA

Group Chief Executive

5 December 2018

Directors' report

The Directors submit their report and the financial statements of Bestway (Holdings) Limited for the year ended 30 June 2018.

Principal activities

The principal activities of the Group during the year 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)
- Z M Choudrey CBE, SI, BA (Hons), FCA (Group Chief Executive)
- M Y Sheikh
- R Pervez, ACA
- D Pervez, BA (Hons), MA Oxon, Solicitor
- H Z Choudrey, BA (Hons), ACA (appointed 21 May 2018)

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 systematically provides employees with information on matters of concern to them and consults with employees on a regular basis to ensure that their views can be taken into account in making decisions which are likely to affect their interests. The Group encourages the involvement of employees in the Group's performance and ensures that it provides employees with the information required such that they are able to achieve a common awareness of the financial and economic factors affecting its performance.

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, having regard to their particular aptitudes and abilities. So far as particular disabilities permit, the Group will give continued employment and arrange appropriate training for any existing employee who becomes disabled. It is the policy of the Group 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 Trading 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 Trading Group 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 Trading Group's policy is not to trade in other financial instruments.

Dividends

On 21 March 2018, Bestway (Holdings) Limited declared and paid an ordinary dividend of £69.3 million in respect of the year ended 30 June 2016.

On 22 March 2018, Bestway (Holdings) Limited declared a final ordinary dividend of £6.0 million in respect of the year ended 30 June 2017.

Bestway (Holdings) Limited did not declare any dividends in the previous financial year.

Ultimate parent company

On 21 March 2018, Bestway (Holdings) Limited became a wholly owned subsidiary of Bestway Group Limited, a company incorporated in the United Kingdom on 9 October 2017 (see Note 49).

Share issue movements

On 21 March 2018, Bestway (Holdings) Limited called up 47,949 previously unpaid ordinary shares. These shares were fully paid by Bestway Group Limited on the same day.

Political donations

Political donations made in the year totalled £101,155 (2017: £159,500).

Directors' report *(continued)*

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic report on page 9.

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.

Going Concern

The financial statements have been prepared on a going concern basis. The Group made a profit before tax of £295.8 million (2017: £543.5 million), and has net assets of £1.9 billion (2017: £2.0 billion) and total assets £14.4 billion (2017: £16.7 billion). The Directors consider that this should enable the Group to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. Additionally, the Group generated cash of £68 million (2017: £383 million) in the financial year ended 30 June 2018.

Based on these indications the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Auditor

In accordance with section 487-1(b) of the Companies Act 2006, the auditor will not be deemed to be reappointed and KPMG LLP will therefore not continue in office.

By order of the board

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

2 Abbey Road
Park Royal
London
NW10 7BW
5 December 2018

Statement of Directors' Responsibilities in respect of the Annual report and the Financial Statements

The Directors are responsible for preparing the Annual report, Strategic report, Directors' report and the Group and parent Company financial statements in accordance with applicable law and regulations.

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 International Financial Reporting Standards as adopted by the European Union (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, relevant and reliable;
- 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;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

[redacted]

KPMG LLP
15 Canada Square
London
E14 5GL
United Kingdom

Independent auditor's report to the members of Bestway (Holdings) Limited

Opinion

We have audited the financial statements of Bestway (Holdings) Limited ("the Company") for the year ended 30 June 2018 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, Company balance sheet, Company statement of changes in equity and related notes, including the accounting policies in note 3 and note 51.

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 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and Directors' report

The Directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

[redacted]

Independent auditor's report to the members of Bestway (Holdings) Limited *(continued)*

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 12, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Mike Woodward

Mike Woodward (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
6 *December 2018*

Consolidated Income Statement
For the year ended 30 June 2018

	Note	Trading Group 2018 £000	Banking Group 2018 £000	Total Combined 2018 £000	Trading Group 2017 £000	Banking Group 2017 £000	Total Combined 2017 £000
Revenue	5	3,224,375	-	3,224,375	2,947,721	-	2,947,721
Cost of sales		(2,717,961)	-	(2,717,961)	(2,446,223)	-	(2,446,223)
		506,414	-	506,414	501,498	-	501,498
Interest income	6	-	776,133	776,133	-	766,535	766,535
Interest expense	7	-	(383,394)	(383,394)	-	(334,235)	(334,235)
Net interest income		-	392,739	392,739	-	432,300	432,300
Gross written premium	8	-	20,804	20,804	-	17,941	17,941
Premium ceded to reinsurer	8	-	(11,376)	(11,376)	-	(10,545)	(10,545)
Net written premiums		-	9,428	9,428	-	7,396	7,396
Gross benefits and claims paid	9	-	(11,613)	(11,613)	-	(10,970)	(10,970)
Claims ceded to reinsurer	9	-	8,367	8,367	-	7,306	7,306
Movement in technical provisions	9	-	(716)	(716)	-	47	47
Net benefits and claims		-	(3,962)	(3,962)	-	(3,617)	(3,617)
Net fee, commission and brokerage income	10	-	104,084	104,084	-	105,495	105,495
Gross profit		506,414	502,289	1,008,703	501,498	541,574	1,043,072
Dividend income on investments		-	11,867	11,867		13,659	13,659
Gains and losses on investments	12	-	59,799	59,799		55,936	55,936
Other operating income	11	3,986	1,996	5,982	18,451	2,097	20,548
Other gains and losses		4,358	541	4,899	3,523	269	3,792
Distribution expenses		(10,933)	-	(10,933)	(11,732)		(11,732)
Administrative expenses		(386,604)	(340,936)	(727,540)	(356,213)	(303,349)	(659,562)
Share of profit of equity accounted investees net of tax		-	2,600	2,600	1,608	8,209	9,817
Other operating expenses		(1,524)	-	(1,524)	(2,962)		(2,962)
Total operating profit	13	115,697	238,156	353,853	154,173	318,395	472,568
Finance income	15	34	-	34	678	-	678
Finance expense	16	(21,948)	-	(21,948)	(32,415)	-	(32,415)
Net Finance expense		(21,914)	-	(21,914)	(31,737)	-	(31,737)
Underlying Profit before taxation before adjusting items		93,783	238,156	331,939	122,436	318,395	440,831

Consolidated Income Statement *(continued)*
For the year ended 30 June 2018

	Note	Trading Group 2018 £000	Banking Group 2018 £000	Total Combined 2018 £000	Trading Group 2017 £000	Banking Group 2017 £000	Total Combined 2017 £000
Underlying profit before taxation before adjusting items:		93,783	238,156	331,939	122,436	318,395	440,831
Adjusting items:							
UBL pension provision	17	-	(56,470)	(56,470)	-	-	-
Gain on group reorganisation		-	-	-	102,702	-	102,702
Gain on acquisition	17	20,360	-	20,360	-	-	-
Profit before taxation		114,143	181,686	295,829	225,138	318,395	543,533
Taxation for the year	18	(28,600)	(53,685)	(82,285)	(49,753)	(133,432)	(183,185)
Profit for the year		85,543	128,001	213,544	175,385	184,963	360,348
Attributable to:							
Equity holders of the parent		50,894	72,468	123,362	136,825	102,509	239,334
Non-controlling interests		34,649	55,311	89,960	38,560	80,965	119,525
Investors of UBL funds		-	222	222	-	1,489	1,489
Profit for the year		85,543	128,001	213,544	175,385	184,963	360,348

The results shown above are derived entirely from continuing operations.

The notes on pages 23 to 113 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

	Note	Trading Group 2018 £000	Banking Group 2018 £000	Total Combined 2018 £000	Trading Group 2017 £000	Banking Group 2017 £000	Total Combined 2017 £000
Profit after taxation		85,543	128,001	213,544	175,385	184,963	360,348
Items that will not be reclassified subsequently to profit or loss:							
Profit attributable to investors of UBL funds		-	(222)	(222)	-	(1,489)	(1,489)
Remeasurement of net defined benefit liability	38	2,229	(2,588)	(359)	(1,038)	(294)	(1,332)
Tax on remeasurement of net defined benefit liability		(420)	1,055	635	31	-	31
		1,809	(1,755)	54	(1,007)	(1,783)	(2,790)
Items that are or may be reclassified subsequently to profit or loss when specific conditions have been met:							
Surplus / (loss) arising on revaluation of non-banking fixed assets		-	44,177	44,177	-	(2,344)	(2,344)
Surplus / (loss) arising on available for sale securities		551	(98,666)	(98,115)	3,820	(61,820)	(58,000)
Related tax		3,384	-	3,384	-	-	-
Other losses		1	-	1	(4)	-	(4)
Exchange (loss) / gain on translation of foreign operations		(58,020)	(145,203)	(203,223)	6,298	17,032	23,330
		(54,084)	(199,692)	(253,776)	10,114	(47,132)	(37,018)
Other comprehensive (loss) / income for the year		(52,275)	(201,447)	(253,722)	9,107	(48,915)	(39,808)
Total comprehensive income / (loss) for the year		33,268	(73,446)	(40,178)	184,492	136,048	320,540
Total comprehensive income attributable to:							
Equity holders of the parent		24,491	(40,178)	(15,687)	143,682	76,213	219,895
Non-controlling interests	42	8,777	(33,268)	(24,491)	40,810	59,835	100,645
Total comprehensive income for the year		33,268	(73,446)	(40,178)	184,492	136,048	320,540

The notes on pages 23 to 113 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 30 June 2018

	Note	At 30 June 2018 £000	At 30 June 2017 £000 (Restated*)
Non-current assets			
Goodwill	19	**173,487**	206,294
Trading Group			
Other intangible assets	21	**436,835**	464,443
Property, plant and equipment	22	**689,445**	653,118
Investment property	23	**114,612**	114,987
Banking Group			
Other intangible assets	21	**9,175**	7,494
Property, plant and equipment	22	**318,390**	311,760
Investment property	23	**19,454**	19,634
Reinsurance assets		**11,406**	12,877
Investments in associates	25	**23,693**	31,600
Investments in financial assets	28	**2,894,350**	4,392,263
Lending to financial institutions and advances	30	**2,222,911**	1,991,887
Deferred tax asset	37	**5,866**	-
		6,919,624	8,206,357
Current assets			
Trading Group			
Inventories	27	**330,330**	298,020
Tax receivable	18	**17,030**	8,048
Trade and other receivables	29	**258,259**	214,202
Cash and cash equivalents	31	**169,884**	108,973
Banking Group			
Investments in financial assets	28	**2,390,652**	3,315,760
Lending to financial institutions and advances	30	**2,647,665**	2,752,614
Tax receivable		**136,590**	96,501
Trade and other receivables (£26.4 million (2017: £12.8 million) due after more than one year)	29	**299,973**	307,489
Cash and cash equivalents	31	**1,229,870**	1,354,340
		7,480,253	8,455,947
TOTAL ASSETS		**14,399,877**	16,662,304
Current liabilities			
Trading Group			
Trade and other payables	32	**582,587**	526,225
Tax payable		**3,555**	-
Bank overdraft	31	**140,649**	38,320
Other interest bearing loans and borrowings	35	**91,658**	50,965
Provisions	36	**22,715**	20,694
Banking Group			
Trade and other payables	32	**384,954**	423,229
Deposits and other accounts	34	**8,148,034**	9,162,686
Payable to investors of UBL funds	43	**7,487**	13,016
Bills payable	43	**96,844**	129,188
Bank overdraft	31	**6,201**	3,950
Other interest bearing loans and borrowings	35	**1,693,953**	2,802,778
		11,178,637	13,171,051

Consolidated Balance Sheet *(continued)*
As at 30 June 2018

	Note	At 30 June 2018 £000	At 30 June 2017 £000 (Restated*)
Non-current liabilities			
Trading Group			
Other interest bearing loans and borrowings	35	**275,141**	408,416
Employee benefits	38	**9,611**	12,053
Deferred tax liabilities	37	**131,121**	151,466
Preference shares	35	**58,178**	58,178
Banking Group			
Other interest bearing loans and borrowings	35	**165,605**	131,491
Deposits and other accounts	34	**535,828**	577,074
Employee benefits	38	**62,043**	6,555
Deferred tax liabilities	37	**-**	58,024
Provisions	36	**16,977**	17,091
Other financial liabilities	33	**26,201**	31,689
		1,280,705	1,452,037
TOTAL LIABILITIES		**12,459,342**	14,623,088
TOTAL NET ASSETS		**1,940,535**	2,039,216
Equity			
Share capital	49	**119**	71
Share premium	49	**72,315**	3,055
Revaluation reserve		**265,196**	271,243
Capital redemption reserve		**39**	39
Statutory reserve		**217,273**	205,124
Reserve pertaining to UBL funds		**4,751**	1,178
Translation reserves		**134,002**	225,775
Retained earnings		**604,823**	612,618
Equity attributable to equity holders of the parent		**1,298,518**	1,319,103
Non-controlling interests	42	***642,017***	720,113
TOTAL EQUITY		**1,940,535**	2,039,216

* Liabilities of the Banking Group for the year ended 30 June 2017 have been reclassified between trade and other payables in current liabilities and other financial liabilities in non-current liabilities, to more accurately reflect the payment terms (see note 32 and 33 for details).

The notes on pages 23 to 113 are an integral part of these consolidated financial statements.

These financial statements were approved by the Board of Directors on 5 December 2018 and were signed on its behalf by:

Z M Choudrey, CBE, SI, 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 2018

	Share capital £000	Share premium £000	Revaluation reserve £000	Capital redemption reserve £000	Statutory reserve £000	Reserve pertaining to UBL funds £000	Translation reserve £000	Retained earnings £000	Total parent equity £000	Non-controlling interests £000	Total £000
At 1 July 2016	96	3,055	302,403	14	185,270	8,133	222,774	469,408	1,191,153	699,677	1,890,830
Profit for the period	-	-	-	-	-	-	-	239,334	239,334	119,525	358,859
Other comprehensive income for the period	-	-	(30,788)	-	-	-	3,001	8,348	(19,439)	(18,880)	(38,319)
Total comprehensive income for the period	-	-	(30,788)	-	-	-	3,001	247,682	219,895	100,645	320,540
Dividends paid	-	-	-	-	-	-	-	-	-	(66,626)	(66,626)
Repurchase of own shares	-	-	-	-	-	-	-	(92,931)	(92,931)		(92,931)
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	(10,577)	(10,577)
Issuance and repurchase of units	-	-	-	-	-	(6,955)	-	7,941	986	(3,006)	(2,020)
Transfers	(25)	-	(372)	25	19,854	-	-	(19,482)	-	-	-
At 30 June 2017	**71**	**3,055**	**271,243**	**39**	**205,124**	**1,178**	**225,775**	**612,618**	**1,319,103**	**720,113**	**2,039,216**
Profit for the period	-	-	-	-	-	-	-	123,584	123,584	89,960	213,544
Other comprehensive (loss) / income for the period	-	-	(5,715)	-	-	-	(91,773)	(41,783)	(139,271)	(114,451)	(253,722)
Total comprehensive (loss) / income for the period	-	-	(5,715)	-	-	-	(91,773)	81,801	(15,687)	(24,491)	(40,178)
Issue of ordinary shares	48	-	-	-	-	-	-	-	48	-	48
Dividends paid	-	-	-	-	-	-	-	(75,308)	(75,308)	(53,595)	(128,903)
Issuance and repurchase of units	-	69,260	-	-	-	3,573	-	(2,471)	70,362	(10)	70,352
Transfers	-	-	(332)	-	12,149	-	-	(11,817)	-	-	-
At 30 June 2018	**119**	**72,315**	**265,196**	**39**	**217,273**	**4,751**	**134,002**	**604,823**	**1,298,518**	**642,017**	**1,940,535**

The notes on pages 23 to 113 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 30 June 2018

	Trading Group 2018 £000	Banking Group 2018 £000	Total Combined 2018 £000	Trading Group 2017 £000	Banking Group 2017 £000	Total Combined 2017 £000
Cash flows from operating activities						
Profit for the year	85,543	128,001	213,544	175,385	184,963	360,348
Adjustments for:						
Share of profit of equity accounted investees	-	(2,600)	(2,600)	(1,608)	(8,209)	(9,817)
Finance income	(34)	-	(34)	(678)	-	(678)
Other gains and losses	(4,358)	(541)	(4,899)	(3,523)	(269)	(3,792)
Finance costs	21,948	-	21,948	32,415	-	32,415
One off gain	(20,360)	-	(20,360)	(102,702)	-	(102,702)
Taxation	28,600	53,685	82,285	49,753	133,433	183,186
Depreciation of property, plant and equipment	43,056	17,117	60,173	39,213	15,903	55,116
Amortisation of intangible assets	39,141	3,805	42,946	37,923	2,941	40,864
Profit on disposal of property, plant and equipment	(1,325)	-	(1,325)	(206)	-	(206)
Profit on disposal of investment property	(892)	-	(892)	(13,548)	-	(13,548)
(Decrease) / increase in provisions	(9,576)	(42,118)	(51,694)	5,022	2,428	7,450
Increase / (decrease) in pension provision	(2,442)	55,488	53,046	902	(1,161)	(259)
Impairment of goodwill	10,055	-	10,055	13,641	-	13,641
Impairment of intangible assets	1,123	-	1,123	(848)	-	(848)
Operating cash flows before movements in working capital	190,479	212,837	403,316	231,141	330,029	561,170
(Increase) / decrease in inventories	(3,064)	-	(3,064)	(25,586)	-	(25,586)
(Increase) / decrease in receivables	(36,006)	2,070,809	2,034,803	138,197	(1,019,026)	(880,829)
Increase / (decrease) in payables	32,724	(2,821,678)	(2,788,954)	47,846	1,314,470	1,362,316
(Increase) / decrease in investments	-	2,423,021	2,423,021	447	(1,307,050)	(1,306,603)
	184,133	1,884,989	2,069,122	392,045	(681,577)	(289,532)
Tax paid	(34,027)	(38,874)	(72,901)	(51,497)	(176,477)	(227,974)
Interest paid	(21,948)	-	(21,948)	(32,415)	-	(32,415)
Net cash from / (used in) operating activities	128,158	1,846,115	1,974,273	308,133	(858,054)	(549,921)
Cash flows from investing activities						
Interest received	34	-	34	678	-	678
Proceeds on disposal of property, plant and equipment	4,608	10,622	15,230	4,921	22,737	27,658
Proceeds on disposal of investment property	5,412	2,182	7,594	30,778	6,602	37,380
Purchases of property, plant and equipment	(125,098)	(41,801)	(166,899)	(56,183)	(72,365)	(128,548)
Purchases of investment property	(38)	(3,479)	(3,517)	(282)	-	(282)
Proceeds on disposal of intangible assets	-	88	88	2,050	-	2,050
Purchase of intangible assets	(1,830)	(6,886)	(8,716)	(2,385)	(3,089)	(5,474)
Acquisition of subsidiary net of cash	(6,886)	-	(6,886)	2,526	-	2,526
Issue of ordinary shares	69,260	-	69,260	-	-	-
Dividends received / (paid)	55,709	(55,709)	-	69,205	(69,205)	-
Dividends paid to Owners of the Company	(75,308)	-	(75,308)	-	-	-
Dividends paid to non-controlling interest	(17,657)	(35,938)	(53,595)	(32,265)	(44,938)	(77,203)
Net cash (used in) / from investing activities	(91,794)	(130,921)	(222,715)	19,043	(160,258)	(141,215)

Consolidated Cash Flow Statement *(continued)*
For the year ended 30 June 2018

	Trading Group 2018 £000	Banking Group 2018 £000	Total Combined 2018 £000	Trading Group 2017 £000	Banking Group 2017 £000	Total Combined 2017 £000
Cash flows from financing activities						
Net borrowings (from) / to third parties	(102,785)	(1,582,321)	(1,685,106)	(123,624)	1,415,886	1,292,262
Net borrowings (from) / to related party	51	-	51	(122,774)	-	(122,774)
Repurchase of own shares	-	1,093	1,093	(92,931)	(2,019)	(94,950)
Net cash (used in) / from financing activities	(102,734)	(1,581,228)	(1,683,962)	(339,329)	1,413,867	1,074,538
Net (decrease) / increase in cash and cash equivalents	(66,370)	133,966	67,596	(12,153)	395,555	383,402
Cash and cash equivalents at beginning of year	70,653	1,350,390	1,421,043	82,763	938,405	1,021,168
Effect of foreign exchange rate changes	24,952	(260,687)	(235,735)	43	16,430	16,473
Cash and cash equivalents at end of year	29,235	1,223,669	1,252,904	70,653	1,350,390	1,421,043

The notes on pages 23 to 113 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 private Company limited by shares, incorporated, domiciled and registered in England in the UK under the Companies Act. The registered number is 01392861 and the registered address is 2 Abbey Road, Park Royal, London NW10 7BW.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in associates. 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 114 to 119.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

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 47.

These financial statements are presented in pounds sterling, and rounded to the nearest £1,000, because that is the currency of the primary economic environment in which the Company 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 7 (amendments): *Disclosure Initiative*
- IAS 12 (amendments): *Recognition of Deferred Tax Assets for Unrealised Losses*
- Annual Improvements to IFRSs – 2012-2014 Cycle: *Amendments to IFRS 12 Disclosure of Interests in Other Entities.*

Adopted IFRSs not yet applied

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements.

- IFRS 15: *Revenue from Contracts with Customers* (effective date: 1 January 2018) sets out the principles for measuring and recognising revenue. The standard replaces IAS 18 and IFRIC 13 and prescribes a five step approach to recognising revenues. The Group has completed an impact assessment on IFRS 15 and it is not expected that its adoption will have a material impact on the Group's revenue streams, although it may result in additional disclosures.
- IFRS 16: *Leases* (effective date: 1 January 2019) introduces a new model for recognising leases whereby entities are required to recognise right of use assets and lease liabilities on the balance sheet for applicable leases. The adoption of this standard is expected to have a significant impact on the Group's consolidated balance sheet and income statement. The expected impact on the Group has not yet been quantified.
- IAS 40 (amendments): *Transfers of Investment Property* (effective date: 1 January 2018)
- Annual Improvements to IFRSs – 2014-2016 Cycle
- IFRIC 22: *Foreign Currency Transactions and Advance Consideration* (effective date: 1 January 2018)
- IFRIC 23: *Uncertainty over Income Tax Treatments* (effective date: to be confirmed)

Trading Group specific

- IFRS 9: *Financial Instruments* (effective date: 1 January 2018): Management has considered the potential impact and it is not expected that the adoption of this standard will have a material impact on recognition and measurement of the Group's financial instruments.

In addition, the Trading Group may, at initial recognition, irrevocably elect to designate a financial asset as fair value through profit or loss, if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise. This designation is also available to existing financial assets.

Notes *(continued)*

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

***Adopted IFRSs not yet applied** (continued)*

Banking Group specific

- IFRS 9: *Financial Instruments* (effective date: 1 January 2018), which replaces IAS 39 "Financial Instruments: Recognition and Measurement" was issued in July 2014. IFRS 9 addresses all aspects of financial instruments including classification and measurement, impairment and hedge accounting.

(a) Classification and measurement:

The standard requires the Banking Group to consider two criteria when determining the measurement basis for debt instruments (e.g. loans and advances, bonds) held as financial assets:

(i) its business model for managing those financial assets; and
(ii) cash flow characteristics of the assets.

Based on these criteria, debt instruments are measured at amortized cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

Equity instruments are measured at fair value through profit or loss. However, the Banking Group may, at initial recognition of a non-trading equity instrument, irrevocably elect to designate the instrument as fair value through OCI, with no subsequent recycling to profit and loss, while recognizing dividend income in profit and loss.

In addition, the Banking Group may, at initial recognition, irrevocably elect to designate a financial asset as fair value through profit or loss, if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise. This designation is also available to existing financial assets.

For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. It eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

(b) Impairment

The standard introduces a new single model for the measurement of impairment losses on all financial assets measured at amortized cost or at fair value through OCI. The IFRS 9 expected credit loss (ECL) model replaces the current "incurred loss" model of IAS 39. The Banking Group will be required to record an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The ECL model contains a three stage approach which is based on the change in credit quality of financial assets since initial recognition. The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

The Banking Group is required to group its loans into Stage 1, Stage 2 and Stage 3 as follows:
Stage 1: 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk (SICR) since origination and are not credit impaired. The ECL will be computed using a factor that represents the Probability of Default (PD) occurring over the next 12 months and Loss Given Default (LGD).

Stage 2: Under Stage 2, where there has been a SICR since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the lifetime ECL will be recorded which is computed using lifetime PD, LGD and Exposure at Default (EAD) measures.
Provisions are expected to be higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

Stage 3: Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets. The criteria of such objective evidence are the same as under the current IAS 39 methodology.

Notes *(continued)*

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

Adopted IFRSs not yet applied – Banking Group specific *(continued)*

IFRS 9: ***Financial Instruments*** *(continued)*

(b) Impairment *(continued)*

Key Considerations:

Some of the key concepts in IFRS 9 that require a high level of judgment, as considered by the Banking Group while determining the impact assessment, are estimation of probability of default, estimation of loss given default, estimation of exposures at default, formulating a range of unbiased forward-looking economic scenarios and assessing significant increases in credit risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit impaired as at the reporting date. The determination of credit impairment under IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39. It is expected that loans in stage 3 will be the same as those considered to be impaired in accordance with IAS 39. The impairment calculation of stage 3 loans will be the same as for Stage 2 loans with the probability of default set to 100%.

Measurement of ECL

ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Banking Group under the contract, and the cash flows that the Banking Group expects to receive, discounted at the effective interest rate of the loan.

When estimating lifetime ECLs for undrawn loan commitments, the Banking Group will:

- Estimate the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment; and
- Calculate the present value of cash shortfalls between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down that expected portion of the loan and the cash flows that the entity expects to receive if that expected portion of the loan is drawn down

For financial guarantee contracts, the Banking Group will estimate the lifetime ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the guarantor expects to receive from the holder, the debtor or any other party. If a loan is fully guaranteed, the ECL estimate for the financial guarantee contract would be the same as the estimated cash shortfall estimate for the loan subject to the guarantee.

For revolving facilities such as credit cards and overdrafts, the Banking Group measures ECLs by determining the period over which it expects to be exposed to credit risk, taking into account the credit risk management actions that it expects to take once the credit risk has increased and that serve to mitigate losses.

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios:

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modeled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation will have forecasts of the relevant macroeconomic variables.

Our estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability weighted estimate that considers a minimum of three future macroeconomic scenarios.

Our Base-case, Upside and Downside scenarios, will be based on macroeconomic forecasts received from an external reputable source. These scenarios will be updated on a quarterly basis and more frequently if conditions warrant.

All scenarios considered will be applied to all portfolios subject to expected credit losses with the assigned probabilities.

Notes *(continued)*

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

Adopted IFRSs not yet applied – Banking Group specific (continued)

IFRS 9: *Financial Instruments (continued)*

(b) Impairment *(continued)*

Definition of default:

The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

Governance:

We have established an internal Committee to provide oversight to the IFRS 9 impairment process. The Committee is comprised of senior representatives from Finance and Risk Management and will be responsible for reviewing and approving key inputs and assumptions used in our expected credit loss estimates. It also assesses the appropriateness of the overall allowance results to be included in our financial statements.

(c) Hedging:

IFRS 9 also incorporates new hedge accounting rules that intend to align hedge accounting with risk management practices. IFRS 9 does not cover guidance on macro hedge accounting as IASB is working on it as a separate project. IFRS 9 includes an accounting policy choice to defer the adoption of IFRS 9 hedge accounting and to continue with IAS 39 hedge accounting. The Banking Group, however, does not have any hedging relationship as at reporting date.

(d) Transition impact

In line with the IFRS 9 transition provisions, the Banking Group has elected to record an adjustment to its opening 1 July 2018 retained earnings to reflect the application of the new requirements of Impairment, Classification and Measurement at the adoption date without restating comparative information.

For classification and measurement, the combined application of the contractual cash flow characteristics and business model tests as at 1 July 2018 is expected to result in certain differences in the classification of financial assets when compared to our current classification under IAS 39. Having completed its initial assessment, the Banking Group has concluded that:

- The loans and advances to customers and balances with banks that are classified as loans and receivables under IAS 39 are expected to be measured at amortised cost under IFRS 9
- Financial assets held for trading and financial assets designated at FVPL are expected to be continue to be measured at FVPL
- The majority of the debt securities classified as available for sale under IAS 39 are expected to be measured at FVOCI. Some securities, however, will be classified as FVPL or amortised cost either because of their contractual cash flow characteristics or the business model within which they are held
- Debt securities classified as held to maturity are expected to continue to be measured at amortised cost.

With regards to the impairment requirements of IFRS 9, the Banking Group is in the process of evaluating how the new ECL model will impact the Bank's equity and regulatory capital and further details will be provided once the assessment is complete. Based on the analysis to date, the Bank anticipates a negative effect on its equity and regulatory capital.

The Banking Group continues to refine the impairment models and related processes leading up to 30 June 2019.

Notes *(continued)*

3. Significant accounting policies

Basis of accounting

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified as fair value through the profit or loss or as available-for-sale and investment property. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Going concern

The Group accounts have been prepared on a going concern basis. The Group balance sheet shows net assets of £1.9 billion (2017: £2.0 billion) as at the balance sheet date. The Group is profitable with profit after tax of £214 million (2017: £360 million) in 2018. The Group has significant cash and bank balances of £1.3 billion (2017: £1.4 billion) of which £1.2 billion (2017: £1.4 billion) relates to the Banking Group. 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 for at least 12 months from the date of signing these financial statements.

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.

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost except for in the individual financial statements of the investor, where this is held at cost less any impairment losses. 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 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.

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.

Notes *(continued)*

3. Significant accounting policies *(continued)*

***Basis of consolidation** (continued)*

Business combinations

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.

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

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

Amortisation

Amortisation is charged to administrative expenses in 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	3 - 10 years
Other intangible assets	4 - 10 years

Notes *(continued)*

3. Significant accounting policies *(continued)*

Intangible assets - Internally developed intangibles

Expenditure on the research phase of projects to develop new intangibles is recognised as an expense as incurred. Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following criteria:

- the development can be measured reliably;
- the project is technically feasible and viable;
- the Group intends to, and has sufficient resources to complete the project;
- the Group has the ability to use or sell the intangible; and
- the intangible will generate probable future economic benefits.

Revenue recognition

Wholesale

Revenue 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. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenue 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).

Pharmacy

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

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 recognised on the despatch of goods to the customer.

Investment Property

Revenue 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.

Dividend income

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

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 lease 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.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Employee benefits (continued)

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 38) in its consolidated income statement. Net-interest expense or income is recognised within finance expenses (see Note 16).

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.

Rental income from investment property is accounted for as described in the revenue recognition accounting policy.

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.

Notes *(continued)*

3. Significant accounting policies *(continued)*

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 every 24 months 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 the relevant asset class on completion.

Depreciation method, useful lives and residual value are reviewed at each balance 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
Short leasehold properties	Over the life of the lease
Plant and machinery	5 - 25% straight line or reducing balance dependent on the nature of the asset.
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.

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, interest-bearing loans and borrowings, and trade and other payables.

Investments in debt and equity securities

Investments in debt and equity securities are stated at amortised cost less impairment. Financial instruments held for trading or designated upon initial recognition are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Other 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 fair value reserve), except for impairment losses and, in the case of monetary items such a debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

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.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Non-derivative financial instruments (continued)

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 loans and 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.

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.

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.

Financial assets (including receivables)

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.

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.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Non-derivative financial instruments *(continued)*

Non-financial assets (continued)

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 wholesale 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

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Adjusting items

Adjusting items represent certain items of income and expense which the Group considers distinctive based on their size, nature or incidence. These include significant items in revenue, profit from operations, net finance costs, taxation and the Group's share of the post-tax results of associates and joint ventures which individually or, if of a similar type, in aggregate, are relevant to an understanding of the Group's underlying financial performance. Although the Group does not believe that these measures are a substitute for IFRS measures, the Group does believe such results excluding the impact of adjusting items provide additional useful information to investors regarding the underlying performance of the business on a comparable basis.

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.

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.

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 and the revaluation of available for sale securities.

Notes *(continued)*

3. Significant accounting policies *(continued)*

The Banking Group additional specific accounting policies

Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimates future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the consolidated statement of comprehensive income include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- Interest on available-for-sale investment securities calculated on an effective interest basis

Fair value changes on other derivatives held for risk management purposes, and other financial assets and financial liabilities carried at FVTPL are presented in net income from other financial instruments at FVTPL in the statement of profit or loss and OCI.

Fees, commission and brokerage income

Fees, commission and brokerage income are recognised during the year on an accrual basis when the service has been rendered, except when those fees are an adjustment to the yield on the related asset, in which case they are amortised over the expected maturity of the asset using the effective interest rate method.

Insurance revenue

Premium received under a policy is recognised as written from the date of attachment of the policy to which it relates. Premium income under a policy is recognised over the period of insurance from inception to expiry as follows:

(a) For direct business, evenly over the period of the policy;

(b) For proportional reinsurance business, evenly over the period of underlying insurance policies; and

(c) For non-proportional reinsurance business, in accordance with the pattern of the reinsurance service.

Where the pattern of incidence of risk varies over the period of the policy, premium is recognised as revenue in accordance with the pattern of the incidence of risk.

Administrative surcharge is recognised as premium at the time the policies are written.

Commission income from re insurers is recognised at the time of issuance of the underlying insurance policy by the Banking Group. This income is defined and accounted for as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission, if any, which the Banking Group may be entitled to under the terms of reinsurance is recognised on an accrual basis.

Gain / loss on sale / redemption of investments is taken to profit and loss account in the year of sale / redemption.

Profit on held to maturity instruments is recognised on a time proportion basis taking into account the effective yield on the investment.

Interest / profit on bank deposit accounts is accounted for on an accrual basis.

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 GBP terms at the rates of exchange prevailing at the statement of financial position date (£1: PKR 160.76). 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 GBP terms at the rates of exchange prevailing at the date of initial recognition of the non-monetary assets or liabilities.

Notes *(continued)*

3. Significant accounting policies *(continued)*

The Banking Group additional specific accounting policies *(continued)*

Translation gains and losses

Translation gains and losses are taken to the profit and loss account, except those arising on translation of foreign currency equity 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.

Foreign operations and subsidiaries

The assets and liabilities of foreign operations and subsidiaries are translated to GBP 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.

Loans and advances

Loans and advances to banks/customers are initially measured at fair value plus incremental direct transaction costs 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.

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 the Banking Group's right of recovery against the customer.

Restructured Loans

A restructured loan is one where the Banking Group, for economic or legal reasons relating to the borrower's difficulty, grants to the borrower concessions that would not be considered in normal circumstances. Restructuring would normally involve modification of the terms of advances / securities which could include alteration of repayment period / repayable amount / the amount of instalments / rate of interest (due to reasons other than competition). The restructuring of an asset is only granted in situations where the customer has showed a willingness to repay the borrowing and is expected to be able to meet the revised terms of the restructuring. The restructured troubled loan is measured by reducing its recorded value to its net realisable value, taking into account the cost of all concessions at the date of the restructuring. The reduction in the carrying value is recorded as a charge to the profit and loss statement in the period in which the loan is restructured.

In relation to loans and advances, the modifications of terms and conditions related to security and collateral arrangements or the waiver of certain covenants which do not affect payment arrangements, are not regarded as sufficient indicators of impairment or restructuring, as such changes do not necessarily indicate credit issues affecting the borrower's payment ability.

The Banking Group derecognises a loan when there are substantial modifications to the terms of the loan on restructuring.

Reverse Repurchase agreement

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 interest 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.

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.

Held for trading

The Group classifies its investments in equity and debt instruments as held for trading and these are fair valued with any gains / losses taken through profit and loss. 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 Banking Group 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.

Notes *(continued)*

3. Significant accounting policies *(continued)*

The Banking Group additional specific accounting policies *(continued)*

***Investment securities** (continued)*

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.

Financial assets

Initial measurement

All financial assets are recognised initially at fair value other than specific policies disclosed for Loans and advances.

Subsequent measurement

Financial assets, other than the specific items mentioned above, are carried at fair value with changes reportable to profit and loss.

Derecognition

Financial assets are derecognised when the right to receive the cashflows has expired.

Impairment

Losses for impaired loans are recognised when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Losses which may arise from future events are not recognised.

Impairment of financial instruments carried at amortised cost or debt securities

The Banking 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.

The Banking Group assesses a financial asset for specific impairment if it becomes probable that the borrower is facing significant financial difficulty. The Banking Group also assesses for specific impairment and makes specific provision if necessary, if there is evidence of any significant credit deterioration or any event which indicates a reduced ability for the borrower to repay its interest and principal. The indicators of impairment can include, among other things:

a) Net worth of the risk counterparty / borrower turning negative
b) Delay in interest and or principal repayments
c) Breach in financial covenants
d) Likelihood of borrower entering bankruptcy / financial reorganization.
e) Rating downgrade by external credit rating agencies.

Notes *(continued)*

3. Significant accounting policies *(continued)*

The Banking Group additional specific accounting policies *(continued)*

Impairment *(continued)*

Impairment of financial instruments carried at amortised cost or debt securities (continued)

f) National or local economic conditions that correlate with defaults on the assets in the borrower group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, a decrease in oil prices for loan assets to oil producers, or adverse changes in industry conditions that affect the borrowers in the group).
g) Substantial decline in value of security provided to the Bank, especially when security is prime consideration for the lending. The unsecured portion of the exposure may be subjected to impairment testing.
h) Invocation of contractual comfort by the Bank such as corporate guarantee/put option which is not honoured by the counterparty.

In assessing collective impairment, the Banking 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 loans and receivables and debt securities classified as held to maturity 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

Impairment losses on available for sale (AFS) investment securities are recognised by reclassifying the losses accumulated in the revaluation reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. If, in a subsequent period, the fair value of an AFS debt instrument increases and the increase can be objectively related to an event happening after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

IAS 39 does not further describe the nature of an 'event' that gives rise to reversal of an impairment loss through profit or loss, nor does it discuss situations in which there continues to be some objective evidence of impairment but in which the amount of the impairment may be reduced.

The Banking 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.

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.

Impairment of investments in associates

The Group considers that a decline in the recoverable value of the investment in an associate below its cost may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognised when the recoverable value falls below the carrying value and is charged to the profit and loss account. A subsequent reversal of an impairment loss, up to the cost of the investment in the associate, is credited to the profit and loss account.

Notes *(continued)*

3. Significant accounting policies *(continued)*

The Banking Group additional specific 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 included in trade and other receivables and 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 does not have any hedging relationship as at reporting date. However, the Banking Group may make use of derivative instruments to manage exposures to interest rate and foreign currency. 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 Banking Group 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.

Non-derivative financial instruments

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

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 currently legally enforceable right to set off and the Banking Group 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.

Notes *(continued)*

3. Significant accounting policies *(continued)*

The Banking Group additional specific accounting policies *(continued)*

Fair value measurement *(continued)*

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 (if any) between levels of the fair value hierarchy as of the end of the reporting period.

Borrowings and deposits

Borrowings and deposits from banks and deposits from customers are recorded at fair value which is the amount of proceeds received and subsequently under amortised cost accounting.

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 interest expense.

Deposits include remunerative and non-remunerative deposits. Non-remunerative deposits are non-interest bearing whereas the remunerative deposits are of saving or term nature with interest component.

Bills payable

Bills payable represent payables against the banker's cheques which are secured cheques by the Banking Group in favor of payee after collection of funds from the remitter.

Provisions

A provision is recognised if, as a result of a past event, the Banking Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle an obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Insurance contracts

Insurance contracts are those contracts under which the Banking Group as insurer has accepted significant insurance risk from the insurance contract holder (insured) by agreeing to compensate the insured if a specified uncertain future event (the insured event) adversely affects the insured. Once a contract has been classified as an insurance contract it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

The takaful contracts are based on the principles of Wakala. The takaful contracts which are agreed, usually adopt the concept of tabarru (to donate for benefit of others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty.

Leases (Ijarah)

Assets leased out under Ijarah are considered to be operating lease and are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the term of the lease.

Ijarah income is recognized on an accrual basis.

Insurance contracts / takaful are classified into following main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

- Fire and property damage
- Marine, aviation and transport
- Motor
- Miscellaneous

These contracts are normally one year insurance contracts except marine and some contracts of fire and property and miscellaneous class. Normally all marine insurance contracts and some fire and property contracts have three months period. In miscellaneous class, some engineering insurance contracts have more than one year period whereas normally travel insurance contracts expired within one month time.

Fire and property insurance contracts mainly compensate the Banking Group's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities.

Notes *(continued)*

3. Significant accounting policies *(continued)*

The Banking Group additional specific accounting policies *(continued)*

Leases (Ijarah)(continued)

Marine, aviation and transport insurance covers the loss or damage of ships, cargo, terminals, and any transport or property by which cargo is transferred, acquired, or held between the points of origin and final destination.

Motor insurance is to provide protection against losses incurred as a result of traffic accidents and against liability that could be incurred in an accident.

Miscellaneous insurance includes various types of coverage mainly burglary, loss of cash in safe and cash in transit, engineering losses, accident and health, money and other coverage.

Bankers blanket insurance covers losses as a result of dishonest or fraudulent acts by officers and employees of the bank, including on premises coverage of cash, coverage of cash during transit and coverage of forged cheques.

The Banking Group also accepts insurance risk pertaining to insurance contracts of other insurer as reinsurance inward. The insurance risk involved in these contracts is similar to the contracts undertaken by the Banking Group as insurer. All reinsurance inward contracts are facultative (specific risk) acceptance contracts.

Reinsurance contracts

These are contracts entered into by the Banking Group with reinsurers for compensation of losses suffered on insurance contracts issued. These reinsurance contracts include both facultative and treaty arrangements contracts and are classified in same categories of insurance contracts for the purpose of these special purpose financial statements.

Reinsurance assets represent balances due from reinsurance companies and reinsurance recoveries against outstanding claims. Due from reinsurance companies are carried at cost less any provision for impairment. Cost represents the fair value of the consideration to be received. Reinsurance recoveries against outstanding claims are measured at the amount expected to be received.

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not offset against expenses or income from related insurance assets.

Reinsurance liabilities represent balances due to reinsurance companies. Due to reinsurance companies are carried at cost which is the fair value of the consideration to be paid.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired.

Insurance contract liabilities

The Banking Group recognizes liability in respect of all claims incurred up to the statement of financial position date which is measured at the undiscounted value of expected future payments. These liabilities are known as provision for outstanding claims. The claims are considered at time of the incident giving rise to the claim except as otherwise expressly indicated in the insurance contract. The liability for claims includes amount in relation to unpaid reported claim, claims incurred but not reported (IBNR) and expected claims settlement cost.

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates.

Staff retirement and other benefits

The Banking Group operates the following staff retirement schemes for its employees

a) For new employees and for those who opted for the below mentioned conversion option introduced in 2001, the Banking Group operates;
   - an approved contributory provident fund (defined contribution scheme);
   - an approved gratuity scheme (defined benefit scheme).

b) For employees who have not opted for the conversion option introduced in 2001, the Banking Group operates ;
   - an approved non-contributory provident fund in lieu of the contributory provident fund (defined contribution scheme);
   - an approved funded pension scheme, introduced in 1986 (defined benefit scheme).

In 2001, the Banking Group modified the pension scheme and introduced a conversion option for employees covered under option (b) above to move to option (a). This conversion option ceased on 31 December 2003.

The Banking Group also operates a contributory benevolent fund for all its eligible employees (defined benefit scheme).

Annual contributions towards defined benefit schemes are made on the basis of actuarial advice using the Projected Unit Credit Method.

Notes *(continued)*

3. Significant accounting policies *(continued)*

The Banking Group additional specific accounting policies ***(continued)***

Staff retirement and other benefits (continued)

For the defined contribution scheme, the Banking Group pays contributions to the fund on a periodic basis and has no further payment obligation once the contributions have been paid. The contributions are recognised as an expense when the obligation to make payments to the fund has been established. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Other benefits

a) Employees' compensated absences

The Banking Group makes provisions for compensated vested and non-vested absences accumulated by its eligible employees on the basis of actuarial advice under the Projected Unit Credit Method.

b) Post-retirement medical benefits (defined benefit scheme)

The Banking Group provides post-retirement medical benefits to eligible retired employees. Provision is made on the basis of actuarial advice under the Projected Unit Credit Method.

c) Employee motivation and retention scheme

The Banking Group has a long term motivation and retention scheme for its employees. The liability of the Banking Group in respect of the scheme for each year, if any, is fixed, and is accounted for in the year to which the scheme relates.

Remeasurement of Defined Benefit Obligations

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the statement of comprehensive income when they occur with no subsequent recycling through the profit and loss account.

Actuarial gains and losses pertaining to long term compensated absences are recognised in the profit and loss account immediately.

4. Operating segments

The Group's revenue and profit before taxation arose principally from its banking, cement, wholesale and pharmacy activities. The Group's revenue, 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) Limited, Bestway UK HoldCo Limited and Bestway Securities Limited. Included within these figures are the interest costs relating to debt, impairment of goodwill for all entities where goodwill arises in the holding company, gains arising on the group reorganisation, foreign exchange movements and elimination of subsidiaries retained earnings on acquisition where applicable.

	Wholesale*	**Pharmacy**	**Cement**	**Banking Group**	**Holding Companies**	**Total**
	2018	**2018**	**2018**	**2018**	**2018**	**2018**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Revenue	**2,084,828**	**784,032**	**355,515**	**-**	**-**	**3,224,375**
Net interest income	**-**	**-**	**-**	**392,739**	**-**	**392,739**
Profit / (loss) before taxation	**39,825**	**8,552**	**91,501**	**181,686**	**(25,735)**	**295,829**
Net assets / (liabilities)	**530,507**	**289,012**	**332,952**	**1,087,457**	**(299,393)**	**1,940,535**

	Wholesale	Pharmacy	Cement	Banking Group	Holding Companies	Total
	2017	2017	2017	2017	2017	2017
	£000	£000	£000	£000	£000	£000
Revenue	1,779,797	779,208	388,716	-	-	2,947,721
Net interest income	-	-	-	432,300	-	432,300
Profit before taxation	33,717	3,555	124,942	318,395	62,924	543,533
Net assets / (liabilities)	503,174	280,271	350,811	1,238,987	(334,027)	2,039,216

*2018 amounts include Bestway Retail which forms part of the wholesale business.

Notes *(continued)*

5. Revenue

Trading Group	**2018**	2017
	£000	£000
Wholesale (including Bestway Retail): sale of goods	**2,077,923**	1,773,111
Pharmacy: sale of goods	**783,735**	779,208
Cement: sale of goods	**355,325**	388,509
Investment property: rental income	**7,392**	6,893
	3,224,375	2,947,721

Rental income is split between the various cash generating units.

6. Interest income

Banking Group	**2018**	2017
	£000	£000
Operating Interest Income on:		
Available for sale investments	**5,518**	266,728
Held for trading securities	**173**	12,059
Held to maturity securities	**484,538**	226,918
Loans and advances to financial institutions	**15,068**	15,680
Loans and advances to customers	**264,800**	243,574
Placement with banks	**6,036**	1,576
	776,133	766,535

Interest income on individually impaired loans is £3.9 million (2017: £28.9 million)

7. Interest expense

Banking Group

	2018	2017
	£000	£000
On deposits	**229,945**	237,791
On securities sold under repurchase agreements	**131,396**	77,439
On short term borrowings	**18,866**	14,640
On long term borrowings	**3,187**	4,365
	383,394	334,235

8. Net written premiums

Banking Group	**2018**	2017
	£000	£000
Gross written premium		
Gross premiums written	**22,175**	17,548
Change in provision for unearned premiums	**(1,371)**	393
	20,804	17,941
Premium ceded to reinsurer		
Re-insurance ceded	**(11,421)**	(10,058)
Change in prepaid reinsurance premium ceded	**45**	(487)
	(11,376)	(10,545)
Net written premiums	**9,428**	7,396

Notes *(continued)*

9. Net benefits and claims

Banking Group

	Gross benefits and claims paid	Claims ceded to reinsurers	Gross change in contract liabilities	Change in contract liabilities ceded to reinsurers	Net benefits and claims
	2018	2018	2018	2018	2018
	£000	£000	£000	£000	£000
Fire	(2,605)	2,411	(1,931)	1,587	(538)
Marine	(1,455)	1,273	(483)	512	(153)
Motor	(3,311)	1,083	(791)	371	(2,648)
Miscellaneous	(4,242)	3,600	1,868	(1,849)	(623)
Total	(11,613)	8,367	(1,337)	621	(3,962)

	Gross benefits and claims paid	Claims ceded to reinsurers	Gross change in contract liabilities	Change in contract liabilities ceded to reinsurers	Net benefits and claims
	2017	2017	2017	2017	2017
	£000	£000	£000	£000	£000
Fire	(2,586)	2,347	331	(225)	(133)
Marine	(430)	386	(56)	30	(70)
Motor	(2,108)	355	(104)	12	(1,845)
Miscellaneous	(5,846)	4,218	(2,618)	2,677	(1,569)
Total	(10,970)	7,306	(2,447)	2,494	(3,617)

10. Net fee, commission and brokerage income

Banking Group	2018	2017
	£000	£000
Commission on remittances	8,393	10,101
Rebate income on home remittances - net*	7,597	6,859
Commission on ATM / Debit cards	9,891	8,581
Corporate service charges / finance / facility fee	11,464	11,040
Commission on intercity cheque / cash deposit and withdrawals	3,795	3,596
Commission on cash management	4,603	4,436
Trade income	12,320	19,576
Bank assurance commission	8,813	5,578
Commission on consumer loans	5,183	5,732
Minimum balance charges	1,640	2,046
Commission on inward / outward cheque clearance	881	1,351
Commission on utility bills	2,127	2,034
Commission on cheque book issuance	2,812	2,734
Commission from financial institutions	6,299	1,650
Fee for management of funds	7,733	8,879
Others	10,533	11,302
	104,084	105,495

* This includes pay out to correspondents for home remittances amounting to £24.2 million (2017: £19.5 million).

Notes *(continued)*

11. Other operating income

Trading Group	2018 £000	2017 £000
Net gain on disposal of investment property	892	13,548
Net gain on disposal of property, plant and equipment	1,325	*206*
Management fee income from a related party	-	4,101
Other income	1,769	596
	3,986	18,451

Banking Group	2018 £000	2017 £000
Investment property rental income	1,648	1,576
Other income	348	521
	1,996	2,097

12. Gains and losses on investments

Banking Group	2018 £000	2017 £000
Income from dealing in foreign currencies	19,048	13,174
Gain on sale of securities – realised	37,390	37,656
Unrealised gain on revaluation of investments classified as held for trading	-	*466*
Other income	3,361	4,640
	59,799	55,936

This relates to investment income, gains and losses relating to banking operations other than net interest income. Other investment income is shown in note 11, which relates to non-operating investment revenues.

13. Expenses and auditor's remuneration

Included in operating profit are the following:	Trading Group 2018 £000	Banking Group 2018 £000	Total 2018 £000	Trading Group 2017 £000	Banking Group 2017 £000	Total 2017 £000
Unrealised loss / (gain) on revaluation of investments classified as held for trading	-	9	9	-	(466)	(466)
Impairment of goodwill	10,055	-	10,055	13,641	-	13,641
(Increase) in fair value of investment property	(4,388)	(541)	(4,929)	(3,523)	(269)	(3,792)
Operating expenses of investment property	2,500	-	2,500	700	-	700

Notes *(continued)*

13. Expenses and auditor's remuneration *(continued)*

Auditor's remuneration:	**2018** **£000**	2017 £000
Audit of these financial statements	**15**	15
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	**619**	658
Taxation compliance services	**158**	202
Other tax advisory services	**-**	69
All other services	**490**	192
	1,282	1,136

Amounts paid to the Company's auditor and its associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

14. Staff numbers and costs

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

	Trading Group 2018 Number	**Banking Group 2018 Number**	**Total 2018 Number**	Trading Group 2017 Number	Banking Group 2017 Number	Total 2017 Number
Office and Management	**1,433**	**-**	**1,433**	2,574	-	2,574
Retailing	**11,580**	**-**	**11,580**	9,585	-	9,585
Manufacturing	**1,820**	**-**	**1,820**	1,611	-	1,611
Distribution	**1,019**	**-**	**1,019**	659	-	659
Banking	**-**	**12,067**	**12,067**	-	10,693	10,693
	15,852	**12,067**	**27,919**	14,429	10,693	25,122

Their aggregate remuneration comprised:

	Trading Group 2018 £000	**Banking Group 2018 £000**	**Total 2018 £000**	Trading Group 2017 £000	Banking Group 2017 £000	Total 2017 £000
Wages & salaries	**264,567**	**117,461**	**382,028**	239,869	110,624	350,493
Social security costs	**20,045**	**1,065**	**21,110**	17,658	1,111	18,769
Other pension costs	**6,510**	**61,409**	**67,919**	5,421	1,044	6,465
	291,122	**179,935**	**471,057**	262,948	112,779	375,727

Notes *(continued)*

15. Finance income

Trading Group	**2018**	2017
	£000	£000
Bank deposits	**4**	18
Other interest	**3**	105
Interest from related parties	**27**	555
	34	678

16. Finance expense

Trading Group	**2018**	2017
	£000	£000
Interest on bank overdrafts and loans	**15,454**	26,007
Accrued preference dividends	**3,460**	834
Interest to related parties	**-**	5,314
Refinancing costs	**2,801**	-
Net interest expense on defined benefit obligation	**233**	260
	21,948	32,415

Interest on bank overdrafts and loans has decreased in the year as a result of the refinancing which took place in the year. On 19 September 2017, the Company, together with other companies in the Bestway (Holdings) Limited Group, refinanced its JPM bank loans and became party to a Senior Facilities Agreement with The Royal Bank of Scotland Plc. (RBS). The loans available to be drawn under the RBS Senior Facilities Agreement amount to £225million of term loan ('Term Loan A'), and £125million of rolling credit facility ('Term Loan B'). 'Term Loan A' is repayable biannually until 26 September 2022, with the first payment being due on 25 March 2019. The loans currently attract interest of LIBOR + 2.1%, compared to LIBOR + 3% and LIBOR + 4.5% on the JPM Term Loans A and B. See note 35 for further information.

17. Adjusting items

Adjusting items, as identified in accordance with the Group's accounting policies, represent certain items of income and expense which the Group considers distinctive based on their size, nature or incidence. Although the Group does not believe that these measures are a substitute for IFRS measures, the Group does believe such results excluding the impact of adjusting items provide additional useful information to investors regarding the underlying performance of the business on a comparable basis.

Trading Group Included in profit / (loss) are the following adjusting items:	**2018**	2017
	£000	£000
Gain on acquisition	**20,360**	-
Gain on group reorganisation	**-**	102,702

The gain on acquisition relates to negative goodwill recognised on the acquisition of the trading assets of Bargain Booze Limited, Conviviality Retail Logistics Limited and Wine Rack Limited. On 7 April 2018 Bestway Retail Limited purchased the assets and liabilities (net asset value of £27.9 million) from Bargain Booze Limited, Conviviality Retail Logistics Limited and Wine Rack Limited for a purchase price of £7.5 million, thus generating a negative goodwill balance of £20.4 million. See Note 20 for more information on this acquisition.

The gain on group reorganisation relates to negative goodwill recognised as part of the step acquisition of share capital in Oakleaf Limited, the sole shareholder of Bestway Northern Limited, a previously related party through common directorship. On 4 April 2017, Bestway Northern Holdings Limited, a wholly owned subsidiary of Bestway (Holdings) Limited, acquired a controlling stake in Oakleaf Limited, by issue of £57.7 million in preference shares in Bestway Northern Holdings Limited, thus generating a negative goodwill balance of £102.7 million. See Note 20 for more information on this reorganisation.

Notes *(continued)*

17. Adjusting items *(continued)*

Banking Group

Included in profit / (loss) are the following adjusting items:

	2018 £000	2017 £000
UBL pension provision	**(56,470)**	-

The adjusting item of UBL pension provision of £56.5m represents the estimated amount of the cost of pension payable as per Pakistan's Supreme Court's Order increasing the minimum pension to Rs.8,000 per month (£54) for UBL retired employees subject to 5% annual increase from 1 January 2019. This estimate is based on on-going life verification of both pensioners and retrenched employees. The estimate is also based on the payment of pension without taking effect of commutation. The Bank has sought clarification from the Supreme Court on the effect of commutation in calculation of minimum pension and the treatment to ex-employees who were separated under the Golden Handshake Scheme described as Retrenchment Scheme of 1997.The amount may be adjusted in the future years based on the guidance received from the Supreme Court.

18. Taxation

i) Analysis of charge in period

Recognised in the income statement

	2018 £000	2017 £000
Current tax expense/(credit)		
UK corporation tax on profits for the period	**13,905**	7,162
Adjustments in respect of previous periods	**(4,787)**	(2,178)
Foreign tax: Current tax on income in the period	**92,411**	159,084
Current tax expense	**100,529**	164,068
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	**(9,128)**	20,470
Reduction in tax rate	**(10,798)**	(4,463)
Adjustments in respect of previous periods	**682**	3,110
Deferred tax (credit)/expense (see Note 37)	**(19,244)**	19,117
Total tax expense	**82,285**	183,185

Income tax recognised in other comprehensive income

	2018 £000	2017 £000
Remeasurements of defined benefit liability / (asset)	**459**	28
	459	28

Notes *(continued)*

18. Taxation *(continued)*

ii) Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit for the year	**295,829**	360,348
Total tax expense (including tax on equity accounted investees)	**82,285**	183,185
Profit excluding taxation	**295,829**	543,533
Tax using the UK corporation tax rate of 19.00 % (2017: 19.75%)	**56,208**	107,348
Effects of:		
Expenses that are not deductible in determining taxable profit	**5,204**	26,635
Income not taxable for tax purposes	**(8,789)**	(42,392)
Other timing differences	**(4,012)**	12,041
Higher rates of tax on overseas earnings	**33,117**	72,454
Under provided in previous years	**545**	933
Overseas withholding tax	**10,810**	10,629
Rate change impact	**(10,798)**	(4,463)
Total tax expense (including tax equity accounted investees)	**82,285**	183,185

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

Reductions in the UK corporation tax from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 30 June 2018 relating to UK entities has been calculated based on these rates. No such changes are expected for foreign operations.

Notes *(continued)*

19. Goodwill

	Total £000
Cost	
At 1 July 2016	227,690
Exchange differences	4,646
At 30 June 2017	232,336
Exchange differences	(23,524)
At 30 June 2018	**208,812**
Accumulated impairment charge	
At 1 July 2016	12,713
Impairment for the year	13,641
Exchange differences	(312)
At 30 June 2017	26,042
Impairment for the year	10,055
Exchange differences	(772)
At 30 June 2018	**35,325**
Net book value	
At 30 June 2018	**173,487**
At 30 June 2017	206,294
At 1 July 2016	214,977

The impairment charge predominantly represents impairment to the excess of the amount paid over fair value of net assets of Pakcem Limited on its acquisition on 22 April 2015, in relation to its operational benefit, which was recognised on acquisition and measured at the present value of incremental cash flows to be generated over a period of three years from the date of acquisition. This has been fully impaired as at 30th June 2018 (2017: £9.7 million.)

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:

Goodwill by cash generating units	**2018 £000**	2017 £000
Wholesale	**12,055**	12,055
Cement	**81,763**	101,544
Pharmacy	**40,397**	40,829
Banking	**39,272**	51,866
	173,487	206,294

Notes *(continued)*

19. 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:

	2018	2017
Period on which management approved forecasts are based	**20 years**	20 years
Growth rate applied beyond approved forecast period	**2%**	2%
Discount rate	**8.1%**	9.2%

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:

	2018	2017
Period on which management approved forecasts are based	**5 years**	5 years
Growth rate applied beyond approved forecast period	**Nil**	Nil
Discount rate	**6.0%**	6.5%

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 Pakistani rupees, the goodwill assessment is also performed in Pakistani rupees. 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)*

19. 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 Pakistani rupees, the goodwill assessment is performed in Pakistani rupees. 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.

20. Acquisition of subsidiary

Acquisitions in the current period

On 7 April 2018, Bestway Retail Limited, a wholly owned subsidiary of Bestway UK HoldCo Limited, acquired the assets and liabilities listed below (net asset value: £27.9 million) from Bargain Booze Limited, Conviviality Retail Logistics Limited and Wine Rack Limited for a purchase price of £7.5 million. Bestway Retail Limited had remained dormant until it made the aforementioned acquisition, but resumed trading from that date. Its principal activity is the wholesale and retail of beers, wines, spirits, tobacco, grocery and confectionary. As such, the acquisition of these assets and liabilities is complimentary to the Wholesale business.

On 15 June 2018, Bestway Retail Limited purchased the entire share capital of Ardiles Bidco Limited for a consideration of £1. Ardiles Bidco Limited is a holding company with two non-trading subsidiaries (KMD Enterprises Limited and Xcel Retail Limited). No goodwill arose as a result of this transaction.

A negative goodwill balance of £20.4 million arose on the purchase and is recognised through the profit and loss account. The fair values of the identifiable assets and liabilities as at the date of acquisition were:

	Purchased Assets and Liabilities £000
Intangible assets (see acquisitions through business combinations - note 21)	10,848
Property, plant and equipment (see acquisitions through business combinations – note 22)	13,618
Inventories	15,765
Cash and cash equivalents	619
Trade and other payables	(12,985)
Total net assets acquired	**27,865**
Consideration paid:	
Cash price paid	7,505
Total consideration	**7,505**
One off gain on acquisition recognised in Income Statement	**(20,360)**

Financial results

In the 3 months to 30 June 2018 the subsidiary contributed revenue of £80.5 million, profit before tax of £11.5 million and net profit of £11.5 million to the consolidated results for the year. If the acquisition had occurred on the first day of the accounting period ending 30 June 2018, Group revenue would have been an estimated £3,489 million and profit after tax would have been an estimated £251.3 million. 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.

Acquisition related costs

Costs associated with the acquisition of assets from Bargain Booze Limited group totalled £1.1 million.

Notes *(continued)*

20. Acquisition of subsidiary *(continued)*

Acquisitions in the prior period

On 14 November 2016, Bestway (Holdings) Limited acquired 26% of the shares in Oakleaf Limited (see Note 26). On 4 April 2017, Bestway Northern Holdings Limited, a wholly owned subsidiary of Bestway (Holdings) Limited, acquired the remaining 74% of the share capital of Oakleaf Limited, by issue of £57,662,428 in preference shares in Bestway Northern Holdings Limited.

The primary reason for the acquisition was because Oakleaf Limited owned 100% of the shares in Bestway Northern Limited, a Company which also operates in the wholesale business, and has common directorship with Bestway (Holdings) Limited. In the 3 months to 30 June 2017, Bestway Northern Limited contributed revenue of £106.1 million and net profit of £3.0 million to the consolidated net profit for the year. If the acquisition had occurred on 1 July 2016, Group revenue would have been £3,321.8 million and net profit would have been £430.0 million. 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 1 July 2016.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities.

	Oakleaf Limited £000
Fair Value of Oakleaf Limted's consolidated net assets at the acquisition date:	
Property, plant and equipment	53,308
Investment property	6,851
Investment in listed securities*	32,425
Inventories	36,026
Trade and other receivables	140,133
Cash and cash equivalents	21,126
Interest-bearing loans and borrowings	(15,375)
Trade and other payables	(59,888)
Deferred tax liabilities	(4,220)
Total net assets acquired	210,386
Consideration paid:	
Debt instruments issued	57,662
Fair value of previous equity interests	50,022
Total consideration	107,684
One off gain on group reorganisation recognised in Income Statement	102,702

*The investment in listed securities represents the market value of shares held in Bestway Cement Limited not owned by the Group on acquisition, these have been eliminated on consolidation.

Acquisition related costs

The Group did not incur any acquisition related costs at this stage of the step acquisition.

Acquired receivables

The fair value of acquired receivables was £140.1 million, of which £135.2 million is due from Group entities. The gross contractual amounts receivable are £140.1 million and, at the acquisition date, £140.1 million of contractual cash flows were not expected to be received.

Notes *(continued)*

21. Other intangible assets

Trading Group	Licences	Software	Other intangible assets	Total
	£000	£000	£000	£000
Cost				
At 1 July 2016	564,767	526	-	565,293
Additions purchased externally	2,385	-	-	2,385
Exchange difference	-	11	-	11
Disposals	(3,881)	-	-	(3,881)
At 30 June 2017	563,271	537	-	563,808
Acquisitions through business combinations	-	-	*10,848*	*10,848*
Additions developed internally	-	-	327	327
Additions purchased externally	1,500	2	-	1,502
Exchange difference	-	(82)	-	(82)
At 30 June 2018	**564,771**	**457**	**11,175**	**576,403**
Amortisation and impairment				
At 1 July 2016	63,875	245	-	64,120
Impairment	(848)	-	-	(848)
Charge for the year	37,818	105	-	37,923
Exchange differences	-	1	-	1
Disposals	(1,831)	-	-	(1,831)
At 30 June 2017	99,014	351	-	99,365
Impairment	1,123	-	-	1,123
Charge for the year	38,774	94	273	39,141
Exchange differences	-	(61)	-	(61)
At 30 June 2018	**138,911**	**384**	**273**	**139,568**
Net book value				
At 30 June 2018	**425,860**	**73**	**10,902**	**436,835**
At 30 June 2017	464,257	186	-	464,443
At 1 July 2016	500,892	281	-	501,173

Amortisation of licences is charged to administrative expenses in the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite.. An impairment loss is recognised whenever the carrying amount of licences exceeds its recoverable amount. The carrying amount of licences is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. Any impairment losses are recognised in the income statement.

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

Other intangible assets include acquired brands which are amortised over the useful economic life determined in the independent valuation. This is currently between 5 and 10 years. Other intangibles also comprises of capitalised project costs which are amortised over 4 years.

Notes *(continued)*

21. Other intangible assets *(continued)*

Banking Group	**Software £000**	**Total £000**
Cost		
At 1 July 2016	14,137	14,137
Additions purchased externally	3,089	3,089
Disposals	(37)	(37)
Exchange difference	755	755
At 30 June 2017	17,944	17,944
Additions purchased externally	6,886	6,886
Disposals	(3,721)	(3,721)
Exchange difference	(4,960)	(4,960)
At 30 June 2018	**16,149**	**16,149**
Amortisation and impairment		
At 1 July 2016	7,037	7,037
Charge for the year	2,941	2,941
Disposals	(37)	(37)
Exchange differences	509	509
At 30 June 2017	10,450	10,450
Charge for the year	3,805	3,805
Disposals	(3,633)	(3,633)
Exchange differences	(3,648)	(3,648)
At 30 June 2018	**6,974**	**6,974**
Net book value		
At 30 June 2018	**9,175**	**9,175**
At 30 June 2017	7,494	7,494
At 1 July 2016	7,100	7,100

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

Notes *(continued)*

22. 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 2016	316,551	358,373	98,693	11,813	7,260	792,690
Additions	6,365	9,232	16,406	4,378	19,802	56,183
Acquired in business combination	50,481	1,540	1,287	-	-	53,308
Disposals	(2,126)	(3,854)	(699)	(2,516)	-	(9,195)
Exchange difference	2,337	7,435	48	32	(25)	9,827
Transfers	2,092	8,247	(442)	-	(9,897)	-
Transfers from investment property	796	-	-	-	-	796
At 30 June 2017	376,496	380,973	115,293	13,707	17,140	903,609
Additions	9,949	18,530	17,317	7,446	71,857	125,099
Acquired in business combination	2,478	853	10,236	51	-	13,618
Disposals	(4)	(3,811)	(203)	(2,112)	-	(6,130)
Exchange difference	(15,872)	(51,533)	(392)	(672)	(2,195)	(70,664)
Transfers	27,989	49,616	21	183	(77,809)	-
At 30 June 2018	**401,036**	**394,628**	**142,272**	**18,603**	**8,993**	**965,532**
Depreciation						
At 1 July 2016	58,666	106,063	41,789	7,431	-	213,949
Charged in year	8,215	13,723	14,615	2,660	-	39,213
Disposals	(514)	(1,627)	(545)	(1,794)	-	(4,480)
Exchange difference	401	1,365	26	17	-	1,809
At 30 June 2017	66,768	119,524	55,885	8,314	-	250,491
Charged in year	8,248	13,651	17,425	3,732	-	43,056
Disposals	-	(1,516)	(62)	(1,269)	-	(2,847)
Exchange difference	(3,018)	(11,158)	(195)	(242)	-	(14,613)
At 30 June 2018	**71,998**	**120,501**	**73,053**	**10,535**	**-**	**276,087**
Net book value						
At 30 June 2018	**329,038**	**274,127**	**69,219**	**8,068**	**8,993**	**689,445**
At 30 June 2017	309,728	261,449	59,408	5,393	17,140	653,118
At 30 June 2016	257,885	252,310	56,904	4,382	7,260	578,741

Notes *(continued)*

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

Property, plant and equipment under construction

The amount of borrowing costs capitalised during the period was £279,003 (2017: £406,653) with a capitalisation rate of 6.35% (2017: 6.5%).

Assets pledged as security

Freehold land and buildings with a carrying amount of £261.9 million (2017: £260.6 million) have been pledged to secure borrowings of the Group. 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 2016	193,384	6,234	51,949	3,408	44,107	299,082
Additions	47,858	2,491	21,257	655	104	72,365
Disposals	(902)	(2,954)	(1,037)	(591)	(21,303)	(26,787)
Exchange difference	4,085	234	1,530	130	1,735	7,714
At 30 June 2017	244,425	6,005	73,699	3,602	24,643	352,374
Additions	23,031	145	18,129	495	-	41,800
Disposals	(55)	(1,260)	(10,748)	(938)	(9,055)	(22,056)
Revaluations	37,263	-	-	-	-	37,263
Exchange difference	(40,652)	(1,012)	(14,599)	(653)	(2,951)	(59,867)
At 30 June 2018	**264,012**	**3,878**	**66,481**	**2,506**	**12,637**	**349,514**
Depreciation						
At 1 July 2016	3,416	1,822	21,136	851	-	27,225
Charged in year	4,094	1,515	9,712	582	-	15,903
Disposals	(595)	(1,913)	(983)	(559)	-	(4,050)
Exchange difference	307	100	1,071	58	-	1,536
At 30 June 2017	7,222	1,524	30,936	932	-	40,614
Charged in year	4,301	1,322	10,888	606	-	17,117
Disposals	(20)	(824)	(9,949)	(641)	-	(11,434)
Exchange difference	(5,621)	(472)	(8,807)	(273)	-	(15,173)
At 30 June 2018	**5,882**	**1,550**	**23,068**	**624**	-	**31,124**
Net book value						
At 30 June 2018	**258,130**	**2,328**	**43,413**	**1,882**	**12,637**	**318,390**
At 30 June 2017	237,203	4,481	42,763	2,670	24,643	311,760
At 1 July 2016	189,968	4,412	30,813	2,557	44,107	271,857

Notes *(continued)*

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

The properties of the Bank have been revalued by independent professional valuers as at December 31, 2017. The revaluation was carried out by M/s. Engineering Pakistan Int'l (Pvt) Ltd, M/s. M. J. Surveyors (Pvt) Ltd, M/s Harvestor Services (Pvt) Ltd, and M/s Iqbal A. Nanjee & Co. (Pvt) Ltd. on the basis of professional assessment of present market values. The accumulated surplus arising against the revaluation of fixed assets as at 30 June 2018 amounts to £162.6 million (2017: £146.8 million).

The properties of UBL UK were last revalued by independent professional valuer, Quantum Valuation LLP, as at 31 December 2015. The total surplus arising against the revaluation of fixed assets as at 30 June 2018 amounts to £7.3 million (2017: £9.2 million).

The independent valuers provide the fair value of the Banking Group's property portfolio every 24 months. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

Banking Group	**Cost 2018 £000**	**Accumulated depreciation 2018 £000**	**Net book value 2018 £000**
Freehold land	4,638	-	4,638
Leasehold land	19,216	8	19,208
Buildings on freehold land	8,971	799	8,172
Buildings on leasehold land	27,182	789	26,393
Buildings on leasehold land	***60,007***	***1,596***	***58,411***

Banking Group	Cost 2017 £000	Accumulated depreciation 2017 £000	Net book value 2017 £000
Freehold land	5,478	-	5,478
Leasehold land	22,696	10	22,686
Buildings on freehold land	10,596	942	9,654
Buildings on leasehold land	32,104	932	31,172
Buildings on leasehold land	70,874	1,884	68,990

Notes *(continued)*

23. Investment property

Trading Group	**Total £000**
Cost or valuation	
At 1 July 2016	122,266
Acquired on acquisition of a subsidiary	6,851
Additions	282
Disposals	(17,230)
Exchange difference	91
Transfers to property plant and equipment	(796)
Revaluation	3,523
At 30 June 2017	114,987
Additions	38
Disposals	(4,519)
Exchange difference	(282)
Revaluation	4,388
At 30 June 2018	**114,612**
Net book value	
At 30 June 2018	**114,612**
At 30 June 2017	114,987
At 1 July 2016	122,266

For the investment properties located in the United Kingdom. the last full valuation was performed during the year ended 30 June 2015. An investment property fair value exercise was undertaken in the years to 30 June 2017 and 30 June 2018, based on a desktop valuation performed by Jones Lang LaSalle, an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued. They provide this on an annual basis. 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 (see Note 13).

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 £000	**Level 2 £000**	**Level 3 £000**	**Fair value as at 30/06/18 £000**
Commercial property units:				
Located in the United Kingdom	-	113,009	-	**113,009**
Located in Pakistan	-	-	1,603	**1,603**
	-	113,009	1,603	**114,612**

Notes *(continued)*

23. Investment property *(continued)*

	Level 1 £000	Level 2 £000	Level 3 £000	Fair value as at 30/06/17 £000
Commercial property units:				
Located in the United Kingdom	-	113,148	-	113,148
Located in Pakistan	-	-	1,839	1,839
	-	113,148	1,839	114,987

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements: Level 1 – Fair value measurements using quoted prices (unadjusted) in active markets for identical assets and liabilities; Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); Level 3 – Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

There were no transfers between Levels 1 and 2 during the year.

The Trading Group has pledged £113.0 million (2017: £113.1 million) of its investment property to secure general banking facilities granted to the Trading Group.

Banking Group	**Total £000**
Cost or valuation	
At 30 June 2016	25,543
Disposals	(6,602)
Exchange differences	430
Revaluation	263
At 30 June 2017	19,634
Additions	3,479
Disposals	(2,183)
Exchange differences	(2,017)
Revaluation	541
At 30 June 2018	**19,454**
Net book value	
At 30 June 2018	**19,454**
At 30 June 2017	19,634
At 1 July 2016	25,543

The fair value of investment property was measured using the level 2 fair value measurement. This was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio every financial year.

The latest external valuations of investment properties of the Bank have been performed by various professional valuers during the course of year.

The fair value of the investment property of UBL UK was based on a market based desktop valuation conducted by Roger Meads, FRICS from Jones Lang LaSalle in December 2017 and Tim Smee, FRICS from Quantum Valuation LLP in December 2015. The desktop valuation was based on an analysis of rental yields and sales values of similar properties and location as the investment property since the last 2015 comprehensive valuation. It was concluded that there has not been significant property market value movements since the 2015 valuation.

Notes *(continued)*

24. Investments in 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 51 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.

The Group and Company have the following investments in subsidiaries as at the financial year end:

	UK Company number	Registered office	Class of shares held	Effective Ownership % 2018	2017
Trading Group					
Bestway Securities Limited (direct)	**09106250**	B	**Ordinary**	**100**	100
Bestway Northern Holdings Limited (direct)		P	**Ordinary**	**100**	100
Bestway Cement Limited (direct)		J	**Ordinary**	**56.41**	54.50
Bestway Power Limited[1] (direct)		J	**Ordinary**	**100**	100
Bestway Spinning Limited (direct)		J	**Ordinary**	**100**	100
Bestway UK HoldCo Limited	**09106288**	B	**Ordinary**	**100**	100
Oakleaf Limited[2]		P	**Ordinary**	**100**	100
Bestway Northern Limited	**02675585**	B	**Ordinary**	**100**	100
Bestway Limited[1]	**02596168**	B	**Ordinary**	**100**	100
Bestway Panacea Holdings Limited[1]	**09225479**	A	**Ordinary**	**100**	100
Bestway Wholesale Limited	**01207120**	B	**Ordinary**	**100**	100
Palmbest Limited	**02548785**	B	**Ordinary**	**100**	100
Batleys Properties Limited	**00170410**	B	**Ordinary**	**100**	100
MAP Trading Limited[1]	**01826942**	B	**Ordinary**	**100**	100
Euroimpex (U.K.) Limited[1]	**01584125**	B	**Ordinary**	**100**	100
Batleys Limited[1]	**00675326**	B	**Ordinary**	**100**	100
Bestway Retail Limited (formerly Bestway Direct Limited)	**04103203**	B	**Ordinary**	**100**	100
Ardiles Bidco Limited[1]	**10449694**	Q	**Ordinary**	**100**	0
KMD Enterprises Limited[1]	**04314857**	Q	**Ordinary**	**100**	0
Xcel Retail Limited[1]	**09121924**	Q	**Ordinary**	**100**	0
Bestway Pharmacy NDC Limited[3]	**01050265**	A	**Ordinary**	**100**	100
Donald Wardle and Son[23]	**02914910**	A	**Ordinary**	**100**	100
Opus Pharmaceuticals Limited[123]	**05888155**	A	**Ordinary**	**100**	100
Bestway Panacea Healthcare Limited[3]	**09225514**	A	**Ordinary**	**100**	100
Bestway National Chemists Limited[3]	**09225457**	A	**Ordinary**	**100**	100
Portslade Medical Supplies Limited[23]	**01663067**	A	**Ordinary**	**100**	100
FA Parkinson (Chemists) Limited[23]	**SC038900**	F	**Ordinary**	**100**	100
Parkinson (Paisley) Limited[23]	**SC204178**	F	**Ordinary**	**100**	100
Bestway Belfast Chemists Limited[23]	**NI626625**	G	**Ordinary**	**100**	100
Ebbw Vale Consortium Limited[123]	**01338409**	A	**Ordinary**	**100**	100
Care4U Pharmacy Limited[23]	**03983332**	A	**Ordinary**	**100**	100
Ideal Healthcare Limited[23]	**03443725**	A	**Ordinary**	**100**	100
Pills Limited[1]	**SC271830**	F	**Ordinary**	**100**	100
RLJ Consultancy Limited[1]	**03283312**	A	**Ordinary**	**100**	100
CCS (West Street) Limited[18]	**06149560**	A	**Ordinary**	**100**	100
G Lightfoot & Son Limited[1]	**00626296**	A	**Ordinary**	**100**	100
Crown Imperial Associates Limited[16]	**03262921**	A	**Ordinary**	**100**	100
Crewe Complete Solution Limited[18]	**05765407**	E	**Ordinary**	**100**	100
Thomas Hetherington Limited[1]	**SC095304**	F	**Ordinary**	**100**	100
P.H.C Pharmacy Limited[18]	**SC115847**	D	**Ordinary**	**67**	67
Cannon St. (HCC) Limited[178]	**01659041**	C	**Ordinary**	**59**	59

Notes *(continued)*

24. Investments in subsidiaries *(continued)*

	UK Company number	Registered office	Class of shares held	Effective Ownership % 2018	2017
P Williams Chemists (Chester) Limited[16]	03210568	A	Ordinary	100	100
Three Swans Pharmacy Limited[18]	06975508	A	Ordinary	50	50
Penrith Health Centre (PD) Consortium Limited[18]	01775075	A	Ordinary	50	50
Penrith Health Centre (PD) Consortium Limited[18]	01775075	A	A	77	77
Batleys Glasgow Limited[1]	SC125810	S	Ordinary	100	100
Benson (Grocers) Limited[1]	SC256747	S	Ordinary	100	100
Bellevue Cash and Carry Limited[1]	SC046528	S	Ordinary	100	100
Banking Group					
United Bank Limited[4] (direct)		H	Ordinary	55.77	55.77
UBL Insurers Limited (direct)		K	Ordinary	79.00	79.00
United Bank AG Zurich[4]		N	Ordinary	55.77	55.77
United National Bank Limited[45]	04146820	I	Ordinary	30.67	30.67
UBL Bank (Tanzania) Limited[4]		M	Ordinary	55.77	55.77
United Executives & Trustees Company Limited[4]		L	Ordinary	55.77	55.77
UBL Fund Managers Limited[4]		O	Ordinary	55.14	55.14
Al Ameen Financial Services (Pvt.) Limited[4]		O	Ordinary	55.14	55.14

[1] These entities are dormant and are exempt from the requirements of Companies Act 2006 relating to the preparation and filing of their individual accounts in respect of the year ended 30 June 2018 by virtue of Section 480 of the Act. All other entities are included in the consolidation.

[2] The subsidiary undertakings listed above are exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of Section 479A of the Act as this Company has guaranteed the subsidiary Company under Section 479C of the Act.

[3] These entities require financial support from Bestway (Holdings) Limited.

[4] These entities have 31 December year ends, in line with industry standards.

[5] The majority owner and immediate parent company of this entity is United Bank Limited, which in turn is majority owned and a direct subsidiary of the Company. Therefore, despite effective ownership of less than 50%, the Company has significant control over the entity through it's majority ownership in United Bank Limited. All other entities are considered subsidiaries due to effective ownership of the ordinary shares by this Company being greater than 50%.

[6] This entity was subsequently struck off post year end.

[7] The Company lost significant control of this entity post year end.

[8] These entities were acquired and do not have a 30 June year end and management have decided not to change the year end to match the Company.

A- Merchants Warehouse, Castle Street, Manchester, UK, M3 4LZ
B- 2 Abbey Road, Park Royal, London, UK, NW10 7BW
C- 4 Ingledene Avenue, Salford, Manchester, England, M7 4GX
D- Citypoint 2 25 Tyndrum Street, Glasgow, G4 0JY
E- Unit 6, Ashbrook Office Park, Longstone Road, Heald Green, Manchester, M22 5LB
F- 18-20 Main Street, Beith, Ayrshire, Scotland, KA15 2AD
G- 70 Ballygomartin Road, Belfast, BT13 3NE
H- 13th Floor, UBL Building, Jinnah Avenue, Blue Area, Islamabad, Pakistan
I- 2 Brook St, London W1S 1BQ
J- Bestway Building, 19-A, College Road, F-7 Markaz, Islamabad, Pakistan
K- 126-C, Jami Commercial, Street No. 14, Phase VII, DHA, Karachi, Pakistan
L- State Life BUILDING No. 1, I.I. Chundrigar Road, Karachi, Pakistan
M- 26 MKWEPU / Kaluta Street, P.O. BOX 5887, Dares Salaam, Tanzani, Tanzania.
N- United Bank AG (Zurich), Feldeggstrasse 55, P.O Box. No. 1176, 8034, Zurich, Switzerland
O- 4th Floor, STSM Building, Beaumont Road, Civil Lines, Karachi, Pakistan
P- Newport House, 15 The Grange, St Peters Port, GY1 2QL, Guernsey
Q- Weston Road, Crewe, Cheshire, England, CW1 6BP
R- 30 Mcdonald Place, Edinburgh, EH7 4NH

Notes *(continued)*

25. Investments in associates and equity accounted investees

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

Trading Group	Registered office	Class of shares held	Effective Ownership % 2018	2017
Victoria Pharmacy Limited[9]	S	Ordinary	25.00	25.00
Victoria Pharmacy Limited[9]	S	A	43.00	43.00
Keighley Health Centre Limited[9]	T	Ordinary	33.00	33.00
Baillieston Health Centre Pharmacy Limited[9]	U	Ordinary	36.00	36.00
Banking Group				
DHA Cogen Limited[10]	V	Ordinary	11.71	11.71
Oman Exchange Company[10]	W	Ordinary	13.94	13.94
Khushhali Bank Limited[10]	X	Ordinary	16.56	16.56

[9] These entities are dormant in the financial year. All entities are included in the consolidation.

[10] These entities have 31 December year ends, in line with industry standards.

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.

S- The Health Centre, Victoria Road, Hartlepool, TS26 8DB
T- 29 Devonshire Street, Keighley, West Yorkshire, BD21 2BH
U- 204 Polmadie Road, Hampden Park Industrial Estate, Glasgow, G42 0PH
V- D- 35, Block-5 Clifton, Karachi, Pakistan
W- Said Rajab Building 39, 3727, Ruwi High Street, Mezzanine Floor, Ruwi Area, 889, Muscat, Oman
X- 55-C, 5th Floor, U-Fone Tower, Jinnah Avenue, Blue Area, Islamabad

Banking Group

The Banking Group's investment in associates as at 30th June 2018 totalling £23.6 million (2017: £31.6 million) is immaterial when disaggregated by entity.

The Banking Group's interests in individually immaterial associates is analysed, in aggregate, in the below table.

	2018 £000	2017 £000
Carrying amount of interests in associates	23,693	31,600
Share of:		
Profit from continuing operations	2,600	8,209
Exchange differences	-	(412)
Total comprehensive income	2,600	7,797

Notes *(continued)*

26. Disposal of associates

Disposals in the prior period

On 4 April 2017, Bestway (Holdings) Limited obtained control of Bestway Northern Limited, and subsequently the associate holding (see Note 20) was disposed of. Equity accounting for the step acquisition of Bestway Northern Limited from an associate to a subsidiary in the prior year was as follows:

	Bestway Northern Limited 2017 £000
Carrying amount of interest in associate	47,291
Group share of total comprehensive income	2,731
Net book value of interest in associate	50,022
Fair value of shares on disposal (see Note 20)	(50,022)
Profit on disposal of associate	-

27. Inventories

Trading Group	**2018 £000**	2017 £000
Consumables	**47,530**	45,829
Raw materials	**3,929**	3,477
Work-in-progress	**19,222**	17,744
Finished goods	**259,649**	230,970
	330,330	298,020

The cost of inventories recognised as an expense during the year in respect of continuing operations was £2,942.9 million (2017: £2,789.0 million) before consideration of supplier rebates.

The cost of inventories recognised as an expense includes £2.7 million (2017: £4.7 million) in respect of write-downs of inventory to net realisable value.

£330.3 million of inventories are expected to be recovered in the next twelve months (2017: £298.0 million).

Inventories with a carrying amount of £227.0 million (2017: £227.0 million) have been pledged as security for certain of the Trading Group's borrowings.

Notes *(continued)*

28. Investments in financial assets

Banking Group	Current 2018 £000	Non-current 2018 £000	Total 2018 £000	Current 2017 £000	Non-current 2017 £000	Total 2017 £000
Available-for-sale investments carried at fair value						
Market Treasury Bills	1,094,726	-	1,094,726	1,745,618	-	1,745,618
Pakistan Investment Bonds	298,206	791,914	1,090,120	492,080	1,576,370	2,068,450
Government of Pakistan Sukuk	63,380	53,304	116,684	697	111,626	112,323
Government of Pakistan Eurobonds	25,132	87,618	112,750	-	96,936	96,936
Ordinary shares of listed companies	130,782	227	131,009	164,660	364	165,024
Preference shares	2,656	-	2,656	2,737	-	2,737
Ordinary shares of unlisted companies	4,685	-	4,685	1,898	-	1,898
Term Finance Certificates	2,207	3,244	5,451	3,913	-	3,913
Units of mutual funds:						
Investment in REIT	3,345	-	3,345	3,623	-	3,623
Foreign bonds	92,299	311,039	403,338	91,454	364,458	455,912
Other bonds	-	-	-	-	1,318	1,318
	1,717,418	1,247,346	2,964,764	2,506,680	2,151,072	4,657,752
Trading investments carried at fair value						
Market Treasury Bills	221,351	-	221,351	67,764	-	67,764
Pakistan Investment Bonds	15	-	15	144,831	6,376	151,207
Ordinary shares of listed companies	-	-	-	7,192	-	7,192
Term Finance Certificates	-	-	-	197	-	197
	221,366	-	221,366	219,984	6,376	226,360
Held-to-maturity investments carried at amortised cost						
Market Treasury Bills	35,629	-	35,629	61,568	-	61,568
Pakistan Investment Bonds	436,128	1,347,634	1,783,762	544,558	1,924,862	2,469,420
Government of Pakistan Eurobonds	777	40,924	41,701	1,010	38,154	39,164
Term Finance Certificates	1,051	38,477	39,528	1,340	49,881	51,221
Sukuk Bonds	6,175	77,190	83,365	559	78,817	79,376
Participation Term Certificates	3	-	3	11	-	11
Debentures	14	-	14	17	-	17
Foreign Bonds	9,150	140,752	149,902	6,709	141,035	147,744
Recovery Note	303	2,027	2,330	302	2,066	2,368
CDC SAARC Fund	1	-	1	1	-	1
Commercial paper	1,413	-	1,413	-	-	-
	490,644	1,647,004	2,137,648	616,075	2,234,815	2,850,890
Impairment provision on investments	(38,776)	-	(38,776)	(26,979)	-	(26,979)
	2,390,652	2,894,350	5,285,002	3,315,760	4,392,263	7,708,023

Listed investments in current assets are held at fair value.

Notes *(continued)*

29. Trade and other receivables

Trading Group	**2018 £000**	2017 £000
Amount receivable for the sale of goods	**163,216**	129,956
Allowance for doubtful debts	**(3,491)**	(2,990)
	159,725	126,966
Trade receivables from related parties	**1,584**	1,277
Other debtors	**54,548**	50,361
Prepayments and accrued income	**42,402**	35,598
	258,259	214,202

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

Banking Group	**2018 £'000**	2017 £'000
Other debtors	**269,772**	300,639
Insurance receivable	**7,842**	6,375
Prepayments and accrued income	**22,359**	475
	299,973	307,489

Included within trade and other receivables is £26.4 million (2017: £12.8 million) expected to be recovered in more than 12 months. All other trade and other receivables in both current and prior year are current and expected to be recovered within 12 months.

30. Lending to financial institutions and advances

Banking Group	**Current 2018 £000**	**Non-current 2018 £000**	**Total 2018 £000**	Current 2017 £000	Non-current 2017 £000 (Restated*)	Total 2017 £000 (Restated*)
Lending to financial institutions						
Call money lending	**110,406**	**-**	**110,406**	4,054	-	4,054
Repurchase agreement lending	**33,319**	**-**	**33,319**	29,411	-	29,411
Other lending to financial institutions	**76,123**	**58,379**	**134,502**	178,233	70,544	248,777
Provision against lending to financial institutions	**(5,682)**	**-**	**(5,682)**	(5,450)	-	(5,450)
	214,166	**58,379**	**272,545**	206,248	70,544	276,792
Advances						
Loans, cash credits, running finances, etc.	**2,336,910**	**2,055,633**	**4,392,543**	2,329,736	1,921,343	4,251,079
Bills discounted and purchased	**429,370**	**108,899**	**538,269**	517,278	-	517,278
Provision against advances	**(332,781)**	**-**	**(332,781)**	(300,648)	-	(300,648)
	2,433,499	**2,164,532**	**4,598,031**	2,546,366	1,921,343	4,467,709
	2,647,665	**2,222,911**	**4,870,576**	2,752,614	1,991,887	4,744,501

**Restatement of prior year balances*

Non-current liabilities have been reclassified between classes for lending to financial institutions as well as advances for the year ended 30 June 2017 to more accurately reflect the position of each class as at that date. There is no change to the total current and non-current balances for prior year lending to financial institutions and advances.

Notes *(continued)*

30. Lending to financial institutions and advances *(continued)*

Movement in provision against advances	2018 £000	2017 £000
Balance at the beginning of the period	**300,649**	283,561
Charge for the year	**49,317**	17,493
Transfer in	**21,456**	10,844
Write backs	**(3,129)**	(16,926)
Exchange differences	**(35,512)**	5,677
Balance at the end of the period	**332,781**	300,649

£125 million of the total provision as at year end relates to the collective provision (2017: £194 million)

31. Cash and cash equivalents

	Trading Group 2018 £000	Banking Group 2018 £000	Total 2018 £000	Trading Group 2017 £000	Banking Group 2017 £000	Total 2017 £000
Cash and cash equivalents	**169,884**	**1,229,870**	**1,399,754**	108,973	1,354,340	1,463,313
Bank overdrafts	**(140,649)**	**(6,201)**	**(146,850)**	(38,320)	(3,950)	(42,270)
	29,235	**1,223,669**	**1,252,904**	70,653	1,350,390	1,421,043

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.

32. Trade and other payables

	Trading Group 2018 £000	Banking Group 2018 £000	Total 2018 £000	Trading Group 2017 £000	Banking Group 2017 £000 (Restated*)	Total 2017 £000 (Restated*)
Trade creditors	**484,327**	**-**	**484,327**	447,534	-	447,534
Interest payable	**-**	**97,875**	**97,875**	-	96,959	96,959
Workers welfare fund payable	**-**	**18,168**	**18,168**	-	16,884	16,884
Other banking group payables	**-**	**15,258**	**15,258**	-	8,681	8,681
Other creditors and accruals	**-**	**37,221**	**37,221**	-	69,556	69,556
Acceptances	**-**	**212,738**	**212,738**	-	226,559	226,559
Insurance payables	**-**	**2,671**	**2,671**	-	3,436	3,436
Other taxation and social security costs	**3,896**	**-**	**3,896**	7,936	-	7,936
Amounts due to related parties	**51**		**51**	-	-	-
Other creditors and accruals	**94,313**	**1,023**	**95,336**	70,755	1,154	71,909
	582,587	**384,954**	**967,541**	526,225	423,229	949,454

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and on-going costs. 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 their fair value. Trade and other payables in both current and prior year are current and expected to be paid within 12 months.

**Restatement of prior year balances*

Liabilities of the Banking Group for the year ended 30 June 2017 totalling £159.8 million have been reclassified between trade and other payables in current liabilities and other financial liabilities in non-current liabilities, to more accurately reflect the payment terms.

Notes *(continued)*

33. Other financial liabilities

Banking Group	2018 £000	2017 £000 (Restated*)
Provision against off - balance sheet obligations	**4,461**	905
Deferred income	**10,910**	16,156
Deferred liabilities	**10,830**	14,628
	26,201	31,689

**Restatement of prior year balances*

Other financial liabilities for the year ended 30 June 2017 totalling £159.8 million have been reclassified between current and non-current liabilities to more accurately reflect the payment terms.

34. Deposits and other accounts

Banking Group	Current 2018 £000	Non-current 2018 £000	Total 2018 £000	Current 2017 £000 (Restated*)	Non-current 2017 £000 (Restated*)	Total 2017 £000 (Restated*)
Customers						
Fixed deposits	**1,506,171**	**535,504**	**2,041,675**	2,102,596	577,074	2,679,670
Savings deposits	**2,563,291**	**-**	**2,563,291**	2,813,085	-	2,813,085
Sundry deposits	**245,651**	**181**	**245,832**	234,000	-	234,000
Margin deposits	**54,493**	**143**	**54,636**	44,267	-	44,267
Current accounts - remunerative	**43,429**	**-**	**43,429**	55,112	-	55,112
Current accounts - non-remunerative	**3,379,841**	**-**	**3,379,841**	3,542,177	-	3,542,177
Financial Institutions						
Remunerative deposits	**218,259**	**-**	**218,259**	243,249	-	243,249
Non-remunerative deposits	**136,899**	**-**	**136,899**	128,200	-	128,200
	8,148,034	**535,828**	**8,683,862**	9,162,686	577,074	9,739,760

Deposits include remunerative and non-remunerative deposits. Non-remunerative deposits are non-interest bearing whereas the remunerative deposits are of saving or term nature with interest component.

**Restatement of prior year balances*

Deposits and other accounts split by customers and financial institutions for the year ended 30 June 2017 have been reclassified between current and non-current liabilities to more accurately reflect the payment terms. There is no change to the total current and non-current balances for prior year deposits and other accounts.

Notes *(continued)*

35. Other interest-bearing loans and borrowings

Trading Group	2018 £000	2017 £000
Non-current liabilities		
Shares classified as debt	**58,178**	58,178
Secured bank loans	**275,141**	408,416
	333,319	466,594
Current liabilities		
Current portion of secured bank loans	**91,658**	50,965
	91,658	50,965
Total loans and borrowings	**424,977**	517,559

The cumulative preference shares have been classified as non-current liabilities in the current and prior year as they are redeemable in greater than a year.

516,000 of cumulative preference shares with a par value of £1 each, are redeemable 10 years from the initial date of issue and accrue 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.

57,662,428 cumulative preference shares with a par value of £1 each and a coupon rate of 6%, with interest being paid quarterly, are redeemable 10 years from the initial date of issue being 4th April 2017. Holders of cumulative preference shares are entitled to priority over other shareholders in receipt of their 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.

Domestic bank loan

During the 2015 period the Group attained bank finance in order to complete its acquisition of Panacea Holdings Limited ('Term Loan A (JPM)' and 'Term Loan B (JPM)' in the table below). On 19 September 2017, companies in the Bestway (Holdings) Limited Group, refinanced the aforementioned loans and became party to a Senior Facilities Agreement, whereby the liabilities of each of the subsidiaries are cross guaranteed by each of the companies. The loans available to be drawn under the Senior Facilities Agreement amount to £225million of term loan ('Term Loan A'), and £125million of rolling credit facility ('Term Loan B'). 'Term Loan A' is repayable biannually until 26 September 2022, with the first payment being due on 25 March 2019. The loans currently attract interest of LIBOR + 2.1%, compared to LIBOR + 3% and LIBOR + 4.5% on the JPM Term Loans A and B.

During the 2017 period, Bestway Northern Limited also became part of the Group (see Note 20 for more information). As such, its bank loan of £10.6 million (Term Loan D) was brought into the Group. This loan was repayable on October 2020 and bears an interest rate of LIBOR + 3.5%. In this financial period, this loan was repaid in full as part of the refinance noted above.

During the 2017 period the Group attained bank finance, comprising a £60.0 million loan maturing in 2020 and bearing an interest rate of LIBOR + 3.85% ('Term loan C'). At the end of the current financial year, £32 million remained outstanding.

Overseas bank loan

During the 2015 period the Group also acquired a 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 (Karachi Inter-Banking Offering Rate) plus 0.20% per annum. The facility is secured against all present and future assets excluding land and buildings of the cement group.

Notes *(continued)*

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

Analysis of borrowings by currency:	Currency	Nominal interest rate	Year of maturity	Carrying amount 2018 £000	Carrying amount 2017 £000
Shares classified as debt	GBP	8%		2	2
Shares classified as debt	GBP	10%		514	514
Shares classified as debt	GBP	6%	2027	57,662	57,662
				58,178	58,178
Term Loan A (JPM)	GBP	LIBOR + 3%	2020	-	68,663
Term Loan B (JPM)	GBP	LIBOR + 4.5%	2021	-	210,773
Term Loan A	GBP	LIBOR + 2.1%	2020	225,000	-
Term Loan B	GBP	LIBOR + 2.1%	2020	-	-
Term Loan C	GBP	LIBOR + 3.85%	2020	32,000	60,000
Term Loan D	GBP	LIBOR + 3.5%	2020	-	10,563
				257,000	349,999
Syndicate loan	PKR	KIBOR + 0.2%	2020	109,799	109,382
				366,799	459,381
				424,977	517,559

All interest bearing loans and borrowings are at amortised cost. All carrying amounts are equal to face value.

*On 31 October 2018, Term loan C was fully repaid.

Notes *(continued)*

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

Banking Group		**Carrying amount 2018 £000**	Carrying amount 2017 £000
Unsecured borrowing at amortised cost	**Sub note**		
Call borrowings	*a*	**69,648**	85,778
Other borrowings	*b*	**213,324**	104,067
		282,972	189,845
Secured borrowing at amortised cost			
Export refinance scheme	*c*	**108,836**	97,174
Refinance facility for modernisation of SME	*d*	**35**	109
Long term financing facility	*e*	**131,924**	109,660
Repurchase agreement borrowings	*f*	**1,118,471**	2,537,481
Bai Muajjal	*g*	**217,320**	-
		1,576,586	2,744,424
		1,859,558	2,934,269
Amount due for settlement within 12 months		**1,693,953**	2,802,778
Amount due for settlement after 12 months		**165,605**	131,491
		1,859,558	2,934,269

All balances have been translated from PKR as at the balance sheet date.

(a) These are unsecured borrowings carrying mark-up at rates ranging from 1.23% to 6.85% per annum and are repayable latest by September 2018.

(b) These borrowings carry mark-up at rates ranging from 2.10% to 6.39% per annum, and are repayable by December 2019.

(c) 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 by June 2028. These carry mark-up at rates ranging from 1.0% to 2.0% per annum.

(d) These borrowings have been obtained from the SBP to finance modernisation of Small and Medium Enterprises (SME) by providing financing facilities for purchase of new plant and machinery for Balancing, Modernisation and Replacement (BMR) of existing units and setting up of new units. In addition, financing for import / local purchase of new generators up to a maximum capacity of 500 KVA is also eligible under this Scheme. These borrowings are repayable by October 2019. These carry mark-up at a rate of 6.2%.

(e) 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 by June 2027. These carry mark-up at rates ranging from 2.00% to 9.70% per annum.

(f) These repurchase agreement borrowings are secured against Market Treasury Bills and Pakistan Investment Bonds and carry mark-up at rates ranging from 2.70% to 7.0% per annum. These borrowings are repayable latest by July 2020.

(g) These represent Bai Muajjal borrowings whereby the Bank bought sukuks sold by other financial institutions on deferred payment basis. These carry markup at rates ranging from 5.84% to 6.09% and are repayable by February 2019.

All interest bearing loans and borrowings are at amortised cost. All carrying amounts are equal to face value. All carrying amounts are in Pakistani rupees translated to sterling at the closing rate on 30th June 2018.

Notes *(continued)*

36. Provisions

Trading Group	**Reduction in pharmacy funding £000**	**Dilapidation provision £000**	**Other £000**	**Total £000**
At the beginning of the year	19,750	-	944	**20,694**
Additional provision in the year	*2,419*	5,242	*2,730*	***10,391***
Utilisation of provision	(8,370)	-	-	**(8,370)**
At the end of the year	13,799	5,242	3,674	**22,715**

All provisions in both financial years are current and are expected to be used within one year. Other provisions include provisions for liabilities incurred as part of the Group's operations.

The reduction in government funding relates to a provision made for the NHS funding cut announced by the Department of Health (DoH) and NHS England. Additionally a provision for Category M adjustments relating to the NHS year ended March 2018 was made. This relates to an estimate of the cumulative margin overpayment received from the DoH for the year to 30 June 2018. The estimate included in the accounts is a figure provided by the DoH via the Pharmaceutical Services Negotiating Committee (PSNC) as the quantum of the margin over delivery.

Dilapidations provisions mainly comprise store dilapidation costs on Bargain Booze stores as identified as part of the acquisition in the year (see Note 20 for more information on this acquisition).

Other provisions include lease premiums and other provisions for liabilities incurred as part of the Group's operations.

Banking Group	**Fire *£000***	**Marine *£000***	**Motor *£000***	**Miscellaneous *£000***	**Total *£000***
As at 1 July 2016	4,217	859	2,432	7,155	14,663
Claims incurred during the year	2,256	486	2,213	8,464	13,419
Claims paid during the year	(2,586)	(430)	(2,108)	(5,846)	(10,970)
Premium written in the year	4,552	1,712	5,327	5,957	17,548
Premiums earned during the year	(4,908)	(1,745)	(4,688)	(6,600)	(17,941)
Exchange differences	137	24	52	159	372
As at 30 June 2017	3,668	906	3,228	9,289	**17,091**
Claims incurred during the year	4,536	1,938	4,100	2,375	**12,949**
Claims paid during the year	(2,607)	(1,455)	(3,310)	(4,242)	**(11,614)**
Premium written in the year	6,533	2,042	7,551	6,049	**22,175**
Premiums earned during the year	(5,919)	(1,993)	(6,342)	(6,549)	**(20,803)**
Exchange differences	(751)	(178)	(643)	(1,249)	**(2,821)**
As at 30 June 2018	5,460	1,260	4,584	5,673	**16,977**

The movement in provisions is due to the normal course of business of providing insurance contracts. All provisions in both financial years are non-current.

Notes *(continued)*

37. 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 £000	Intangible assets £000	Investment property £000	Investments and associates £000	Employee benefits £000	Short term timing £000	Total £000
At 30 June 2017 (restated*)	65,713	69,424	5,168	13,257	(1,573)	(541)	151,448
On acquisition	2,502	1,137	-	-	-	28	3,667
(Credit) / charge to profit and loss	(3,082)	(8,302)	965	131	-	1,260	(9,028)
Charge to the OCI	-	-	-	(4,552)	465	(45)	(4,132)
Exchange differences	(9,033)	(457)	-	(1,344)	-	-	(10,834)
At 30 June 2018	**56,100**	**61,802**	**6,133**	**7,492**	**(1,108)**	**702**	**131,121**

Restatement of prior year balances

Property, plant & equipment, intangible assets, investment property, investments and associates, employee benefits, and short term timing balances for the year ended 30 June 2017, have been reclassified to more accurately reflect short term timing differences and accelerated capital allowances. There is no change to the net deferred tax liability at the start of the financial period.

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2018 £000	2017 £000
Deferred tax liabilities	**132,229**	154,926
Deferred tax assets	**(1,108)**	(3,460)
Net deferred tax liability	**131,121**	151,466

Banking Group

	Employee benefits £000	Tax losses £000	Retirement fund £000	Property, plant & equipment £000	Investment property £000	Sub total £000
At 30 June 2017(restated*)	(5,777)	(2,002)	(1,650)	12,547	1,935	5,053
(Credit) / charge to profit and loss	(1,439)	(9,708)	(858)	1,027	189	(10,789)
Charge / (credit) to the OCI	-	358	(938)	1,515	(46)	889
Exchange differences	992	633	617	(2,113)	(307)	(178)
At 30 June 2018	**(6,224)**	**(10,719)**	**(2,829)**	**12,976**	**1,771**	**(5,025)**

	Sub total £000	Investments £000	Associates £000	Short term timing differences £000	Total £000
At 30 June 2017 (restated*)	5,053	49,551	3,439	(13)	58,030
Charge / (credit) to profit and loss	(10,789)	(26)	615	1	(10,199)
(Credit) to the OCI	889	(49,995)	-	-	(49,106)
Exchange differences	(178)	(3,886)	(524)	(3)	(4,591)
At 30 June 2018	**(5,025)**	**(4,356)**	**3,530**	**(15)**	**(5,866)**

Notes *(continued)*

37. Deferred Tax *(continued)*

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Banking Group	2018 £000	2017 £000 (Restated*)
Deferred tax liabilities	**18,277**	67,466
Deferred tax assets	**(24,143)**	(9,442)
Net deferred tax liability	**(5,866)**	58,024

Restatement of prior year balances

Property, plant & equipment, intangible assets, investment property, investments and associates, employee benefits, and short term timing balances for the year ended 30 June 2017 have been reclassified to more accurately reflect short term timing differences and accelerated capital allowances. There is no change to the net deferred tax liability at the start of the financial period.

38. 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 Group's main pension commitments relate to its two occupational pension schemes; the Batleys Limited Retirement Benefits Scheme (the "Main scheme") and the Batleys Limited Officers' Retirement Benefits Scheme (the "officers' scheme"). Both schemes are funded by the payment of contributions to separately administered trust funds. On 31 October 2015, the pension schemes were transferred from Batleys Limited (a group company) to Bestway Wholesale Limited as part of the group reorganisation.

The Schemes 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 UK.

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 2017 for the Main Scheme and 31 December 2015 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 £2,576,000 for the Main Scheme and £342,000 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 4.5 years from 30 April 2018 by the payment of annual contributions of £498,000 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 8 months from 30 November 2016 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.

For the purposes of IAS 19 the actuarial valuation as at 30 April 2017 for the Main Scheme and 31 December 2015 for the Officers' Scheme, which were carried out by a qualified independent actuary, has been updated on an approximate basis to 30 June 2018. There have been no changes in the valuation methodology adopted for this period's disclosure compared to previous periods.

Notes *(continued)*

38. Employee benefits *(continued)*

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:	**2018 £000**	2017 £000 (Restated*)
Present value of scheme liabilities	**(37,479)**	(39,529)
Fair value of assets	**27,868**	27,476
Deficit	**(9,611)**	(12,053)
Related deferred tax asset	**1,108**	1,573
Net liability	**(8,503)**	(10,480)

**Restatement of prior year balances*

Fair value of assets for the year ended 30 June 2017 has been updated to more accurately reflect the position as at the balance sheet date. The change has resulted in an decrease of £118k in the fair value of assets for the year ended 30 June 2017 resulting in an increase in the net liability

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.

The projected unit credit method is an accrued benefits valuation method in which allowance is made for projected earnings increases. The accumulated benefit obligation is an alternative actuarial measure of the Schemes liabilities, whose calculation differs from that under the projected unit credit method in that it includes no assumption for future earnings increases. In assessing this figure for the purpose of these disclosures, allowance has been made for future statutory revaluation benefits up to retirement. At the balance sheet date the accumulated benefit obligation was £37,752,000.

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 2018.

Movements in present value of defined benefit obligations:	**2018 £000**	2017 £000
Defined benefit obligation at beginning of period	**39,529**	36,230
Current service costs	**465**	363
Interest cost	**1,122**	1,178
Actuarial gains	**(1,554)**	2,792
Benefits paid	**(1,800)**	(971)
Exchange differences	**(283)**	(63)
At the end of the period	**37,479**	39,529

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

Notes *(continued)*

38. Employee benefits *(continued)*

Movements in fair value of plan assets:	**2018** **£000**	2017 £000
Value of scheme assets at beginning of period	**27,594**	25,079
Transfer from group Company		-
Expected return on plan assets	**706**	765
Actuarial gains	**675**	1,754
Contributions by employer	**569**	716
Benefits paid	**(1,676)**	(720)
At the end of the period	**27,868**	27,594

Expense recognised in the profit and loss account:	**2018** **£000**	2017 £000
Interest on defined benefit pension plan obligation	**1,122**	1,178
Expected return on defined benefit pension plan assets	**(706)**	(765)
Total expense	**416**	413

Expense recognised in other comprehensive income:	**2018** **£000**	2017 £000
Actuarial losses	**-**	2,792
Actuarial gains	**(2,229)**	(1,754)
Total expense	**(2,229)**	1,038

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

	2018 **£000**	2017 £000
Cash	**239**	419
Equities	**8,891**	9,028
Bonds	**5,514**	1,166
Hedge funds	**-**	44
Liability Driven Investments (LDI)	**5,450**	5,227
Diversified growth	**7,774**	11,710
	27,868	27,594

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.

It is the policy of the Trustees and the Company to review the investment strategy at the time of each funding valuation. The Trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the Schemes' investment strategy are documented in the Schemes' Statement of Investment Principles. The Schemes invest approximately 20% of total assets in Liability Driven Investments (LDI) to broadly provide 70% interest rate hedging and 125% inflation rate hedging.

All equity securities and government bonds have quoted prices in active markets. All other plan assets are not quoted in an active market.

Notes *(continued)*

38. Employee benefits *(continued)*

Actuarial assumptions

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

	2018 UK	**2018 Pakistan**	2017 UK	2017 Pakistan
Discount rate	**2.70%**	**9.00%**	2.60%	7.75%
Inflation (RPI)	**3.35%**	**-**	3.40%	-
Inflation (CPI)	**2.35%**	**-**	2.40%	-
Future salary increases	**3.55%**	**8.00%**	3.60%	6.75%

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: 21.9 years (male), 23.8 years (female).
- Future retiree upon reaching 65: 23.3 years (male), 25.4 years (female).

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 4.9%
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 3.2%
Commutation	Members commute an extra 10% of Post A Day pension on retirement	Decrease by 0.7%

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 2018 is 20 years.

The Schemes typically expose the Company 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 P&L 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.

Funding

The best estimate of contributions to be paid by the Company to the Schemes for the period beginning 1 July 2018 is £553,000.

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 Bank also operates a contributory benevolent fund scheme and provides post-retirement medical benefits to eligible retired employees. The benevolent fund scheme and the post-retirement medical scheme cover all regular employees of the Bank who joined the Bank pre-privatization.

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 2018.

Notes *(continued)*

38. Employee benefits *(continued)*

Banking Group *(continued)*

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

	2018	2017
Pension fund	10,608	6,861
Gratuity fund	10,382	8,703
Benevolent Fund	3,886	4,329
Post-retirement medical benefit scheme	9,744	8,016

Principal actuarial assumptions

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

	2018	2017
Discount rate and expected rate of return on plan assets	9.00%	7.25%
Expected rate of future salary increase	7.00%	5.75%
Expected rate of increase in pension and medical benefit	5.00%	1.75%
Expected rate of increase in pension	9.00%	7.75%
Post-retirement mortality at age 60:		
Pension fund	17.34	12.32
Benevolent Fund	7.71	8.25
Post-retirement medical benefit scheme	13.87	13.77

Present values of scheme liabilities, fair values of assets and deficit:	Pension fund 2018 £000	Gratuity fund 2018 £000	Benevolent Fund 2018 £000	Post-retirement medical benefit 2018 £000	Total 2018 £000
Present value of scheme liabilities	72,774	4,692	2,474	9,910	89,850
Fair value of plan assets	(19,909)	(4,785)	(3,113)	-	(27,807)
Net asset / (liability)	52,865	(93)	(639)	9,910	62,043

	Pension fund 2017 £000	Gratuity fund 2017 £000	Benevolent Fund 2017 £000	Post-retirement medical benefit 2017 £000	Total 2017 £000
Present value of scheme liabilities	20,314	4,884	3,331	9,764	38,293
Fair value of plan assets	(23,027)	(5,118)	(3,593)	-	(31,738)
Net asset / (liability)	(2,713)	(234)	(262)	9,764	6,555

During the year, Pakistan's Supreme Court increased the minimum pension to Rs.8,000 per month (£54) for UBL retired employees subject to 5% annual increase from 1 January 2019. This has had a negative impact on the present values of scheme liabilities during the year (see Note 17 for further detail).

Notes *(continued)*

38. Employee benefits *(continued)*

Movement in present value of defined benefit obligations:	**Pension fund**	**Gratuity fund**	**Benevolent Fund**	**Post-retirement medical benefit**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Defined benefit obligation at 1 July 2017	20,313	4,884	3,331	9,764	38,292
Current service cost	60,534	762	46	12	61,354
Interest cost	792	358	221	671	2,042
Benefits paid	(3,540)	(709)	(556)	(926)	(5,731)
Return allocated to other funds	908	-	-	-	908
Actuarial loss on obligations	308	190	(85)	2,019	2,432
Exchange difference	(6,541)	(793)	(483)	(1,630)	(9,447)
At 30 June 2018	72,774	4,692	2,474	9,910	89,850

Movement in fair value of plan assets:	**Pension fund**	**Gratuity fund**	**Benevolent Fund**	**Post-retirement medical benefit**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Value of scheme assets at 1 July 2017	23,027	5,118	3,593	-	31,738
Interest income on plan assets	1,885	374	239	-	2,498
Contribution by employer	1,542	1,071	104	-	2,717
Benefits paid	-	-	-	-	-
Amount paid by the fund to the Bank	(1,043)	(915)	(185)	-	(2,143)
Actuarial gain on plan assets	(1,939)	(42)	(81)	-	(2,062)
Exchange difference	(3,563)	(821)	(557)	-	(4,941)
At 30 June 2018	19,909	4,785	3,113	-	27,807

Expense recognised in profit and loss account:	**Pension fund**	**Gratuity fund**	**Benevolent Fund**	**Post-retirement medical benefit**	**Total**
	2018	**2018**	**2018**	**2018**	**2018**
	£000	**£000**	**£000**	**£000**	**£000**
Current service cost	60,534	762	46	12	61,354
Net interest on defined benefit asset or liability	(1,093)	(16)	(18)	671	(456)
Return allocated to other funds	908	-	-	-	908
	60,349	746	28	683	61,806

Notes *(continued)*

38. Employee benefits *(continued)*

Expense recognised in profit and loss account:	Pension fund 2017 £000	Gratuity fund 2017 £000	Benevolent Fund 2017 £000	Post-retirement medical benefit 2017 £000	Total 2017 £000
Current service cost	67	785	58	36	946
Net interest on defined benefit asset or liability	(1,008)	(28)	6	625	(405)
Return allocated to other funds	965	-	-	-	965
Employees' contribution	-	-	(20)	-	(20)
	24	757	44	661	1,486

Movement recognised in the statement of comprehensive income:	**Pension fund 2018 £000**	**Gratuity fund 2018 £000**	**Benevolent Fund 2018 £000**	**Post-retirement medical benefit 2018 £000**	**Total 2018 £000**
Financial assumptions	**-**	**15**	**(197)**	**(2,440)**	**(2,622)**
Actuarial loss on obligation	**308**	**175**	**112**	**4,459**	**5,054**
Actuarial gain on plan assets	**1,939**	**42**	**81**	**-**	**2,062**
Adjustment for mark up	**133**	**2**	**14**	**-**	**149**
	2,380	**234**	**10**	**2,019**	**4,643**

Movement recognised in the statement of comprehensive income:	Pension fund 2017 £000	Gratuity fund 2017 £000	Benevolent Fund 2017 £000	Post-retirement medical benefit 2017 £000	Total 2017 £000
Financial assumptions	(33)	4	(64)	(169)	(262)
Experience adjustments	(634)	484	(2)	1,343	1,191
Return on plan assets over interest income	(734)	(493)	(197)	-	(1,424)
Adjustment for mark up	52	4	5	-	61
	(1,349)	(1)	(258)	1,174	(434)

Notes *(continued)*
38. Employee benefits *(continued)*

The fair value of the plan assets and the return on those assets were as follows:	**Pension fund**	**Gratuity fund**	**Benevolent Fund**	**Total**
	2018	***2018***	***2018***	***2018***
	£000	**£000**	**£000**	**£000**
Cash and cash equivalents	**97**	**22**	**14**	**133**
Quoted ordinary shares	**744**	**161**	**111**	**1,016**
Unquoted term finance certificates	**430**	**923**	**49**	**1,402**
Pakistan investment bonds	**8,793**	**3,009**	**1,201**	**13,003**
Special savings certificates	**9,845**	**574**	**1,738**	**12,157**
Reverse Repo	**-**	**96**	**-**	**96**
	19,909	***4,785***	***3,113***	***27,807***

The fair value of the plan assets and the return on those assets were as follows:	Pension fund	Gratuity fund	Benevolent Fund	Total
	2017	2017	2017	2017
	£000	£000	£000	£000
Cash and cash equivalents	86	14	10	110
Quoted ordinary shares	1,225	210	177	1,612
Unquoted term finance certificates	569	36	68	673
Pakistan investment bonds	10,389	2,925	1,414	14,728
Special savings certificates	10,758	627	1,921	13,306
Reverse Repo	-	1,306	3	1,309
	23,028	5,117	3,592	31,738

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.

Notes *(continued)*

38. Employee benefits *(continued)*

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**	**Benevolent Fund**	**Post-retirement medical benefit**	Pension fund	Gratuity fund	Benevolent Fund	Post-retirement medical benefit
	2018	**2018**	**2018**	**2018**	2017	2017	2017	2017
	£000	**£000**	**£000**	**£000**	£000	£000	£000	£000
Increase in discount rate by 1%	**(6,437)**	**(387)**	**(118)**	**(908)**	(607)	(395)	(176)	(948)
Decrease in discount rate by 1%	**7,714**	**451**	**133**	**1,082**	689	461	199	1,154
Increase in expected future increment in salary by 1%	**-**	**456**	**-**	**-**	-	466	13	-
Decrease in expected future increment in salary by 1%	**-**	**(397)**	**-**	**-**	-	(406)	(13)	-
Increase in expected future increment in pension by 1%	**7,466**	**-**	**-**	**-**	620	-	-	-
Decrease in expected future increment in pension by 1%	**(6,357)**	**-**	**-**	**-**	(549)	-	-	-
Increase in expected future increment in medical benefit by 1%	**-**	**-**	**-**	**1,041**	-	-	-	1,092
Decrease in expected future increment in medical benefit by 1%	**-**	**-**	**-**	**(892)**	-	-	-	(927)

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 £1.8 million in the financial year to 30 June 2018.

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.

39. Operating lease arrangements

Trading Group	**2018**	2017
	£000	£000
Lease payments under operating leases recognised as an expense in the year	**16,640**	15,775

Notes *(continued)*

39. Operating lease arrangements *(continued)*

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:

	2018 £000	2017 £000
Less than one year	**14,592**	14,193
Between one to five years	**45,024**	46,125
More than five years	**56,718**	62,472
	116,334	122,790

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:

	2018 £000	2017 £000
Less than one year	**4,703**	4,640
Between one and five years	**15,455**	13,133
More than five years	**48,785**	54,583
	68,943	72,356

During the year £7.2 million (2017: £6.9 million) was recognised as rental income.

Banking Group

At 30 June 2018 the Banking Group had no annual commitments under non-cancellable operating leases (2017: nil)

40. Capital Commitments

At 30 June 2018 the Group had entered into contracts to purchase property, plant and equipment; the Trading Group commitment was £1,832,000 (2017: £9,488,000) and the Banking Group commitment was £12,302,000 (2017: £10,373,000).

41. Contingent liabilities

Trading Group

The UK Trading Group

On 19 September 2017, the Company, together with other companies in the Bestway (Holdings) Limited Group, became party to a Senior Facilities Agreement with RBS as the acting Agent, whereby the liabilities of each of the subsidiaries are cross guaranteed by each of the companies. The loans available to be drawn under the Senior Facilities Agreement amount to £225 million of term loan, and £125 million of rolling credit facility. These funds were used to repay the JP Morgan Limited loans in their entirety, therefore being a refinancing transaction. The loans outstanding under the agreement at 30 June 2018 amounted to £225 million.

Notes *(continued)*

41. Contingent liabilities *(continued)*

Trading Group *(continued)*

Cement business

Competition matters

The Competition Commission of Pakistan (CCP) issued a show cause notice dated 28 October 2008 to 21 cement companies (including BCL) under section 30 of the Competition Ordinance, 2007. On 27 August 2009, the CCP imposed a penalty aggregating £8.4m on the Company. The cement manufacturers (including the Company) have challenged the CCP order in the Honourable High Court and the Honourable High Court has passed an interim order restraining the 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 Honourable Supreme Court of Pakistan under Section 42 of the Competition Ordinance, 2007.

However, after the enactment of the Competition Act, 2010 in which the Competition Appellate Tribunal (CAT) had been constituted, the Hounarable Supreme Court of Pakistan vide its Order dated 1 June 2017 sent the above appeals to CAT to decide the same in accordance with law. Accordingly, the appeal is pending before CAT in which a next date of hearing has not been fixed as yet.

Tax matters

The Commissioner Inland Revenue (Appeals-I) (CIR-A) while deciding the appeal filed against the Order-in-Original No. 20 of 2013 dated 07 May 2013 (OIO) for the years 2010, 2011 and 2012 passed by the tax authority raising alleged aggregate demand of £143.67 million (including £25.06 million related to Mustehkam Cement Limited (MCL), which was amalgamated into the Company in 2013), remanded the case back to the tax authority by observing that the OIO is completely silent about the earlier judgment passed by the Customs, Excise and Sales Tax Appellate Tribunal dated 30 April 2003 on the similar issue that the cement produced/sold by the Company was less than the quantity of cement worked out in standard mix of 95:5 (5 being gypsum). The Company is in appeal against the order of the CIR-A which is pending disposal to date. On similar issue in a parallel case, the Appellate Tribunal Inland Revenue (ATIR) has set aside the demand raised by the tax authority by observing that working out production on the basis of working back gypsum percentage should not be followed as there are many other ingredients required to manufacture cement.

Further, taking up the reassessment proceedings, the tax authority passed the Order-in-Original No. 09/065 of 2014 dated 18 March 2013 (Order) by following a completely different view that the production of cement should be worked out at the rate of 98% of installed capacity for all years under review. Resultantly, an aggregate demand of £64.27 million (including £11.74 million related to MCL) against the Company was raised. Being aggrieved with this decision, the Company filed an appeal before the CIR-A who upheld the treatment followed by the tax authority with modification that instead of 98%, the capacity should be worked out on average production in parallel cases for the years. However, the tax authority has worked out production by applying a rate of 86.66% instead of 98%. As a result demand of £39.7 million (including £6.9 million related to MCL) along with default surcharge and penalty was raised. On appeal filed by the Company the ATIR has annulled the orders of tax authority. The tax authority has filed reference before the Honourable Islamabad High Court against the appellate orders of the ATIR.

Other matters

Certain contingencies for Bestway Cement Limited, other than those disclosed in these financial statements, are pending in different courts of law. The management is of the view that the outcome of those is expected to be favourable and a liability, if any, arising at the conclusion of those cases is not likely to be material. Accordingly, no provision has been made in these financial statements.

Notes *(continued)*

41. Contingent liabilities *(continued)*

***Trading Group** (continued)*

Banking Group

Legal matters

In previous years, penalties amounting to £30.54 million have been levied by the FE Adjudication Court of the State Bank of Pakistan relating to alleged contraventions of the requirements of foreign exchange regulations with respect to issuance and certification of E-Forms by the Bank to certain customers (Exporters) who failed to submit the export documents there against, consequently Foreign Exchange on account of Export Proceeds have not been repatriated. The Bank maintains that it fully discharged its liability, in accordance with the law and has filed a civil suit in the High Court of Sindh challenging the levy of the penalty. The High Court has granted a stay on action being taken against the Bank. The management, based on the advice from legal counsel, is confident that the view of the Bank will prevail and the Bank will not be exposed to any loss on this account.

Yemen operations

United Bank Limited Yemen (UBL) issued two Standby Letters of Credit (SBLCs) for £9.47 million and £10.26 million in favour of Ministry of Oil and Minerals, Yemen (MOM) against the counter SBLCs of a foreign bank. In March 2015, the counter party to the underlying performance agreement notified MOM of suspension of the SBLCs due to force majeure. In September 2015, MOM filed a law suit against UBL at the Preliminary Commercial Court in Sana'a, Yemen claiming payment of both SBLCs for the total sum of £19.73 million.

During 2016, no major debate was held as all hearings of the commercial case were adjourned to subsequent dates, due to either non-appearance of legal counsel of MOM or non-submission of responses by MOM, as required by legal counsel of UBL. As per provisions of Yemeni procedural law, if 60 days lapse from the last hearing without the case being reinitiated / followed up by the plaintiff, the case shall be considered as if not filed and all procedures have to be re-initiated afresh. In light of the foregoing provision of law, and non-follow up by MOM for over 60 days, UBL counsel submitted a motion to dismiss the case. On September 25, 2017 the Honourable judge presiding over the commercial case filed by MOM against UBL in Yemen accepted UBL's motion to drop the case. In light of the foregoing, the case filed by MOM against UBL in Yemen stands dismissed. Although the case against UBL Yemen has been dismissed by the Honourable judge, the said dismissal is on the basis of a procedural lapse by MOM in pursuing the case, and not on the actual merits. Hence MOM can reinitiate the case against UBL afresh.

The ICC Award has also been announced whereby ICC has accepted the request of counter party to declare Force Majeure as per the terms of the Production Sharing Agreement (PSA) between Reliance and MOM. In terms of the ICC Award, the PSA stands cancelled.

Based on the legal advice of the Banking Group's legal counsel in Yemen and in view of facts surrounding the matter, management is of the view that it is unlikely that there will be any financial impact on the Bank.

New York branch

United Bank Limited and its New York Branch (NY Branch) have entered into a written agreement (WA 2018) with the Federal Reserve Bank of New York (FRBNY) effective 2 July 2018 upon termination of the earlier written agreement entered into on 28 October 2013 (WA 2013). This agreement was entered based on the findings of FRBNY in their most recent examination of NY Branch.

The WA 2018 directs UBL to take measures to strengthen the risk management and compliance function, corporate governance and oversight, compliance with Bank Secrecy Act (BSA) / Anti Money Laundering (AML) compliance, Customer Due Diligence and Suspicious Activity Monitoring and Reporting Program within the stipulated timelines. The Bank is undertaking all steps to further strengthen its Compliance Framework to fully comply with the WA 2018. While the Bank seeks to comply with all the requirements, and at this stage there is no indication of any financial impact, it is not possible to ascertain the eventual outcome of these matters.

As part of its global realignment strategy, UBL intends to voluntarily liquidate its New York branch and surrender its license pursuant to relevant New York Banking Laws. This is a commercial decision keeping in view the commercial viability of the branch and is subject to all regulatory approvals.

UBL has notified this intent to New York Department of Financial Services (NYDFS) and will continue to work closely with its U.S. regulators throughout the voluntary liquidation process to ensure that the branch is wound down in an orderly manner, complying with all applicable Federal and State Laws, Rules, and Regulations.

Notes *(continued)*

41. Contingent liabilities *(continued)*

Banking Group *(continued)*

Other matters

Certain contingencies for United Bank Limited, other than those disclosed in these financial statements, are pending in different courts of law. The management is of the view that the outcome of those is expected to be favourable and a liability, if any, arising at the conclusion of those cases is not likely to be material. Accordingly, no provision has been made in these financial statements.

42. Non-controlling interest

Group	**Total £000**
Balance at 1 July 2016	*699,677*
Share of total comprehensive income for the year	100,645
Payment of dividends	(66,626)
Adjustment arising from change in non-controlling interest	(10,577)
Issuance and repurchase of units	(3,006)
Balance at 30 June 2017	720,113
Share of total comprehensive income for the year	(24,491)
Payment of dividends	(53,595)
Issuance and repurchase of units	(10)
Balance at 30 June 2018	**642,017**

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

	2018 £000	2017 £000
Bestway Cement Limited		
Current assets	**120,070**	114,127
Non-current assets	**470,683**	486,597
Current liabilities	**(165,164)**	(99,373)
Non-current liabilities	**(93,982)**	(150,393)
Equity attributable to owners of the Company	**(331,607)**	(350,958)
United Bank Limited		
Current assets	**6,689,189**	7,803,247
Non-current assets	**5,513,783**	6,763,003
Current liabilities	**(10,333,779)**	(12,370,436)
Non-current liabilities	**(789,677)**	(964,731)
Equity attributable to owners of the Company	**(1,045,844)**	(1,195,369)
Non-controlling interests	**(33,672)**	(35,714)

Notes (continued)

43. 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 2017.

The capital structure of the Group consists of net debt (borrowings disclosed in note 35 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

The gearing ratio at the year-end is as follows:	**2018 £000**	2017 £000
Debt	**2,284,535**	3,451,828
Cash and cash equivalents	**1,252,904**	1,421,043
Net Debt	**1,031,631**	2,030,785
Equity	**1,940,535**	2,039,216
Net debt to equity ratio	**0.53**	1.0

Debt is defined as long- and short-term borrowings as detailed in note 35. Cash & cash equivalents is defined as cash net of outstanding bank overdrafts as detailed in note 31. Equity includes all capital and reserves of the Group excluding non-controlling interest share.

Trading Group

b) Financial risk

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

Financial Assets	**2018 £000**	2017 £000
Loans and Receivables		
Amounts receivable for sale of goods	**159,725**	126,967
Other receivables	**54,548**	50,363
Cash and cash equivalents	**169,884**	108,973
Total Financial Assets	**384,157**	286,303
Financial Liabilities		
Overdraft	140,649	38,320
Trade payables	484,327	447,533
Other interest bearing loans and borrowings	366,799	459,381
Total Financial Liabilities	**991,775**	945,234

Notes *(continued)*

43. Financial instruments *(continued)*

b) Financial risk (continued)

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 Trading 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 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 36 for more information on provisions relating to credit customers.

The average credit period taken on sales of goods for our wholesale business is 30 days, 66 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.

The aging of trade receivables at the balance sheet date was:

	Gross 2018 £000	**Impairment 2018 £000**	Gross 2017 £000	Impairment 2017 £000
Not past due	**151,569**	-	122,914	-
0-30 days past due	**1,907**	-	2,873	-
31-60 days past due	**4,139**	**235**	715	-
More than 61 days past due	**5,601**	**3,256**	3,454	2,990
	163,216	**3,491**	129,956	2,990

Movement in the allowance for doubtful debts:

	2018 £000	2017 £000
Balance at the beginning of the period	**2,990**	2,173
Impairment losses recognised	**710**	1,067
Impairment losses reversed	**(209)**	(250)
Balance at the end of the period	**3,491**	2,990

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.

Notes *(continued)*

43. Financial instruments *(continued)*

c) Credit Risk (continued)

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

All trade and other receivables for the Trading Group are current and expected to be recovered within 12 months.

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 (Karachi inter-bank offer rate).

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.

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 £000	1-5 years £000	5+ years £000	Total £000
30 June 2018					
Fixed interest rate instruments:	10	52	206	717	975
Shares classified as debt	6	-	-	57,662	57,662
Shares classified as debt					
Variable interest rate instruments:					
Bank Loans	2.6	21,970	224,975	-	246,945
Bank Loans	4.35	17,400	16,174	-	33,574
Bank Loans	KIBOR + 0.2	103,579	62,204	-	165,783
		143,001	**303,559**	**58,379**	**504,939**
30 June 2017					
Fixed interest rate instruments:					
Shares classified as debt	10	52	206	717	975
Shares classified as debt	6	-	-	57,662	57,662
Variable interest rate instruments:					
Bank Loans	4.3	34,000	371,720	-	405,720
Bank Loans	KIBOR + 0.2	35,912	73,470	-	109,382
		69,964	445,396	58,379	573,739

Notes *(continued)*

43. Financial instruments *(continued)*

d) Interest rate and liquidity risk *(continued)*

Sensitivity analysis

The Group has exposure to interest rate risk on:

- Bank loans that bear interest on LIBOR or KIBOR plus basis

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

	2018	2017
	£000	£000
Bank loans	**3,628**	4,594
	3,628	4,594

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

	2018	2017
	£000	£000
Bank loans	**3,628**	4,594
	3,628	4,594

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.

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)*

43. Financial instruments *(continued)*

(e) Fair value measurements

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 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).

	Fair value hierarchy as at 30 June 2018			
	Level 1 £000	**Level 2 £000**	**Level 3 £000**	**Carrying Value £000**
Investments in financial assets measured at fair value (see Note 28)				
Investments:				
Government Securities (T-bills, PIBs, GoP Sukuks and Eurobonds)	-	2,632,526	-	2,632,526
Foreign Bonds	-	403,337	-	403,337
Ordinary shares of listed companies	112,864	-	-	112,864
Debt securities (TFCs)	-	2,841	-	2,841
Investment in REIT	3,345	-	-	3,345
Investment in Associates	-	25,232	-	25,232
Financial assets not measured at fair value				
Cash and bank balances with treasury banks	-	1,030,647	-	1,030,647
Balances with other banks	-	197,368	-	197,368
Lending to financial institutions	-	272,545	-	272,545
Advances	-	-	4,598,031	4,598,031
Other financial assets	-	-	242,237	242,237
Investments	-	5,304,884	-	5,304,884
Financial liabilities not measured at fair value				
Bills Payable	-		(96,844)	(96,844)
Borrowings	-	(1,865,759)	-	(1,865,759)
Deposits and other accounts	-	(8,683,862)	-	(8,683,862)
Other financial liabilities	-	-	(431,317)	(431,317)
	116,209	(680,241)	4,312,107	3,748,075

Notes *(continued)*

43. Financial instruments *(continued)*

***(e) Fair value measurements** (continued)*

	Fair value hierarchy as at 30 June 2017			
	Level 1 £000	Level 2 £000	Level 3 £000	Carrying Value £000
Financial assets measured at fair value				
Investments:				
Government Securities (T-bills, PIBs, GoP Sukuks and Eurobonds)	-	4,236,500	-	4,236,500
Foreign Bonds	-	455,919	-	455,919
Ordinary shares of listed companies	158,455	-	-	158,455
Debt securities (TFCs)	-	3,206	-	3,206
Investment in REIT	3,623	-	-	3,623
Financial assets not measured at fair value				
Investment in Associates	-	31,600	-	31,600
Cash and bank balances with treasury banks	-	1,141,707	-	1,141,707
Balances with other banks	-	212,008	-	212,008
Lending to financial institutions	-	276,792	-	276,792
Advances	-	-	4,467,709	4,467,709
Other financial assets	-	-	249,273	249,273
Investments	-	2,842,660	-	2,842,660
Financial liabilities not measured at fair value				
Bills Payable	-	-	(129,188)	(129,188)
Borrowings	-	(2,938,220)	-	(2,938,220)
Deposits and other accounts	-	(9,739,760)	-	(9,739,760)
Other financial liabilities	-		(404,945)	(404,945)
	162,078	(3,477,588)	4,182,849	867,339

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 23. Particulars relating to fair value of off-balance sheet financial instruments are given in the following section.

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

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.

(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.

Notes *(continued)*

43. Financial instruments *(continued)*

(f) Credit risk (continued)

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 centralized, while approval authorities for Commercial and SME exposures are delegated to a Regional level. All credit policy functions are centrally organized.

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

	Lending to financial institutions 2018 £000	Loans and advances 2018 £000	Investments (debt securities) 2018 £000	Off balance sheet items 2018 £000
At amortised cost				
Considered good	269,750	4,569,481	2,111,553	-
Watch list	-	-	-	-
Substandard	-	28,335	-	-
Doubtful	8,052	24,483	-	-
Loss	425	308,512	20,338	-
Less: Allowance for impairment	(5,682)	(332,781)	(11,262)	-
Available for sale				
Considered good	-	-	2,796,188	-
Loss	-	-	607	-
Less: Allowance for impairment	-	-	(607)	-
Fair value through profit and loss				
Off balance sheet				
Trade-related contingent liabilities	-	-	-	1,199,358
Direct credit substitutes	-	-	-	164,656
Transaction-related contingent liabilities	-	-	-	1,014,206
Forward contracts – purchase*	-	-	-	1,794,251
Forward contracts – sale*	-	-	-	1,503,421
Derivatives - Interest rate swaps*	-	-	-	18,212
FX options – purchased*	-	-	-	683
FX options – sold*	-	-	-	683
Forward purchase of Government securities*	-	-	-	6,552
Forward sale of Government securities*	-	-	-	-
Other claims, commitments and contingencies	-	-	-	137,827
	272,545	4,598,030	4,916,817	5,839,849

* These represent the notional amount of the derivatives trade

Notes *(continued)*

43. Financial instruments *(continued)*

(f) Credit risk (continued)

	Lending to financial institutions 2017 £000	Loans and advances 2017 £000	Investments (debt securities) 2017 £000	Off balance sheet items 2017 £000
At amortised cost				
Considered good	272,819	4,107,231	2,827,069	-
Watch list	-	325,540	-	-
Substandard	-	30,641	-	-
Doubtful	8,479	30,662	-	-
Loss	943	274,283	23,821	-
Less: Allowance for impairment	(5,450)	(300,648)	(9,383)	-
Available for sale				
Considered good	-	-	4,476,456	-
Loss	-	-	717	-
Less: Allowance for impairment	-	-	(717)	-
Fair value through profit and loss	-	-	107,775	-
Off balance sheet				
Trade-related contingent liabilities	-	-	-	1,301,120
Direct credit substitutes	-	-	-	107,949
Transaction-related contingent liabilities	-	-	-	1,296,610
Forward contracts - purchase	-	-	-	1,783,952
Forward contracts - sale	-	-	-	1,754,971
Derivatives - Interest rate swaps	-	-	-	40,114
FX options - purchased	-	-	-	1,328
FX options - sold				1,328
Forward purchase of Government securities				7,344
Forward sale of Government securities				15,424
Other claims, commitments and contingencies				148,881
	276,791	4,467,709	7,425,738	6,459,021

Individually impaired loans amount to £168 million (2017: £601 million), while individually impaired investments in financial assets amount to £13 million (2017: £25 million).

Included in the above loans and advances are restructured loans, details of which as of 30 June 2018 are as follows:

	2018 £000	2017 £000
Gross amount	**214,885**	311,828
Allowance for impairment	**(18,505)**	(52,262)
Net carrying amount	**196,380**	259,566

Notes *(continued)*

43. Financial instruments *(continued)*

***(f) Credit risk** (continued)*

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

	Lending to financial institutions 2018 £000	**Loans and advances 2018 £000**	**Investments (debt securities) 2018 £000**	**Off balance sheet items 2018 £000**
Neither past due nor impaired	**269,750**	**4,498,342**	**5,129,107**	**5,839,848**
Past due but not impaired				
1 – 59 days	-	**62,645**	-	-
59 – 89 days	-	**2,743**	-	-
	-	**65,388**	-	-
Impaired portfolio				
Not past due but impaired	-	-	-	-
Substandard	-	**28,335**	-	-
Doubtful	**8,052**	**24,483**	-	-
Loss	**425**	**308,512**	**20,945**	-
Less: Allowance for impairment	**(5,682)**	**(327,030)**	**(11,869)**	-
	272,545	**4,598,030**	**5,138,183**	**5,839,848**

	Lending to financial institutions 2017 £000	Loans and advances 2017 £000	Investments (debt securities) 2017 £000	Off balance sheet items 2017 £000
Neither past due nor impaired	272,819	4,044,130	7,522,694	6,459,021
Past due but not impaired				
1 – 59 days	-	52,322	-	-
59 – 89 days	-	10,779	-	-
	-	63,101	-	-
Impaired portfolio				
Not past due but impaired	-	325,540	-	-
Substandard	-	30,641	-	-
Doubtful	8,479	30,662	-	-
Loss	943	274,283	24,538	-
Less: Allowance for impairment	(5,450)	(300,648)	(10,101)	-
	276,791	4,467,709	7,537,131	6,459,021

Notes *(continued)*

43. Financial instruments *(continued)*

(f) Credit risk (continued)

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

	Lending to financial institutions	Loans and advances	Investments (debt securities)
	2018	2018	2018
	£000	£000	£000
Cash	12,753	257,466	-
Marketable securities	33,319	108,250	11,749
Property	-	838,044	-
Stock	-	155,455	-
Guarantee	-	1,399,227	4,807,586
Others	104,855	1,294,037	318,848
Unsecured	127,300	878,332	-
	278,227	4,930,811	5,138,183

	Lending to financial institutions	Loans and advances	Investments (debt securities)
	2017	2017	2017
	£000	£000	£000
Cash	-	244,341	-
Marketable securities	29,951	96,750	-
Property	-	1,027,497	-
Stock	-	981,639	-
Guarantee	-	882,117	7,213,503
Others	236,657	583,738	333,729
Unsecured	15,633	932,225	-
	282,241	4,748,307	7,547,232

The bank takes possession of the collaterals (mostly mortgaged properties) in case of settlement arrangements with the defaulted customers. Market value of such properties amounts to £10.6 million.

The bank has pledged its marketable securities amounting to £1,351.1 million against repurchase borrowings.

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

State bank of Pakistan rating grade	Govt. bonds	Corporate bonds and others
	2018	2018
	£000	£000
1	41,149	92,343
2	21,153	778
3	20,175	6,489
4	46,137	10,111
5	425,909	1,890
6	16,217	-
Unrated	4,410,717	45,114
	4,981,457	156,725

Notes *(continued)*

43. Financial instruments *(continued)*

(f) Credit risk (continued)

State bank of Pakistan rating grade	Govt. bonds 2017 £000	Corporate bonds and others 2017 £000
1	-	54,889
2	151,635	8,749
3	19,122	72,401
4	62,144	2,255
5	376,425	2,610
6	6,917	-
Unrated	6,597,262	192,823
	7,213,505	333,727

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	S & P	PACRA
1	Aaa	AAA	AAA	AAA	AAA
	Aa1	AA+	AA+	AA+	AA+
	Aa2	AA	AA	AA	AA
	Aa3	AA-	AA-	AA-	AA-
2	A1	A+	A+	A+	A+
	A2	A	A	A	A
	A3	A-	A-	A-	A-
3	Baa1	BBB+	BBB+	BBB+	BBB+
	Baa2	BBB	BBB	BBB	BBB
	Baa3	BBB-	BBB-	BBB-	BBB-
4	Ba1	BB+	BB+	BB+	BB+
	Ba2	BB	BB	BB	BB
	Ba3	BB-	BB-	BB-	BB-
5	B1	B+	B+	B+	B+
	B2	B	B	B	B
	B3	B-	B-	B-	B-
6	Caa1 and below	CCC+ and below	CCC+ and below	CCC+ and below	CCC+ and below

Notes *(continued)*

43. Financial instruments *(continued)*

(f) Credit risk (continued)

The table below sets out the concentration of risk by sector and by geographical location:

	Lending to financial *institutions* 2018 £000	Loans and *advances* 2018 £000	Investments *(debt securities)* 2018 £000	Off balance *sheet* 2018 £000
Concentration of Credit Risk				
Chemical and pharmaceuticals	-	88,167	756	25,793
Agri business	-	56,266	-	235,824
Communication	-	184,237	13	82,514
Textile	-	700,657	1,440	17,961
Sugar	-	104,007	-	75
Shoes and leather garments	-	14,212	-	7,909
Transportation equipment	-	90,627	2,098	18,283
Financial	278,227	311,916	73,315	3,463,602
Electronics and electrical appliances	-	32,609	3,117	8,363
Production and transmission of energy	-	1,134,076	112,572	699,611
Paper and allied	-	135,386	-	8,441
Wholesale traders	-	98,931	-	17,997
Fertilizer dealers	-	104,636	5,499	10,894
Sports goods	-	10,188	-	-
Food industries	-	517,094	8,153	9,659
Construction	-	296,262	626	199,019
Engineering	-	137,970	-	108,579
Glass and allied	-	10,090	-	986
Hotels	-	177,955	-	175
Polyester and fibre	-	25,540	-	33,511
Individuals	-	406,079	19,341	21,352
Others including government securities	-	293,907	4,911,253	869,300
	278,227	4,930,812	5,138,183	5,839,848
Concentration by locations				
Pakistan operations	197,601	3,673,365	4,370,112	3,051,153
Middle East	59,031	922,839	497,774	2,197,751
Karachi Export Processing Zone	8,842	1,290	11,892	15,399
Europe	12,753	313,525	246,657	573,861
Africa	-	19,792	11,749	1,684
	278,227	4,930,811	5,138,184	5,839,848

Notes *(continued)*

43. Financial instruments *(continued)*

(f) Credit risk (continued)

	Lending to financial institutions 2017 £000	Loans and advances 2017 £000	Investments (debt securities) 2017 £000	Off balance sheet 2017 £000
Concentration of Credit Risk				
Chemical and pharmaceuticals	-	74,707	893	14,143
Agri business	-	484,440	-	13,050
Communication	-	137,875	-	91,512
Textile	-	493,875	1,695	89,959
Sugar	-	89,225	-	-
Shoes and leather garments	-	69,549	59,121	2,988
Transportation equipment	-	126,475	-	23,754
Financial	282,242	334,107	51,821	3,748,712
Electronics and electrical appliances	-	97,112	-	937
Production and transmission of energy	-	920,207	89,987	732,543
Paper and allied	-	25,462	-	-
Wholesale traders	-	145,460	-	26,573
Fertilizer dealers	-	159,530	19,028	3,480
Sports goods	-	16,632	-	-
Food industries	-	192,012	-	10,688
Construction	-	190,379	650	54,107
Engineering	-	125,570	4,191	85,486
Glass and allied	-	2,795	8	18
Hotels	-	47,964	-	-
Polyester and fibre	-	72,316	31,651	4,877
Individuals	-	362,542	123,569	26,189
Others including government securities	-	600,122	7,164,620	1,530,005
	282,242	4,768,356	7,547,234	6,459,021
Concentration by locations				
Pakistan operations	181,826	3,219,699	6,699,008	3,292,387
Middle East	88,296	1,210,007	556,868	2,487,999
United States of America	-	60,139	-	12
Karachi Export Processing Zone	-	4,924	7,721	25,617
Europe	11,579	248,284	273,033	651,902
Africa	540	25,304	10,602	1,103
	282,241	4,768,357	7,547,232	6,459,020

Notes *(continued)*

43. 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 in the correlations between them. Each of these components of market risk consists of a general market risk and a specific market risk that is driven by the nature and composition of the portfolio.

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 centered in the Treasury and Capital Markets Group which facilitates clients and also runs proprietary positions. The Group is active in the cash and 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.
- To develop, review and upgrade procedures for the effective implementation of market risk management policies approved by the Board of Directors..
- 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.
- 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 Bank held £221.4 million (2017: £191.6 million) of Investments classed under trading portfolio. All its other assets and liabilities were classed under non-trading portfolio.

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 Bank's SBP 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 Group's local reporting 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.

Notes *(continued)*

43. Financial instruments *(continued)*

(g) Market risk (continued)

Foreign exchange risk (continued)

	Assets 2018 £000	Liabilities 2018 £000	Off - balance sheet items 2018 £000	Net currency exposure 2018 £000
Pakistan Rupee	9,369,240	8,101,010	(300,974)	967,256
US Dollar	1,570,243	991,339	(599,793)	(20,889)
Pound Sterling	274,750	327,734	129,260	76,276
Japanese Yen	157	40	(74)	43
Euro	31,833	82,175	51,304	962
UAE Dirham	598,766	1,211,324	612,011	(547)
Bahraini Dinar	73,090	140,720	69,999	2,369
Qatari Riyal	151,047	176,931	22,518	(3,366)
Other Currencies	113,796	92,183	15,749	37,362
	12,182,922	11,123,456	-	1,059,466

	Assets 2017 £000	Liabilities 2017 £000	Off - balance sheet items 2017 £000	Net currency Exposure 2017 £000
Pakistan Rupee	11,236,878	9,946,071	(35,668)	1,255,139
US Dollar	1,916,876	1,165,458	(886,769)	(135,351)
Pound Sterling	268,144	311,606	117,173	73,711
Japanese Yen	1,135	1,824	(82)	(771)
Euro	54,015	102,160	48,916	771
UAE Dirham	675,475	1,301,093	626,476	858
Bahraini Dinar	93,902	166,532	62,535	(10,095)
Qatari Riyal	170,449	227,068	51,005	(5,614)
Other Currencies	149,378	113,355	16,414	52,437
	14,566,252	13,335,167	-	1,231,085

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.

Magnitude of shock (%)	**20%**	**30%**	**50%**
Net foreign exposure	24	24	24
Loss on exchange rate change	(5)	(7)	(12)
Tax adjusted loss	(3)	(5)	(8)

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 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 Group.

Notes *(continued)*

43. Financial instruments *(continued)*

(g) Market risk (continued)

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 many of the Group's businesses and arises from mismatches between the contractual maturities or the re-pricing of on and off 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 and 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* 2018**	**Up to 1 *year* 2018**	**Over 1 year to *2 years* 2018**	**Over 2 years to *5 years* 2018**	**Over 5 *years* 2018**	***Non-interest* bearing financial *instruments* 2018**
	%	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Assets							
Cash and balances with treasury banks	**0%**	**1,030,647**	**58,803**	**-**	**-**	**-**	**971,844**
Balances with other banks	**3%**	**197,368**	**104,991**	**-**	**-**	**-**	**92,377**
Lending to financial institutions	**5%**	**272,545**	**256,493**	**5,942**	**10,110**	**-**	**-**
Investments	**7%**	**5,304,883**	**2,439,158**	**901,233**	**1,064,381**	**733,301**	**166,810**
Advances	**6%**	**4,598,032**	**4,422,384**	**44,613**	**64,308**	**49,859**	**16,868**
Other assets		**242,237**	**-**	**-**	**-**	**-**	**242,237**
		11,645,712	**7,281,829**	**951,788**	**1,138,799**	**783,160**	**1,490,136**
Liabilities							
Bills payable	**-**	**96,844**	**-**	**-**	**-**	**-**	**96,844**
Borrowings	**5%**	**1,865,759**	**1,706,042**	**132,192**	**23,811**	**-**	**3,714**
Deposits and other accounts	**3%**	**8,683,862**	**4,668,787**	**56,378**	**72,625**	**96,127**	**3,789,945**
Liabilities against assets subject to finance lease	**3%**	**75**	**75**	**-**	**-**	**-**	**-**
Payable to investors of UBL Funds	**-**	**7,487**	**7,487**	**-**	**-**	**-**	**-**
Other liabilities	**-**	**423,755**	**-**	**-**	**-**	**-**	**423,755**
		11,077,782	**6,382,391**	**188,570**	**96,436**	**96,127**	**4,314,258**
On balance sheet gap		**567,930**	**899,438**	**763,218**	**1,042,363**	**687,033**	**(2,824,122)**

Notes *(continued)*

43. Financial instruments *(continued)*

(g) Market risk (continued)

***Yield / interest risk** (continued)*

On balance sheet financial instruments	Effective yield / interest rate	Total 2017	Up to 1 year 2017	Over 1 year to 2 years 2017	Over 2 years to 5 years 2017	Over 5 years 2017	Non-interest bearing financial instruments 2017
	%	£000	£000	£000	£000	£000	£000
Assets							
Cash and balances with treasury banks	0%	1,141,707	68,194	-	-	-	1,073,513
Balances with other banks	2%	212,008	142,463	-	-	-	69,545
Lending to financial institutions	5%	276,792	236,605	19,329	20,858	-	-
Investments	8%	7,733,502	3,028,042	890,035	1,940,741	1,610,040	264,644
Advances	6%	4,467,709	4,178,657	73,196	134,831	63,168	17,857
Other assets	-	249,273	-	-	-	-	249,273
		14,080,991	7,653,961	982,560	2,096,430	1,673,208	1,674,832
Liabilities							
Bills payable	-	129,188	-	-	-	-	129,188
Borrowings	5%	2,938,220	2,799,882	108,756	21,488	-	8,094
Deposits and other accounts	3%	9,739,760	5,158,545	112,362	237,506	56,062	4,175,285
Liabilities against assets subject to finance lease	-	39	39	-	-	-	-
Payable to investors of UBL Funds	-	13,016	13,016	-	-	-	-
Other liabilities	-	391,890	-	-	-	-	391,890
		13,212,113	7,971,482	221,118	258,994	56,062	4,704,457
On balance sheet gap		868,878	(317,521)	761,442	1,837,436	1,617,146	(3,029,625)

Notes *(continued)*

43. Financial instruments *(continued)*

(g) Market risk (continued)

Yield / interest risk (continued)

Off-balance sheet financial instruments*	***Fair* Value**	***Notional* Value**	**Total**	**Exposed to yield / interest rate Up to 1 year**	**1-2 years**	**2-5 years**	**> 5 years**
	2018	**2018**	**2018**	**2018**	**2018**	**2018**	**2018**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Interest Rate Long Derivatives	163	18,212	18,212	18,212	-	-	-
Interest Rate Short Derivatives			(18,212)	(18,212)	-	-	-
Foreign currency forward purchases	6,009	1,794,251	1,794,251	1,794,251	-	-	-
Foreign currency forward sales		(1,503,421)	(1,503,421)	(1,503,421)	-	-	-
FX options - purchased	-	683	683	683	-	-	-
FX options - sold			(683)	(683)	-	-	-
Forward purchase of Government securities	(24)	6,552	6,552	6,552	-	-	-
Off-balance sheet Gap			**297,382**	**297,382**	-	-	-
Total Yield / Interest Rate Risk Sensitivity Gap			**865,311**	**1,196,819**	**763,217**	**1,042,363**	**687,033**
Cum Yield / Interest Rate Risk Sensitivity Gap			-	**1,196,819**	**1,960,036**	**3,002,399**	**3,689,432**

Off-balance sheet financial instruments*	Fair Value	Notional Value	Total	Exposed to yield / interest rate Up to 1 year	1-2 years	2-5 years	> 5 years
	2017	2017	2017	2017	2017	2017	2017
	£000	£000	£000	£000	£000	£000	£000
Interest Rate Long Derivatives	967	40,114	40,114	6,950	33,164	-	-
Interest Rate Short Derivatives			(40,114)	(36,338)	(3,776)	-	-
Foreign currency forward purchases	6,837	1,783,952	1,783,952	1,783,952	-	-	-
Foreign currency forward sales		(1,754,971)	(1,754,971)	(1,754,971)	-	-	-
FX options - purchased	-	1,328	1,328	1,328	-	-	-
FX options - sold			(1,328)	(1,328)	-	-	-
Forward purchase of Government securities	(22)	7,344	7,344	7,344	-	-	-
Forward sale of Government securities	10	15,424	15,424	15,424	-	-	-
Off-balance sheet Gap			51,749	22,361	29,388	-	-
Total Yield / Interest Rate Risk Sensitivity Gap			940,677	(275,110)	790,830	1,837,436	1,617,146
Cum Yield / Interest Rate Risk Sensitivity Gap			-	(275,110)	515,719	2,353,156	3,970,302

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

Notes *(continued)*

43. Financial instruments *(continued)*

(g) Market risk (continued)

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	11,532	11,532	11,532
Net fall in MVE - £000,000	(198)	(297)	(396)
Tax Adjusted Loss - £000,000	(129)	(193)	(257)

(h) 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 centralized 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 Group's business.

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.

30 June 2018	**Carrying amount** *£000*	**Up to 1 year** *£000*	**Over 1 year to 2 years** *£000*	**Over 2 years to 5 years** *£000*	**Over 5 years** *£000*
Assets					
Cash and balances with treasury banks	1,030,647	1,030,647	-	-	-
Balances with other banks	197,368	197,368	-	-	-
Lending to financial institutions	272,544	217,142	15,778	38,423	1,201
Investments	5,304,883	2,398,516	874,274	1,172,906	859,187
Advances	4,598,031	2,506,438	424,446	959,025	708,122
Operating assets and Investment property	346,558	66,845	4,776	27,356	247,581
Deferred tax asset - net	5,774	5,774	-	-	-
Other assets	427,116	400,670	4,800	12,246	9,400
	12,182,921	6,823,400	1,324,074	2,209,956	1,825,491
Liabilities					
Bills payable	96,844	96,844	-	-	-
Borrowings	1,865,760	1,700,154	380	46,111	119,115
Deposits and other accounts	8,683,862	8,153,838	199,675	288,274	42,075
Liabilities against assets subject to finance lease	75	75	-	-	-
Payable to investors of UBL Funds	7,487	7,487	-	-	-
Other liabilities	469,429	327,698	10,612	14,102	117,017
	11,123,457	10,286,096	210,667	348,487	278,207
Net inflow / (outflow)	1,059,464	-3,462,696	1,113,407	1,861,469	1,547,284

Notes *(continued)*

43. Financial instruments *(continued)*

(h) Liquidity risk (continued)

30 June 2017	Carrying amount £000	Up to 1 year £000	Over 1 year to 2 years £000	Over 2 years to 5 years £000	Over 5 years £000
Assets					
Cash and balances with treasury banks	1,141,707	1,141,707	-	-	-
Balances with other banks	212,008	212,008	-	-	-
Lending to financial institutions	276,792	206,247	28,578	41,967	-
Investments	7,733,502	3,346,576	862,344	2,005,718	1,518,864
Advances	4,467,709	2,546,367	255,105	984,747	681,490
Operating assets and Investment property	338,271	83,045	6,075	27,733	221,418
Other assets	396,262	383,481	220	283	12,278
	14,566,251	7,919,431	1,152,322	3,060,448	2,434,050
Liabilities					
Bills payable	129,188	129,188	-	-	-
Borrowings	2,938,219	2,806,728	2,524	33,345	95,622
Deposits and other accounts	9,739,760	9,162,686	112,021	403,002	62,051
Liabilities against assets subject to finance lease	39	-	-	39	-
Deferred tax liabilities	58,099	58,099	-	-	-
Payable to investors of UBL Funds	13,016	13,016	-	-	-
Other liabilities	456,844	258,817	5,745	13,547	178,735
	13,335,165	12,428,534	120,290	449,933	336,408
Net inflow / (outflow)	1,231,086	(4,509,103)	1,032,032	2,610,515	2,097,642

(i) 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 Division of the Bank is primarily responsible for the oversight of operational risk management across the Banking Group. The operational risk management framework of the Banking 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.

44. Subsequent events

On 31 October 2018, the Company fully repaid Term Loan C (see Note 35) of which £32 million was outstanding at the end of this financial period.

As part of its global realignment strategy, UBL intends to voluntarily liquidate its New York branch and surrender its license pursuant to relevant New York Banking Laws. This is a commercial decision keeping in view the commercial viability of the branch and is subject to all regulatory approvals.

UBL has notified this intent to New York Department of Financial Services (NYDFS) and will continue to work closely with its U.S. regulators throughout the voluntary liquidation process to ensure that the branch is wound down in an orderly manner, complying with all applicable Federal and State Laws, Rules, and Regulations.

Notes *(continued)*

44. Subsequent events ***(continued)***

On 26 October 2018 the English High Court issued a judgement involving the Lloyds Banking Group's defined benefit pension plans. The judgement relates to gender equalisation of Guaranteed Minimum Pension ("GMP") benefits. We are working with our Trustees and pension specialists to consider the impact of this judgement and are seeking legal and actuarial advice. The increase in pension liabilities can only be confirmed once the methodology is determined and individual calculations are undertaken.

For Bestway Cement Limited, in the case involving the drying out of the Shri Katas Raj Temple Pond, the case was concluded by the Supreme Court of Pakistan on 19 November 2018 with no liability imposed on the Company.

There have been no other subsequent events which would have a material effect on the Company's financial statements at 30 June 2018.

45. 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**	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Bestway Northern Limited	-	28,740	-	211
Map Rice Mill (Pvt) limited	-	-	**2,766**	2,864
Total	-	28,740	**2,766**	3,075

	Management fee charged		**Net interest payable**		**Net interest receivable**	
	2018	2017	**2018**	2017	**2018**	2017
	£000	£000	**£000**	£000	**£000**	£000
Bestway Northern Limited	-	2,795	-	4,760	-	-
Buybest Limited	-	-	-	-	27	-
Total	-	2,795	-	4,760	27	-

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		**Amounts owed to related parties**	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Map Rice Mill (Pvt) limited	**549**	162	-	-
Buybest Limited	**1,035**	595	**51**	-
Bestway Northern Limited	-	1,115	-	-
Total	**1,584**	1,872	**51**	-

Buybest Limited is a related party of the Group because certain Directors of Bestway (Holdings) Limited are also Directors of this Company. MAP Rice Mill (Pvt) Limited is a related party of the Group because it shares common shareholders with MAP Trading Limited.

Last year, Bestway (Holdings) Limited undertook a group reorganisation to simplify the Group structure. As a result, Bestway Northern Limited became an associate of the Group on 14 November 2016 until 4 April 2017; the date on which it became a wholly owned subsidiary (see Note 20 for more information). For the year ended 30 June 2017, Bestway Northern Limited was therefore classified as a related party from 1st July 2016 to 4 April 2017.

Notes *(continued)*

45. Related party transactions *(continued)*

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. Unless disclosed in note 35, no interest is charged.

During the year, Bestway (Holdings) Limited declared and paid £75.3m in dividends to Bestway Group Limited.

46. Remuneration of Directors

During the year, the Company employed 6 Directors (2017: 8 Directors).

Remuneration of key management personnel

Trading Group

The remuneration of key management personnel and Directors of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

Aggregate key management personnel remuneration	**2018 £000**	2017 £000
Salaries, fees, bonuses and benefits in kind	**14,747**	28,471
Contribution to money purchase pension scheme	**180**	702
	14,927	29,173

Aggregate Directors' remuneration	**2018 £000**	2017 £000
Salaries, fees, bonuses and benefits in kind	**6,256**	6,047
Contribution to money purchase pension scheme	**204**	81
	6,460	6,128

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid Director in the Group was £1.8 million (2017: £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, 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 shops was £Nil (2017: £0.6 million). Certain of the retail shops have common Directors. As required by the Companies Act 2006, the total sales value, by Director, is set out below:

	2018 £000	2017 £000
ZM Choudrey	-	81
R Pervez	-	81
AM Chaudhary	-	178

The outstanding balances due from Directors in respect of these transactions were Nil in both periods. All balances are repayable on demand and attract no interest.

Notes *(continued)*

46. Remuneration of Directors *(continued)*

Trading Group *(continued)*

On 4 April 2017, Bestway Northern Holdings Limited acquired a 74% share of Oakleaf Limited, with the consideration being satisfied via the issue of 57,662,428 preference shares with par value of £1 per share and a coupon rate of 6%, with interest being paid quarterly over 10 years. The shareholders are also Directors of Bestway (Holdings) Limited and the outstanding balance of redeemable preference shares shown as non-current liabilities is as follows:

	2018	2017
	£000	£000
Sir MA Pervez	**37,403**	37,403
ZM Choudrey	**10,130**	10,130
MY Sheikh	**10,130**	10,130
	57,663	57,663

Dividends payable in the year on these preference shares is as follows:

	2018	2017
	£000	£000
Sir MA Pervez	**2,244**	541
ZM Choudrey	**608**	147
MY Sheikh	**608**	147

The current Directors of the Company and their immediate relatives control 100% (2017: 83%) of the voting shares of the Company.

Banking Group

The Banking Group has certain related party transactions with the Company's Directors.

The Banking Group enters into these transactions with the Directors in the normal course of business. Remuneration to the Directors is determined in accordance with the terms of their appointment.

The following transactions were entered into between United Insurers Limited and key management personnel during the year;

	2018	2017
	£000	£000
Contribution to provident fund	**54**	44
Contribution to gratuity fund	**44**	37
Remuneration to key personnel	**986**	801

Key management personal did not include any Directors of Bestway (Holdings) Limited.

The following transactions were entered into between United Bank Limited and Directors of the Company during the year;

	Advances	**Deposits taken**	**Interest payable**	**Net income**	**Interest expense**	**Directors Fees**
	2018	**2018**	**2018**	**2018**	**2018**	**2018**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Details of transactions with these Directors is as follows:	**4**	**25,519**	**43**	**-**	**1,183**	**197**

	Advances	Deposits taken	Interest payable	Net income	Interest expense	Directors Fees
	2017	2017	2017	2017	2017	2017
	£000	£000	£000	£000	£000	£000
Details of transactions with these Directors is as follows:	-	24,940	121	1	941	109

During the year no shares of UBL were sold by the Company's Directors and 85,000 additional shares were purchased.

Notes *(continued)*

47. 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 on-going 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.

Trading Group

Revenue recognition

Pharmacy revenue includes estimates for May to June by reference to the number of items dispensed, the expected cost of drugs, together with the remuneration element published by the National Health Service.

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.

Licences

Licences acquired on the acquisition of pharmacies are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to administrative expenses in 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. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Licences	20 years

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 19.

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'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)*

47. Accounting estimates and judgements *(continued)*

Trading Group (continued)

Fair value measurements and valuation processes (continued)

In determining the fair value of the acquired trading assets, excluding intangible assets, of Bargain Booze Limited, Conviviality Retail Logistics Limited and Wine Rack Limited in the year, the fair value at the measurement date was determined using the income approach. The income approach measures the present value of anticipated future economic benefits (i.e., net cash flows). The estimated net cash flows are forecast over the expected remaining economic life and discounted to present value using a discount rate commensurate with the level of risk associated with the expected cash flows.

In determining the fair value of the acquired intangible assets, the Group's Directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs in determining the fair value.

When observable prices are not available for the Trading Group's investments, as in the case of the Bestway Northern Limited acquisition in the previous year, the fair value at the measurement date is determined using the income approach. The income approach measures the present value of anticipated future economic benefits (i.e., net cash flows). The estimated net cash flows are forecast over the expected remaining economic life and discounted to present value using a discount rate commensurate with the level of risk associated with the expected cash flows.

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. The majority of the provision in the accounts relates to a provision for a reduction in government funding. This comprises 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 2018 was made. The estimate included in the accounts is a figure provided by the Department of Health via the PSNC as the quantum of the margin over delivery.

Inventory provisioning

The Group's sales are subject to changing consumer demands. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of stock.

Banking Group

Impairment

Losses for impaired loans are recognised when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Losses which may arise from future events are not recognised.

Assets accounted for at amortised cost are evaluated monthly for impairment on a basis described in note 3 on page 36. In determining whether an impairment loss should be recorded in the income statement, the Banking Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from individual financing arrangements. This evidence may include observable data indicating that there has been an adverse change in the payment status of counterparties in a portfolio, or national or local economic conditions that correlate with defaults on assets in the portfolio. The specific counterparty component of the total allowance for impairment applies to claims evaluated individually and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about each counterparty's financial situation and the realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the present value of estimated cash flows considered recoverable is approved by the Board Credit Risk Committee.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of items with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired items, but the individual impaired items cannot yet be identified. In assessing the need for collective loss allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters set out in note 3 on page 37, based on historical experience and current economic conditions.

Notes *(continued)*

47. Accounting estimates and judgements *(continued)*

Banking Group (continued)

Impairment (continued)

The Banking Group considers its leasing, real estate, trade finance and corporate & structured finance portfolios to be individually significant.

Taxation

The Income Tax returns of the Bank have been filed up to the tax year 2017 (accounting year ended December 31, 2016) and were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (Ordinance) unless amended by the Commissioner of Inland Revenue.

The income tax authorities have issued amended assessment orders for the tax years 2003 to 2017, and created additional tax demands (including disallowances of provisions made prior to Seventh Schedule) of £78.9 million (June 2017: £100 million) , which have been fully paid as required under the law. The Bank has filed appeals before the various appellate forums against these amendments. Where the appellate authorities have allowed relief on certain issues, the assessing authorities have filed appeals before higher appellate forums. Where the appellate authorities have not allowed relief the Bank has filed appeals before higher appellate forums. The management of the Bank is confident that the appeals will be decided in favour of the Bank.

The tax returns for Azad Kashmir (AK) Branches have been filed up to the tax year 2017 (financial year 2016) under the provisions of section 120(1) read with section 114 of the Ordinance and in compliance with the terms of the agreement between banks and the Azad Kashmir Council in May 2005. The returns filed are considered as deemed assessment orders under the law.

The tax authorities have also carried out monitoring for Federal Excise Duty, Sales tax and withholding taxes covering period from year ended 2007 to 2016. Consequently various addbacks and demands were raised creating a total demand of £5.75 million (June 2017: £10 million). The Bank has filed appeals against all such demands and is confident that these would be decided in the favour of the Bank.

The tax returns for UAE, Yemen and Qatar branches have been filed up to the year ended 31 December 2017 and for USA branch up to the year ended 31 December 2016 under the provisions of the laws prevailing in the respective countries, and are deemed as assessed unless opened for reassessment.

The Bank has received corrective tax assessment from the Qatar tax authority in respect of tax years from 2004-2009.In accordance with the assessment orders an additional claim of £2.1 million has been made by the tax authority mainly on account of disallowance of management remuneration. Based on tax consultant's advice and/or management's internal assessment, management is confident that the matters will be decided in favour of UBL Qatar and the possibility of any outcome against it is unlikely, therefore accordingly no provision has been made in the financial statements.

For UBL UK, UBTL, UBL FM and UET income tax returns have been filed up to the accounting year ended 31 December 2016 and for USAG these returns have been filed up to the accounting year ended 31 December 2014 under the provisions of the laws prevailing in the respective countries and are deemed as assessed unless opened for reassessment by the tax authorities. Additionally, tax clearance has been issued for UBL UK, UBTL and USAG till the accounting year 2016, 2015 and 2014 respectively. There are no material tax contingencies in any of the subsidiaries.

Pension provisions

A provision is recognised in the balance sheet when the Banking 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.

UBL pension provision of £56.5m represents the estimated amount of the cost of pension payable as per Pakistan's Supreme Court's Order increasing the minimum pension to Rs.8,000 per month (£54) for UBL retired employees subject to 5% annual increase from 1 January 2019. This estimate is based on on-going life verification of both pensioners and retrenched employees. The estimate is also based on the payment of pension without taking effect of commutation. The Bank has sought clarification from the Supreme Court on the effect of commutation in calculation of minimum pension and the treatment to ex-employees who were separated under the Golden Handshake Scheme described as Retrenchment Scheme of 1997.The amount will be adjusted based on the guidance received from the Supreme Court.

Notes *(continued)*

47. Accounting estimates and judgements *(continued)*

Banking Group (continued)

Banking Group Yemen operations

The Banking Group has 3 branches in Yemen which has been involved in war since 2015. In the last three years there have been several sessions for peace, however, none of these yielded any resolute solution, rather with the passage of time the political situation has got complex and volatile.

As a result of political and economic crisis, liquidity crisis for both local and foreign currency aggravated. During the crisis, in the initial phase of the war the Central Bank of Yemen (CBY) kept the exchange parity unchanged, however in April 2016, the Central bank devalued Yemeni Riyal and revised the US$ to Riyal parity from YER 214.89 to YER 250.25 (16.45% devaluation). In the middle of August, 2017, Central Bank of Yemen–Aden Headquarter changed exchange rate mechanism from fixed rate to floating rate. Effective 15 August 2017 CBY Aden abolished exchange rate of YER 250.25/US$ and instructed all financial institutions to use market rate published by CBY, Aden. Since then CBY Aden devalued YER to current levels of YER 380/US$ while CBY Sana'a has maintained the earlier exchange rate regime and parity of YER 250.25/US$. Despite devaluation, Yemeni Riyal continued to lose its value in the open market and is currently traded at a further lower parity. The bank has taken multiple steps to cover for the losses emanating from this currency devaluation which will be continued going forward to contain the exchange risk.

Since the start of crisis, Sana'a and Hodeidah branches remained operational. However as the coalition forces advanced towards Hodeidah city in June 2018, to seize control of Houthi militia, the situation of city is not conducive to continue branch operations therefore Hodeidah branch remained closed from 24 June 2018. Aden Mall has recently been opened for public and the Bank is evaluating to resume Aden branch operations. Customers of Hodeidah and Aden branches are being served from Sana'a branch. To support the team in Yemen branches. Camp office and senior management is in continuous coordination with the team in Yemen to ensure that they are provided unstinted support and assistance.

Ever since the crises started, the Bank's risk is being managed very closely with a clear strategy to de-risk the Yemen Book as far as practicable. As a result of this the bank has been able to reduce its clean exposure substantially, however prevailing liquidity crisis and recent devaluation of YER has adversely affected the book. Going forward, the strategy is to continuously reduce bank's credit exposure without executing any new business and continue maintaining investments in local currency sovereign bonds

The management has taken appropriate measures to support the sustainability of the Bank's business as may be required in the prevalent circumstances and is of the view that as such there is no issue on going concern on UBL Yemen operations in the foreseeable future

48. Share capital and premium

	2018 £000	2017 £000
Authorised:		
500,000 ordinary shares of £1 each	**500**	500
Allotted, called up and fully paid:		
118,959 ordinary shares of £1 each	**119**	71

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.

On 21 March 2018, Bestway (Holdings) Limited became a wholly owned subsidiary of Bestway Group Limited, a company incorporated in the United Kingdom on 9 October 2017.

On 21 March 2018, Bestway (Holdings) Limited called up 47,949 previously unpaid ordinary shares. These shares were fully paid by Bestway Group Limited on the same day.

Dividends

On 21 March 2018, Bestway (Holdings) Limited declared and paid an ordinary dividend of £69.3 million in respect of the year ended 30 June 2016.

On 22 March 2018, Bestway (Holdings) Limited declared a final ordinary dividend of £6.0 million in respect of the year ended 30 June 2017.

Bestway (Holdings) Limited did not declare any dividends in the previous financial year.

Notes *(continued)*

48. Share capital and premium *(continued)*

Share premium

	2018 £000	2017 £000
Share premium	**72,315**	3,055

During the year, 47,949 previously unpaid ordinary shares with a par value of £1 each, were called up and fully paid for £69.3m.

Treasury shares

	2018	2017
	£000	£000
At 1 July 2017	**25**	-
Shares cancelled in the year	**(25)**	25
At 30 June 2018	**-**	25

On 20 March 2018, 24,930 ordinary shares held in treasury by Bestway (Holdings) Limited were cancelled.

49. Ultimate parent company

On 21 March 2018, Bestway (Holdings) Limited became a wholly owned subsidiary of Bestway Group Limited (company number 11003305 and registered address 2 Abbey Road, London, NW10 78W).

The former shareholders of Bestway (Holdings) Limited are now the shareholders of Bestway Group Limited, with no individual shareholder holding more than 25% of Bestway Group Limited shares as a result of the reorganisation. The former shareholders of Bestway (Holdings) Limited retain ownership of 100% of Bestway (Holdings) Limited, albeit indirectly through Bestway Group Limited.

Company Balance Sheet
As at 30 June 2018

	Note	2018	2017
		£000	£000
Fixed assets			
Investments	*52*	**426,583**	423,158
		426,583	423,158
Current assets			
Debtors: due within one year	53	**48,150**	59,759
Debtors: due after more than one year	53	**198,547**	194,198
		246,697	253,957
Cash at bank and in hand		**33,065**	362
		279,762	254,319
Creditors: amounts falling due within one year	54	**(68,031)**	(73,539)
Net current assets		**211,731**	180,780
Creditors: amounts falling due in greater than one year	55	**(32,000)**	(60,000)
Total assets less current liabilities		**638,314**	603,938
Net assets		**606,314**	543,938
Capital and reserves			
Called up share capital	*56*	**119**	71
Share premium account	*56*	**72,315**	3,055
Capital redemption reserve		**39**	39
Profit and loss account		**533,841**	540,773
Shareholders' funds		**606,314**	543,938

The notes on pages 116 to 119 are an integral part of these financial statements.

These financial statements were approved by the board of Directors on 5 December 2018 and were signed on its behalf by:

Z M Choudrey, BA (Hons), FCA
Director
Company registered number: 01392861

M Y Sheikh
Director

Company Statement of Changes in Equity

	Called up share capital £000	*Share* premium account £000	*Capital* redemption reserve £000	*Profit* and loss account £000	Total equity £000
Balance at 1 July 2016	96	3,055	14	557,493	560,658
Profit for the year	-	-	-	76,211	76,211
Total comprehensive income for the period	-	-	-	76,211	76,211
Repurchase of own shares	(25)	-	25	(92,931)	(92,931)
Balance at 30 June 2017	71	3,055	39	540,773	543,938
Profit for the year	-	-	-	68,378	68,378
Total comprehensive income for the period	-	-	-	68,378	68,378
Issue of ordinary shares	48	69,260	-	-	69,308
Dividends paid	-	-	-	(75,310)	(75,310)
Balance at 30 June 2018	**119**	**72,315**	**39**	**533,841**	**606,314**

The notes on pages 116 to 119 are an integral part of these financial statements.

Company notes *(forming part of the financial statements)*

50. 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.

The basis of preparation is covered for all balances within note 3 of the financial statements.

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.

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.

Dividend income is recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

The Company accounts have been prepared on a going concern basis. The Company balance sheet shows net current assets of £212 million (2017: £181 million) as at the balance sheet date. The Company is profitable with profit after tax of £68 million (2017: £76 million) in 2018. 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 Company has access to sufficient financial resources to meets its liabilities as they fall due.

51. 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 2018 of £68,378,000 (2017: £76,211,000). The auditor's remuneration for audit and other services is disclosed in note 13 to the consolidated financial statements.

Company notes *(continued)*

52. Fixed asset investments

	Shares in group undertakings £000	Participating interests £000	Total £000
Cost			
At 1 July 2017	404,558	18,600	423,158
Additions	3,425	-	3,425
At 30 June 2018	**407,983**	**18,600**	**426,583**
Net book value			
At 30 June 2018	**407,983**	**18,600**	**426,583**
At 30 June 2017	404,558	18,600	423,158

Details of the Company's subsidiaries at 30 June 2018 are as follows (see Note 24 for a full list of related undertakings and indirect subsidiaries):

Name	**UK Company number**	**Registered office**	**Class of shares held**	**2018 Ownership %**	2017 Ownership %
Bestway Securities Limited	**09106250**	**A**	**Ordinary**	**100**	100
United Bank Limited		**B**	**Ordinary**	**51.60**	51.60
Bestway Cement Limited		**C**	**Ordinary**	**53.86**	53.86
UBL Insurers Limited		**D**	**Ordinary**	**55.60**	55.60
Bestway Northern Holdings Limited		**E**	**Ordinary**	**100**	100
Bestway Power Limited		**C**	**Ordinary**	**100**	100
Bestway Spinning Limited		**C**	**Ordinary**	**100**	100

Details of the Company's investments in participating interests at 30 June 2018 are as follows:

Name	**UK Company number**	**Registered office**	**Class of shares held**	**2018 Ownership %**	2017 Ownership %
Oakleaf Limited		**E**	**Ordinary**	**26**	26

A- 2 Abbey Road, Park Royal, London, UK, NW10 7BW
B- 13th Floor, UBL Building, Jinnah Avenue, Blue Area, Islamabad, Pakistan
C- Bestway Building, 19-A, College Road, F-7 Markaz, Islamabad, Pakistan
D- 126-C, Jami Commercial, Street No. 14, Phase VII, DHA, Karachi, Pakistan
E- Newport House, 15 The Grange, St Peters Port, GY1 2QL, Guernsey

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

See note 20 for information regarding the acquisitions of subsidiaries in the year.

See note 25 for information regarding investments in associates and note 26 for information regarding disposal of associates.

Company notes *(continued)*

53. Debtors

	2018 £000	2017 £000
Amounts falling due within one year:		
Amounts owed by group undertakings	**46,380**	58,133
Other debtors	**1,770**	1,626
	48,150	59,759
Amounts falling due after one year:		
Amounts owed by group undertakings	**198,547**	194,198
	198,547	194,198

54. Creditors: Amounts falling due within one year

	2018 *£000*	2017 *£000*
Amounts owed to group undertakings	**66,761**	70,326
Accruals and other creditors	**1,270**	3,213
	68,031	73,539

Amounts owed to group undertakings are non-interest bearing and payable on demand.

55. Creditors: Amounts falling due in greater than one year

	2018 £000	2017 £000
Bank loans	**32,000**	60,000
	32,000	60,000

56. Share capital and premium

	2018 £000	2017 £000
Authorised:		
500,000 ordinary share of £1 each	**500**	500
Allotted, called up and fully paid		
118,959 ordinary shares of £1 each (2017: 71,010 ordinary shares of £1 each)	**119**	71

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.

On 21 March 2018, Bestway (Holdings) Limited became a wholly owned subsidiary of Bestway Group Limited (company number 11003305 and registered address 2 Abbey Road, London, NW10 7BW).

On 21 March 2018, Bestway (Holdings) Limited called up 47,949 unpaid ordinary shares. These shares were fully paid by Bestway Group Limited on the same day.

On 21 March 2018, Bestway (Holdings) Limited declared and paid an ordinary dividend of £69.3 million in respect of the year ended 30 June 2016.

Company notes *(continued)*

56. Share capital and premium *(continued)*

On 22 March 2018, Bestway (Holdings) Limited declared a final ordinary dividend of £6.0 million in respect of the year ended 30 June 2017.

Bestway (Holdings) Limited did not declare any dividends in the previous financial year.

The former shareholders of Bestway (Holdings) Limited are now the shareholders of Bestway Group Limited, with no individual shareholder holding more than 25% of Bestway Group Limited shares as a result of the reorganisation. The former shareholders of Bestway (Holdings) Limited retain ownership of 100% of Bestway (Holdings) Limited, albeit indirectly through Bestway Group Limited.

Share premium

	2018	2017
	£000	£000
Share premium	**72,315**	3,055

During the year, 47,949 previously unpaid ordinary shares with a par value of £1 each, were called up and fully paid for £69.3m.

Treasury shares

	2018	2017
	£000	£000
At 1 July 2017	**25**	-
Shares cancelled in the year	**(25)**	25
At 30 June 2018	-	25

On 20th March 2018, 24,930 ordinary shares held in treasury by Bestway (Holdings) Limited were cancelled.

57. 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 wholly owned subsidiaries, as prescribed by IAS 24 Related Party Disclosures.

During the year, Bestway (Holdings) Limited received £34.8 million (2017: £55.0 million) in dividends (net of withholding tax) from United Bank Limited. During the year, Bestway (Holdings) Limited received £23.2 million (2017: £25.4 million) in dividends (net of withholding tax) from United Bank Limited.

As at 30 June 2018, Bestway (Holdings) Limited is owed £17,130 (2017: £14,155) from United Bank Limited. As at 30th June 2018, Bestway (Holdings) Limited owes £7,018 (2017: £3,010) to Bestway Cement Limited.

No other 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 are mainly incurred by Bestway Wholesale Limited for the wider Group. The amount attributable to services provided to the Company was £3,240,000 (2017: £3,240,000). The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid Director in the Group was £1,640,000 (2017: £1,640,000).

58. Subsequent events

On 31 October 2018, the Company fully repaid it's bank loans (see Note 56) of which £32 million was outstanding at the end of this financial period. There have been no other subsequent events which would have a material effect on the Company's financial statements at 30 June 2018.