Bestway Group Limited

Annual report and financial statements

Registered number 11003305

For the period ended 30 June 2019

Contents

Company information

Registered number	11003305
Registered office	2 Abbey Road Park Royal London United Kingdom NW10 7BW
Directors	Sir MA Pervez OBE HPk (Chairman) Lord Z M Choudrey CBE, SI Pk, BA (Hons), FCA (Group Chief Executive) MY Sheikh R Pervez, ACA D Pervez, BA (Hons), MA Oxon, Solicitor H Z Choudrey, BA (Hons) Cantab, ACA
Secretary	RY Sheikh, BA (Hons), Solicitor
Auditor	PricewaterhouseCoopers LLP The Atrium 1 Harefield Road Uxbridge Middlesex UB8 1EX
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 present the financial report and audited consolidated financial statements of Bestway Group Limited (the "Company") and its subsidiaries (the "Group") for the year ended 30 June 2019.

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 2019 totalled £3.4 billion compared to £3.2 billion in the previous year, an increase of 7%. Profit before tax decreased by 20% to £227.7 million compared to £283.5 million in the previous year.

The decline in profitability was due to a tough trading environment within the UK wholesale sector as well as the impact of the acquisition, out of administration, of Bestway Retail which has required stabilising. Economic conditions in Pakistan have also been challenging resulting in softer trading results in our cement business as well as the impact of the rupee devaluation on conversion of our results into sterling.

Despite the challenges, it has been an exciting year for the Group and we have been able to capitalise on market opportunities. During the year under review the various retail and distribution businesses we acquired over the last year were integrated into our Wholesale business. We believe that these investments will be value accretive and enable us to broaden our customer proposition.

The business has continued its investment in the technology assets across the Group. Well Pharmacy launched a beta version of its app in July 2018, which offers repeat prescriptions and is designed to work with a customer's GP to organise the prescription delivery and refills. A full marketing campaign was launched in January 2019 and to date there have been more than 62,500 sign-ups with almost 100,000 items dispensed.

In July 2018, UBL Digital was launched and it has grown to become the highest rated finance app in Pakistan with over 1 million downloads and more than 700,000 active customers. During the year, a host of new capabilities were deployed on the app including the ability to undertake contactless payments, the first of its kind in Pakistan.

Bestway Wholesale's digital channels have also grown. The wholesale app now has over 81,000 registered users averaging sales of £33 million per month and accounting for 31% of total online transactions.

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 proud 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.

During the year under review, Bestway Foundation provided in excess of £225,000 (2018: £200,000) in grants to students of South Asian origin to attend a number of universities in the United Kingdom. In addition, Bestway Foundation donated over £240,000 (2018: £185,000) to nine charities in the UK, including amongst others, The Duke of Edinburgh Award, Crimestoppers and Grocery Aid.

In June 2019 Bestway Wholesale held its 26th annual charity race day at the Royal Ascot. This year's beneficiary charity was Save The Children. During the year, Well Pharmacy under its carrier bag levy, donated over £13,000 to local charities such as the Marine Conservation Society in England and the Scottish Wildlife Trust.

Additionally, in 2019, Bestway Cement and United Bank Limited have donated in excess of £2 million to a range of educational and health charities including, amongst others, National University of Science & Technology Islamabad, Shaukhat Khanum Memorial Hospital and Abdul Sattar Edhi Foundation. They have also provided scholarships, both local and international, to a number of university students across Pakistan.

Bestway Cement undertook a project of converting its Waste Heat Recovery Power Plants in Chakwal to Air Cooled Condenser Systems. The purpose of the conversion was to reduce the reliance of the business on water which is fast becoming a scarce resource in Pakistan. This formed part of Bestway Cement's comprehensive water conservation strategy at all of its sites in order to ensure sustainable water for all of the communities it operates in.

Awards and recognition

On 10 September 2019 it was announced that our Group Chief Executive, Zameer Choudrey CBE SI Pk, would be appointed to the House of Lords under the Queen's intention of conferring Peerages of the United Kingdom. Lord Zameer Choudrey CBE SI Pk assumed his role in the House of Lords on 5 November 2019. The award was in recognition of his considerable contributions to Britain's domestic and foreign trade and his philanthropic work.

United Bank Limited was recognised as the "Bank of the Year 2018" at The Banker Awards. The award was in recognition of the role the bank has played in spearheading digital innovation in Pakistan as well as expanding the scope of financial services in the region.

Chairman's Statement *(continued)*

Bestway Cement Limited was recognised by the National Forum for Environment and Health at their 16th Annual Environment Excellence Awards for its vision and effective implementation of environmentally responsible policies at all of its plants.

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 in the aftermath of the IMF bailout package and the focus of the government on addressing the balance of payments issue.

However, we believe that our fundamental strengths and the benefits of our business model make us resilient and able to perform well 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 experienced Board, and long-term growth objectives, puts Bestway on course for a successful future.

Sir MA Pervez OBE HPK
Chairman

19 December 2019

Strategic report: Group Chief Executive's review

On behalf of the Board of Directors, I am pleased to present the Annual Report and audited financial statements for Bestway Group Limited for the year ended 30 June 2019.

Principal activities

The principal activities of the Group during the year were in the wholesale, pharmacy, cement and financial services sectors. The principal activity of the Company was as a holding company.

Review of business

2019 has been a challenging year for Bestway Group as there has been significant economic uncertainty within the geographies we operate in. However, despite these difficult business conditions in both the UK and Pakistan, all our businesses remain profitable.

The UK economy has witnessed unprecedented uncertainty in the aftermath of the Brexit referendum and this has had an impact on business confidence which has been compounded by the ongoing challenges of increased National Living Wage

The Wholesale business has been focused on integrating Conviviality Retail (now known as Bestway Retail) and landing the associated scale benefits. This is against the backdrop of a difficult wholesale environment that has seen a number of major players withdraw from the market. Trading conditions remain difficult due to the ongoing competition from the grocers, increased National Living Wage as well as the impact of Brexit on our supplier partners.

Well Pharmacy has been focused on maintaining market share whilst generating efficiencies to counteract the flat funding imposed by the Department of Health. There has remained a focus on leveraging technology assets to help drive both market share and efficiency gains via our Central Fulfilment and Digital Projects. The Department of Health has also agreed a new 5-year contract with the pharmacy business where funding will remain flat. Specific details of the mechanics of the funding are yet to be determined yet again there is an onus from the government on the sector to become more efficient.

Business conditions in Pakistan have been the most difficult in recent times. In the lead-up to the IMF deal being signed, there was a significant increase in interest rates and material currency devaluation. With the signing of the IMF deal the new government is focused on addressing the country's balance of payments issue and as a result has undertaken austerity measures which have slowed economic growth.

Bestway Cement Limited was able to maintain its market share despite these challenges; however, margins have compressed due to the impact of currency devaluation on input costs. Moreover, competitors began introducing new capacity towards the end of the year which resulted in additional pricing pressure which may continue.

United Bank Limited has been able to benefit from the higher interest rate environment as net interest margins have increased. There has also been a focus on the business becoming more efficient and these significant investments have been made in digital technologies to help increase market share as well as bring operational efficiencies. Deteriorating credit quality in the international book has remained an issue because of prevailing conditions in the Gulf region, particularly Qatar.

Group financial performance

During the year ended 30 June 2019 Group revenue was £3.4 billion compared to £3.2 billion in the previous year, an increase of 7% driven predominantly by the full year impact of Bestway Retail revenue. The details of the restatement in relation to the acquisition of Bestway Retail Limited is given in note 50 to the financial statements. Despite difficult trading conditions, all of our businesses remained profitable, however, overall Group profit before tax decreased by 20 % to £227.7 million compared to £283.5 million in the previous year (profit before tax in the prior year included two adjusting items totalling a net expense of £49.3 million, see note 18).

The decline in profitability has been driven by underperformance in the Bestway Wholesale and Bestway Cement businesses as well as Pakistani Rupee devaluation, of 29% in the year, on translation into our financial statements. Bestway Wholesale has been impacted by the time taken to turnaround Bestway Retail a previously loss-making business that was bought out of administration in the prior year. whilst Bestway Cement has been impacted by the impact of the economic slowdown and austerity measures in Pakistan.

The net book value of investment properties and property, plant and equipment as at 30 June 2019 stood at £986.1 million, compared to £1,133.4 million in the previous year.

The Trading Group had cash balances of £154.2 million in 2019 compared to £170.1 million in the previous year.

During the year, the UK Group repaid external borrowings of £48 million as part of its ongoing de-leveraging strategy. The Group retired its loan facility with Habib Bank Limited in October 2018.

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

Bestway Wholesale – the UK's largest independent wholesaler

Market conditions in the wholesale sector remain challenging. The pressure from the grocery multiples is continuing and whilst this has traditionally been in the convenience retail space, this has now broadened and intensified with Tesco, Morrisons and Asda all entering the wholesale market. The sector has also had to absorb the continued impact of National Living Wage as well as the additional costs and associated uncertainty surrounding Brexit.

Despite these challenges, Bestway Wholesale has remained committed to its strategic plans of offering improved service and convenience to customers. Management has been focused on integrating Bestway Retail into the business and delivering the associated scale benefits. There has also been an increased emphasis and investment in the supply chain and the business has moved to a strategy of designated delivery hubs to offer better service levels and to complement its growing online and digital business. Bestway Wholesale has over 60 depots, alongside 600+ retail stores including 450+ franchisee's for Bestway Retail.

Revenue in the Wholesale business grew 13.0% to £2.3 billion in 2019 from £2.1 billion in 2018. The increase was driven by the inclusion of the full year impact of Bestway Retail in 2019 compared to 3 months in 2018. Revenue also improved due to the continued focus of Bestway Wholesale on growing volume through its various customer channels. The Best-one and Xtra Local retail club membership continues to grow as we ensure greater discipline and compliance amongst our affiliated stores. During the year, we continued the MyRewards scheme to help our customers increase their margins and profitability. Our catering sales grew 2.5% during the year to £162 million while our online business now has over 81,000 registered users compared to 62,000 the previous year. Weekly sales grew by 12% vs the previous year with total web and app sales averaging £33m per month. The retail mobile app accounted for 31% of all online transactions vs 25% the previous year and the new foodservice app, launched at the end of the year, accounted for 3% of total online transactions.

Bestway Wholesale profit before tax decreased to £6.5 million in 2019 from £27.6m in 2018. Bestway Wholesale's numbers are a reflection of a much tougher trading environment due to the ongoing challenges faced by the sector namely, increased competition, wage inflation and Brexit impact on supplier partners. The decrease in profitability was also due to the inclusion of the full year impact of Bestway Retail, which was loss-making, as the business is still going through the process of stabilisation following the acquisition by the Group. Bestway Retail numbers had stabilised towards the end of 2019 and we are hopeful this will be a positive contributor to the Group in the future.

Total inventory balances as at 30 June 2019 amounted to £184.7 million, compared to £203.1 million in the previous year.

Well Pharmacy – the UK's 3rd largest retail pharmacy

In previous years, the pharmacy sector received a funding cut from the Department of Health and there was uncertainty around whether a long-term deal was imminent. Encouragingly, the Department of Health has announced a 5-year deal, however, the amount of funding provided to the pharmacy sector will remain flat. Although, this provides some certainty over long-term funding, trading conditions within the sector remain challenging as the onus is on the sector to absorb inflationary pressures within the sector, both wage and cost, against the backdrop of increasing patient demand. There is still a lack of clarity around the specific lending mechanism and the business is reviewing how this may impact its operations.

Despite this environment, Well Pharmacy has over 750 pharmacies and has been able to retain its market share of national prescriptions and 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. The Central Fulfilment project has been rolled out to the majority of the estate and the business has seen strong growth in its digital and wholesale offerings.

Revenue for the Pharmacy business for the year ended 30 June 2019 increased 0.9% to £790.2 million compared to £783.7 million in the prior year. The growth was broadly in line with the market and Well's market share of prescriptions nationally remained broadly at 5.8%.

Profit before tax decreased from £8.6 million in 2018 to £6.2 million in 2019. Underlying trading remains robust and the decrease in profitability was driven predominantly by higher depreciation charges due to the increased capex the business has incurred as a result of its Digital and Central Fulfilment projects.

Bestway Cement Limited ('BCL') – Pakistan's largest cement manufacturer

Trading conditions in Pakistan have been challenging for the cement sector in 2019 and are likely to remain so for the foreseeable future. Economic uncertainty has resulted in austerity measures, such as reduction in development budgets, which has dampened economic growth and as a result cement demand decreased for the first time in a decade. This has been further exacerbated by increased finance costs and higher input costs due to the material interest rate increases and currency devaluation the economy has had to withstand. Moreover, competitors who had made decisions to expand their capacities during a year of relative economic stability are now going live with their new plants. Consequently, there is excess supply in the market at a time of demand compression which is resulting in downward pricing pressure.

Despite these conditions, BCL maintained its position as Pakistan's market leader and largest cement manufacturer, with an annual clinker capacity of 10.8 million tonnes (2018: 10.8 million tonnes).

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

BCL's despatches decreased by 9.6% to 8.1 million tonnes in 2019 from 9.0 million tonnes in 2018. Domestic despatches decreased by 2.0% during the year to 7.4 million tonnes from 7.6 million tonnes. Exports decreased by 32.3% to 0.7 million tonnes due to the imposition on trade restrictions with India as well as increased competition in the Afghanistan market.

Revenue for the financial year 2019 decreased by 14.2% to £303.5 million compared to £355.3 million in 2018. BCL's profit before tax decreased 27.0% to £66.8 million compared to £91.5 million in 2018. The decrease in profitability has been driven by lower retention prices in the market as well as margin compression linked to higher input costs. It should also be noted that a portion of the negative variance can be explained by the weakening of the rupee during the year (from PKR161/£1 to PKR 207/£1).

For the year ended 30 June 2019, BCL declared total dividends of 11 PKR per share (£0.06 per share) (2018: 12 PKR per share (£0.08 per share)).

United Bank Limited ('UBL') ('Bank') – Pakistan's 2nd largest private bank

During the year, Pakistan reached an agreement with the IMF on a bailout package. As part of the IMF package, Pakistan had to adjust its foreign exchange rates to be in line with the Real Effective Exchange Rate, which resulted in significant rupee devaluation. The government consequently took austerity measures and Pakistan has been in a rapidly increasing interest rate cycle where rates have risen 575bps over the financial year from 6.50% to 12.25%. Rates currently stand at 13.25% and there is a view that these may peak at 14.25%. Although this is positive from a UBL perspective with regards to increased net interest margins, higher foreign exchange volatility and the ability to invest in higher rated risk-free government returns, there is likely to be increased stress in the corporate lending book as businesses will need to adapt their operating model to withstand these pressures. The business will have to be selective in its lending and ensure its customers are robust.

UBL's net interest income decreased by 12.2% during the year from £392.7 million in 2018 to £344.3 million in 2019. UBL's profit before tax decreased by 2.4% from £181.7 million in 2018 to £177.4 million in 2019. The decrease in reported profit is driven by the weakening of the rupee during the year, although when reported in PKR terms UBL's profit before tax increased during the year.

On the domestic front, UBL enjoyed showed a strong performance buoyed by higher interest rates and higher foreign exchange volatility. UBL has successfully continued its focus on expanding its low-cost deposit base and improving its non-fund income and it was able to grow in these areas ahead of the competition. Digital remains a key strategic initiative of the bank and during the year it has seen over 1 million downloads of the UBL Digital app with over 700,000 registered customers. 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 2020.

The International business has not performed as well and there was significant provisioning during the year associated with the Gulf economies. Management has rationalised the portfolio and has identified certain non-core territories and will look to exit or de-risk the business model accordingly. In line with this strategy, UBL closed down its New York branch and sold off its Omani assets during the year.

The bank declared a total dividend of 10PKR (£0.06) per share during the year ended 30 June 2019 (13PKR (£0.09) per share during the year ended 30 June 2018).

UBL's total assets at 30 June 2019 were £9.9 billion compared to £12.2 billion in the previous year, a decrease of 18.6%. UBL's deposit base decreased by 14.6% to £7.4 billion for the year to 30 June 2019 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 faces a range of risks and uncertainties as a result of changing external environments such as regulation, economic conditions, competition and consumer trends. The Group has taken the necessary measures to reduce the impact of key risks in the business with appropriate policies where possible, however, not all risks and uncertainties can be controlled.

The impact of the UK's exit from the EU continues to be a risk for the Group's UK subsidiaries due to the prevailing uncertainty and the structural changes it has on business' supply chain. The Group has undertaken a review of the impact of Brexit on its businesses under varied scenarios and has looked to manage these risks where possible. Given the delays in negotiating a Brexit deal, this analysis and the associated mitigants are reviewed periodically for reasonableness.

Competition is another key risk across all of the Group's businesses due to the landscape in which we operate. Competitiveness has increased due to an increase in market entrants within the cement and banking businesses, whilst there are market cost and pricing pressures within the UK businesses. The Group ensures that it has robust strategic planning and budgetary monitoring processes and that it leverages market intelligence to ensure our subsidiaries remain relevant in the market.

Regulation is a key risk across all of the Group's businesses given the sectors that we operate in. Regulation has increased across all subsidiaries with a focus in the UK on data protection, on environmental standards in cement and in capital adequacy in the banking sector. The Group ensures that it remains apprised on the changing regulatory landscape and its impact on the business. The Group also ensures it has robust project teams that oversee operational compliance.

IT & Cyber is an increasing risk across all Group businesses given the increased focus on digital systems of record and transacting. The Group ensures that it undertakes period cyber assessments and system penetration testing with subject matter experts. The threats are then systematically managed, and its security is enhanced via improvement programmes.

Capital risk management and applicable regulations in Pakistan for the Banking Group

Background

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

Minimum paid up capital

The State Bank of Pakistan (SBP) through its BSD Circular No. 7 dated 15 April 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for Banks to be raised to Rs.10.0 billion by the year ended 31 December 2015. The paid-up capital of the Bank as at 30 June 2019 totalled Rs.12.2 billion (2018: Rs.12.2 billion).

Basel III capital instructions

The SBP through its BPRD Circular No. 6 dated 15 August 2013 has issued Basel III Capital instructions for Banks/DFIs. The revision to the previously applicable Capital Adequacy regulations pertain to components of eligible capital and related deductions. The amendments have been introduced with an aim to further strengthen the existing capital related rules. Basel III instructions became effective from 31 December 2013; however, there is a transitional phase during which the complete requirements would become applicable with full implementation by 31 December 2019.

The Bank's capital adequacy is reported using the rules and ratios provided by the State Bank of Pakistan. The capital adequacy ratio is a measure of the amount of a Bank's capital expressed as a percentage of its risk weighted assets (RWAs).

Banking operations are categorised as either Trading Book or Banking Book and RWAs are determined according to specific treatments as per the requirements of SBP that measure the varying levels of risk attached to on balance sheet and off-balance sheet exposures.

Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardised Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigants are also applied against the Bank's exposures based on eligible collateral.

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

Applicable capital ratios under Basel III

Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10.0%, capital conservation buffer of 1.90% and High Loss Absorbency Requirement of 1.5% of the risk weighted exposures of the Bank.

Further, under Basel III instructions, as at 30 June 2019, the Banks is required to maintain a Common Equity Tier 1 (CET 1) ratio of 6.0% and Tier 1 ratio of 7.5%. The actual ratios for the Bank as at 30 June 2019, which are unaudited, for Common Equity Tier 1 (CET 1) was 12.5% and 13.5% for Tier 1 ratio.

Lower Buffer required in 2020

As per SBP's designation of D-SIBs for the year 2019, the HLA capital charge required to be maintained by UBL has been reduced from 1.5% to 1.0%. The revised HLA capital charge will be applicable from 31 March 2020 and will remain effective till next D-SIB designation is announced by the State Bank of Pakistan.

The financial risk management policies of the Group are detailed in note 44.

Key performance indicators

Among the financial performance indicators within the wholesale business, the key performance indicators are like for like sales, sales per department gross profit margin, sales per depot, sales per department, operating expenses, wage cost per depot, stock availability, stock levels and cash generation.

The financial performance indicators within the pharmacy business include, the key performance indicators are prescription growth, over the counter sales growth, profitability per branch, operating expenses, stock levels, cost per prescription and cash generation.

Financial performance indicators in the cement business are net retention, gross margin, operating expenses, 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, non-financial income, operating expenses, cost to income ratio, cost of deposits and capital adequacy ratio.

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 indicators is an important aspect of the regular business performance reviews conducted by management.

The following financial KPI's (turnover, PBT and cash) are referred to in the business review.

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

Future outlook

We see challenges in both the UK and Pakistani economies. The UK is faced with unprecedented uncertainty as a result of the decision to leave the EU, whilst Pakistan will have to balance its need for economic growth with the austerity measures emanating from the IMF bailout package. However, we believe the Group is in a strong position to withstand these pressures and continue to gain share within its respective markets.

The wholesale business will continue to focus on growing share in a competitive market by leveraging the complementary infrastructure of Bestway Retail as part of its service offering. The business will also be focused on delivering operational efficiencies via the integration of Bestway Retail as well as optimising its supply chain infrastructure.

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. The business will look to respond to the new NHS funding contract to ensure it is delivering all of the services required and achieve the efficiency gains implicit in the new 5-year contract provided by the Department of Health.

Bestway Cement will remain focused on reducing its operational and administrative cost base and retain its status as the lowest cost operator in the sector to better enable it to withstand sustained margin pressure.

United Bank Limited will rebalance its investment portfolio in the increasing interest rate environment. It will also continue to retain its focus on managing corporate accounts during these turbulent economic times whilst also leveraging digital capabilities to enable it to increase its market share of deposits and reduce its cost to income ratio. UBL will also remain focused on rationalising and de-risking its international portfolio and ensure adherence to international compliance standards across the organisation.

It has been a challenging twelve months and it is likely that the headwinds our businesses have faced will remain for the near future. 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 Group. I would also like to thank my fellow Directors for their contribution to our strategic and operational priorities.

On behalf of the board,

Lord Z M Choudrey CBE, SI Pk, BA (Hons), FCA
Group Chief Executive

19 December 2019

Directors' report

The Directors present their report and the audited financial statements of Bestway Group Limited for the year ended 30 June 2019.

Principal activities

The principal activities of the Group during the year were in the wholesale, pharmacy, cement and financial services sectors. The principal activity of the Company was as a holding company.

Directors

The Directors who held office during the year, and up to the date of signing these financial statements, were as follows:

- Sir MA Pervez OBE HPk (Group Chairman)
- Lord Z M Choudrey CBE, SI Pk, BA (Hons), FCA (Group Chief Executive)
- M Y Sheikh
- R Pervez, ACA
- D Pervez, BA (Hons), MA Oxon, Solicitor
- H Z Choudrey, BA (Hons) Cantab, ACA

Indemnity provisions

The Group has made qualifying third-party indemnity provisions for its Directors in relation to certain losses and liabilities that may occur in the course of acting as Directors of the Company, its subsidiaries or associates which were in force during the year and remain in force at the date of this report.

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 considered 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 can 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 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 risk management

A description of the Group's financial risk management objectives and policies and its exposure to foreign currency, interest rate, credit and liquidity risk is given in note 44 to the financial statements.

Dividends

On 26 June 2019, Bestway Group Limited declared and paid a final ordinary dividend of £4.00 per share for the year ended 30 June 2018. This is in addition to the £6.00 per share interim dividend declared and paid on 21 May 2018 for the year ended 30 June 2018. Together, this dividend totalled £10 million.

No dividend has yet been declared for the year ended 30 June 2019.

Political donations

Political donations made in the year totalled £132,106 to the Conservative party (2018: £101,155).

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.

Directors' report *(continued)*

Auditors

KPMG LLP resigned as auditors on 24 January 2019. PricewaterhouseCoopers LLP were subsequently appointed as auditors in accordance with Section 485 of the Companies Act 2006 on 6 March 2019. PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Going Concern

The financial statements have been prepared on a going concern basis. The Group made a profit before tax of £227.7 million (2018: £283.5 million) and has net assets of £1.7 billion (2018: £1.9 billion) and total assets of £11.9 billion (2018: £14.4 billion). Additionally, the Group generated cash of £474.5 million (2018: £45.7 million) in the financial year ended 30 June 2019.

The Directors have also reviewed the detailed budgets and cash flow forecasts for the businesses and also considered the liquidity requirements of the banking operations and believe that the group has access to sufficient financial resources to enable it to continue its operations and meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements.

The Company financial statements have also been prepared on a going concern basis. The Company made a profit before tax of £4.0 million and has net assets of £578.0 million. This relates predominately to an investment in Bestway (Holdings) Limited. The Directors consider that this will enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

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

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising *FRS 101 "Reduced Disclosure Framework", and applicable law*). 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 Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The financial statements on pages 16 to 141 were approved by the Board of Directors on 19 December 2019 and signed on its behalf by

Lord Z M Choudrey CBE, SI Pk, BA (Hons), FCA
Group Chief Executive

19 December 2019

Independent auditors' report to the members of Bestway Group Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Bestway Group Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2019 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 30 June 2019; the consolidated income statement and statement of comprehensive income, the consolidated cash flow statement, and the consolidated and company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Independent auditors' report to the members of Bestway Group Limited (continued)

Report on the audit of the financial statements (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report: Group Chief Executive's Review and Directors' Report for the year ended 30 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report: Group Chief Executive's Review and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 12, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Bestway Group Limited (continued)

Report on the audit of the financial statements (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Suzanne Woolfson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
19 December 2019

Consolidated Income Statement
For the year ended 30 June 2019

	Note	Trading Group 2019 £000	Banking Group 2019 £000	Total Consolidated 2019 £000	Trading Group (restated) 2018 £000	Banking Group 2018 £000	Total Consolidated (restated) 2018 £000
Revenue	5	3,447,911	-	3,447,911	3,224,375	-	3,224,375
Cost of sales		(2,948,412)	-	(2,948,412)	(2,717,961)	-	(2,717,961)
		499,499	-	499,499	506,414	-	506,414
Interest income	6	-	736,695	736,695	-	776,133	776,133
Interest expense	7	-	(392,359)	(392,359)	-	(383,394)	(383,394)
Net interest income		-	344,336	344,336	-	392,739	392,739
Gross written premium	8	-	22,048	22,048	-	20,804	20,804
Premium ceded to reinsurer	8	-	(11,668)	(11,668)	-	(11,376)	(11,376)
Net written premiums		-	10,380	10,380	-	9,428	9,428
Gross benefits and claims paid	9	-	(12,050)	(12,050)	-	(11,613)	(11,613)
Claims ceded to reinsurer	9	-	7,748	7,748	-	8,367	8,367
Movement in technical provisions	9	-	282	282	-	(716)	(716)
Net benefits and claims		-	(4,020)	(4,020)	-	(3,962)	(3,962)
Fee, commission and brokerage income	10	-	94,232	94,232		106,651	106,651
Fee, commission and brokerage expense	11	-	(2,708)	(2,708)	-	(2,287)	(2,287)
Net fee and commission income		-	91,524	91,524	-	104,364	104,364
Gross profit		499,499	442,220	941,719	506,414	502,569	1,008,983
Dividend income from investments		-	8,772	8,772	-	11,867	11,867
Other operating income	12	4,302	2,482	6,784	3,986	1,716	5,702
Gains and losses on investments	13	-	7,560	7,560	-	59,799	59,799
Other gains and losses		2,153	1,398	3,551	4,358	541	4,899
Distribution expenses		(18,898)	-	(18,898)	(13,946)	-	(13,946)
Administrative expenses		(411,712)	(254,753)	(666,465)	(382,729)	(264,328)	(647,057)
Credit impairment losses		-	(33,205)	(33,205)	-	(76,608)	(76,608)
Share of profits of associates net of tax		-	2,899	2,899	-	2,600	2,600
Other operating expenses		(3,710)	-	(3,710)	(1,524)	-	(1,524)
Total operating profit	14	71,634	177,373	249,007	116,559	238,156	354,715
Finance income	16	69	-	69	34	-	34
Finance expense	17	(21,391)	(8)	(21,399)	(21,948)	-	(21,948)
Net finance expense		(21,322)	(8)	(21,330)	(21,914)	-	(21,914)
Underlying profit before taxation before adjusting items		50,312	177,365	227,677	94,645	238,156	332,801

Consolidated Income Statement *(continued)*
For the year ended 30 June 2019

	Note	Trading Group 2019 £000	Banking Group 2019 £000	Total Consolidated 2019 £000	Trading Group (restated) 2018 £000	Banking Group (restated) 2018 £000	Total Consolidated (restated) 2018 £000
Underlying profit before taxation before adjusting items		**50,312**	**177,365**	**227,677**	94,645	238,156	332,801
Adjusting items:							
Gain on acquisition	*18*	-	-	-	7,156	-	7,156
International pension provision	*18*	-	-	-	-	(56,470)	(56,470)
Profit before tax		**50,312**	**177,365**	**227,677**	101,801	181,686	283,487
Taxation	*19*	**(27,811)**	**(84,371)**	**(112,182)**	(28,600)	(53,685)	(82,285)
Profit for the year		**22,501**	**92,994**	**115,495**	73,201	128,001	201,202
Attributable to:							
Equity holders of the parent		**1,079**	**53,888**	**54,967**	38,552	72,468	111,020
Non-controlling interests		**21,422**	**38,911**	**60,333**	34,649	55,311	89,960
Investors of UBL funds		-	**195**	**195**	-	222	222
Profit for the year		**22,501**	**92,994**	**115,495**	73,201	128,001	201,202

Details of the restatement are given in note 50.
The notes on pages 24 to 136 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2019

	Note	**Trading Group 2019 £000**	**Banking Group 2019 £000**	**Total Consolidated 2019 £000**	Trading *Group* (restated) 2018 £000	Banking *Group* (restated) 2018 £000	Total *Consolidated* (restated) 2018 £000
Profit after taxation		**22,501**	**92,994**	**115,495**	73,201	128,001	201,202
Items that will not be reclassified subsequently to profit or loss:							
Profit attributable to investors of UBL funds		-	(195)	(195)	-	(222)	(222)
Gains on investments on equity instruments designated at FVOCI – *net of tax*		-	675	675	-	-	-
Remeasurement of net defined benefit liability – net of tax	*40*	(582)	13,268	12,686	1,809	(1,533)	276
		(582)	13,748	13,166	1,809	(1,755)	54
Items that are or may be reclassified subsequently to profit or loss when specific conditions have been met:							
Surplus / (loss) arising on revaluation of fixed assets		-	(3,517)	(3,517)	-	44,177	44,177
Surplus / (loss) arising on investments in securities as 'at FVOCI' – net of tax		(2)	(28)	(30)	551	(98,666)	(98,115)
Net loss on investments in debt instruments classified as 'at FVOCI' – net of tax		-	(20,080)	(20,080)	-	-	-
Exchange (loss) / gain on translation of foreign operations		(69,211)	(155,754)	(224,965)	(54,635)	(145,203)	(199,838)
		(69,213)	(179,379)	(248,592)	(54,084)	(199,692)	(253,776)
Other comprehensive (loss) for the year		(69,795)	(165,629)	(235,424)	(52,275)	(201,447)	(253,722)
Total comprehensive (loss) / income for the year		(47,294)	(72,635)	(119,929)	20,926	(73,446)	(52,520)
Total comprehensive (loss) / income attributable to:							
Equity holders of the Parent		(35,424)	(45,990)	(81,414)	12,149	(40,178)	(28,029)
Non-controlling interests	*47*	(11,870)	(26,645)	(38,515)	8,777	(33,268)	(24,491)
Total comprehensive (loss) / income for the year		(47,294)	(72,635)	(119,929)	20,926	(73,446)	(52,520)

Details of the restatement are given in note 50.
The notes on pages 24 to 136 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position
As at 30 June 2019

	Note	At 30 June 2019 £000	At 30 June 2018 (restated) £000
Non-current assets			
Goodwill	21	**141,711**	173,487
Trading Group			
Intangible assets	23	**400,088**	432,221
Property, plant and equipment	24	**600,500**	681,017
Investment property	25	**116,442**	114,612
Banking Group			
Intangible assets	23	**7,445**	9,175
Property, plant and equipment	24	**253,231**	318,390
Investment property	25	**15,919**	19,454
Reinsurance assets		**10,262**	11,396
Investments in associates	27	**14,371**	23,693
Investments in financial assets	29	**1,942,928**	2,894,350
Lending to financial institutions and advances	31	**1,715,703**	2,222,911
Net deferred tax asset	39	**39,629**	5,866
		5,258,229	6,906,572
Current assets			
Trading Group			
Tax recoverable		**18,323**	17,030
Inventories	28	**284,908**	328,786
Trade and other receivables	30	**249,154**	258,259
Cash and cash equivalents	32	**154,181**	170,121
Banking Group			
Tax recoverable		**99,257**	136,590
Investments in financial assets	29	**2,465,728**	2,390,652
Trade and other receivables	30	**248,757**	299,973
Lending to financial institutions and advances	31	**1,764,113**	2,647,665
Cash and cash equivalents	32	**1,337,440**	1,229,870
Assets classified as held for sale	20	**20,895**	-
		6,642,756	7,478,946
TOTAL ASSETS		**11,900,985**	14,385,518
Current liabilities			
Trading Group			
Tax payable		**2,360**	3,555
Bank overdraft	32	**107,148**	140,649
Trade and other payables	33	**541,204**	582,764
Other interest-bearing loans and borrowings	36	**111,403**	91,658
Provisions	38	**8,365**	22,588
Banking Group			
Bank overdraft	32	**2,085**	6,201
Trade and other payables	33	**263,530**	287,079
Deposits and other accounts	35	**7,109,108**	8,205,299
Payable to investors of UBL funds		**9,536**	7,487
Bills payable		**143,886**	96,844
Other interest-bearing loans and borrowings	36	**967,260**	1,734,563
Liabilities directly associated with assets classified as held for sale	20	**20,016**	-
Provisions	38	**14,760**	16,977
		9,300,661	11,195,664

Consolidated Statement of Financial Position *(continued)*
As at 30 June 2019

	Note	At 30 June 2019 £000	At 30 June 2018 (restated) £000
Non-current liabilities			
Trading Group			
Other interest-bearing loans and borrowings	*36*	**176,786**	275,141
Preference shares	*36*	**58,178**	58,178
Net deferred tax liabilities	*39*	**122,810**	129,044
Net employee benefits	*40*	**7,475**	9,611
Provisions	*38*	**3,419**	-
Banking Group			
Other financial liabilities	*34*	**21,154**	26,201
Deposits and other accounts	*35*	**299,693**	535,828
Other interest-bearing loans and borrowings	*36*	**174,333**	165,605
Subordinated loans	*37*	**49,202**	-
Net employee benefits	*40*	**2,112**	62,043
		915,162	1,261,651
TOTAL LIABILITIES		**10,215,823**	12,457,315
TOTAL NET ASSETS		**1,685,162**	1,928,203
Equity			
Share capital	*46*	**10**	10
Revaluation reserve		**239,276**	265,196
Merger difference reserve		**3,165**	3,165
Statutory reserve		**226,635**	217,273
Reserve pertaining to UBL funds		**6,884**	4,973
Translation reserves		**41,626**	134,002
Retained earnings		**638,460**	661,567
Equity attributable to equity holders of the parent		**1,156,056**	1,286,186
Non-controlling interests	*47*	**529,106**	642,017
TOTAL EQUITY		**1,685,162**	1,928,203

Details of the restatement are given in note 50.
The notes on pages 24 to 136 are an integral part of these consolidated financial statements.

These financial statements were approved by the Board of Directors on 19 December 2019 and were signed on its behalf by:

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

M Y Sheikh
(Director)

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Share capital	Share premium	Revaluation reserve	Capital redemption reserve	Merger difference reserve	Statutory reserve	Reserve pertaining to UBL funds	Translation reserve	Retained earnings	Total attributable to equity holders	Non-controlling interest	Total
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
At 1 July 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	-	-	-	-	-	-	222	-	111,020	111,242	89,960	201,202
Other comprehensive loss for the period	-	-	(5,715)	-	-	-	-	(91,773)	(41,783)	(139,271)	(114,451)	(253,722)
Total comprehensive income for the period	-	-	(5,715)	-	-	-	222	(91,773)	69,237	(28,029)	(24,491)	(52,520)
Issue of ordinary shares	10	-	-	-	-	-	-	-	-	10	-	10
Dividends paid	-	-	-	-	-	-	-	-	(6,000)	(6,000)	(53,595)	(59,595)
Repurchase of own shares	-	-	-	-	-	-	3,573	-	(2,471)	1,102	(10)	1,092
Acquisition of subsidiaries under common control	(71)	(3,055)	-	(39)	3,165	-	-	-	-	-	-	-
Transfers (see note 3)	-	-	(332)	-	-	12,149	-	-	(11,817)	-	-	-
At 30 June 2018 (restated)	**10**	**-**	**265,196**	**-**	**3,165**	**217,273**	**4,973**	**134,002**	**661,567**	**1,286,186**	**642,017**	**1,928,203**
Adoption of IFRS 9 (see note 4)	-	-	(6,280)	-	-	-	-	-	(30,962)	(37,242)	(29,361)	(66,603)
At 1 July 2018 (restated)	**10**	**-**	**258,916**	**-**	**3,165**	**217,273**	**4,973**	**134,002**	**630,605**	**1,248,944**	**612,656**	**1,861,600**
Profit for the period	-	-	-	-	-	-	195	-	54,967	55,162	60,333	115,495
Other comprehensive loss for the period	-	-	(19,640)	-	-	-	-	(83,171)	(33,765)	(136,576)	(98,848)	(235,424)
Total comprehensive (loss) / income for the period	-	-	(19,640)	-	-	-	195	(83,171)	21,202	(81,414)	(38,515)	(119,929)
Dividends paid	-	-	-	-	-	-	-	-	(4,000)	(4,000)	(46,211)	(50,211)
Change in non-controlling interest	-	-	-	-	-	-	-	-	15	15	(15)	-
Issuance and repurchase	-	-	-	-	-	-	1,716	-	-	1,716	1,191	2,907
Transfers (see note 3)	-	-	-	-	-	9,362	-	-	(9,362)	-	-	-
Realisation of exchange translation reserve	-	-	-	-	-	-	-	(9,205)	-	(9,205)	-	(9,205)
At 30 June 2019	**10**	**-**	**239,276**	**-**	**3,165**	**226,635**	**6,884**	**41,626**	**638,460**	**1,156,056**	**529,106**	**1,685,162**

Details of the restatement are given in note 50.
The notes on pages 24 to 136 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement
For the year ended 30 June 2019

	Note	Trading Group 2019 £000	Banking Group 2019 £000	Total cashflow 2019 £000	Trading Group 2018 (restated) £000	Banking Group 2018 (restated) £000	Total cashflow 2018 (restated) £000
Cash flows from operating activities							
Profit before tax		50,312	177,365	227,677	101,801	181,686	283,487
Adjustments for:							
Share of profit of associates	27	-	(2,899)	(2,899)	-	(2,600)	(2,600)
Finance income	16	(69)	-	(69)	(34)	-	(34)
Finance costs	17	21,391	-	21,391	21,948	-	21,948
One off gain on acquisition	50	-	-	-	(7,156)	-	(7,156)
Other gains		(2,153)	(1,398)	(3,551)	(4,358)	(541)	(4,899)
Depreciation of property, plant and equipment	24	45,686	14,653	60,339	42,182	17,117	59,299
Amortisation of intangible assets	23	38,671	3,509	42,180	39,040	3,805	42,845
Profit on disposal of property, plant and equipment		(111)	-	(111)	(1,224)	-	(1,224)
Profit on disposal of investment property		(58)	-	(58)	(892)	-	(892)
(Decrease) / increase in provisions		(11,073)	(39,327)	(50,400)	(2,747)	(55,624)	(58,371)
(Decrease) / increase in retirement benefits		(2,836)	(53,215)	(56,051)	(213)	4,528	4,315
Impairment of goodwill	21	3,258	-	3,258	10,055	-	10,055
Impairment of intangible assets	23	95	-	95	1,123	-	1,123
Net cash inflow from operating activities before movements in working capital		143,113	98,688	241,801	199,525	148,371	347,896
Decrease / (increase) in inventories		30,236	-	30,236	(28,636)	-	(28,636)
Decrease / (increase) in receivables		1,896	(22,025)	(20,129)	(46,998)	(42,899)	(89,897)
Decrease / (increase) in lending to financial institutions and advances		-	341,619	341,619	-	(923,725)	(923,725)
(Decrease) / increase in payables		(29,148)	58,880	29,732	61,745	(81,872)	(20,127)
Increase / (decrease) in bills payable		-	81,048	81,048	-	(13,539)	(13,539)
Increase / (decrease) in deposits and other accounts		-	755,326	755,326	-	534,513	534,513
Decrease in investments		-	(361,091)	(361,091)	-	1,344,701	1,344,701
		146,097	952,444	1,098,541	185,636	965,550	1,151,186
Tax paid		(27,213)	(76,727)	(103,940)	(45,298)	(102,767)	(148,065)
Net cash inflow from operating activities		118,884	875,717	994,601	140,338	862,783	1,003,121
Cash flows from investing activities							
Proceeds on disposal of property, plant and equipment		3,680	6,266	9,946	4,608	10,622	15,230
Proceeds on disposal of investment property		-	1,572	1,572	5,412	2,182	7,594
Purchases of property, plant and equipment		(46,804)	(23,741)	(70,545)	(125,097)	(41,801)	(166,898)
Purchase of investment property		-	(477)	(477)	(38)	(3,479)	(3,517)
Purchase of intangible assets		(7,082)	(3,618)	(10,700)	(1,829)	(6,886)	(8,715)
Acquisition of subsidiary net of cash		-	-	-	(6,653)	-	(6,653)
Repayment of borrowings from third parties		(52,306)	(387,304)	(439,610)	(72,188)	(630,990)	(703,178)
Borrowings from related parties		116	-	116	51	-	51
Borrowings from subordinated loan		-	57,861	57,861	-	-	-
Dividends received from Banking Group		43,131	-	43,131	63,361	-	63,361
Net cash (outflow) from investing activities		(7,075)	(19,998)	(27,073)	(60,236)	(39,362)	(99,598)

Consolidated Cash Flow Statement *(continued)*

For the period ended 30 June 2019

	Note	Trading Group 2019 £000	Banking Group 2019 £000	Total cashflow 2019 £000	Trading Group 2018 (restated) £000	Banking Group 2018 (restated) £000	Total cashflow 2018 (restated) £000
Cash flows from financing activities							
Dividends paid to Trading Group		-	(43,131)	(43,131)	-	(63,361)	(63,361)
Dividends paid to owners of the parent		(4,000)	-	(4,000)	(6,000)	-	(6,000)
Dividends paid to non-controlling interest		(16,182)	(29,664)	(45,846)	(20,956)	(43,578)	(64,534)
Interest received		69	-	69	34	-	34
Interest paid		(21,391)	-	(21,391)	(21,948)	-	(21,948)
Proceeds from the issue of shares		-	2,908	2,908	-	1,092	1,092
Net cash (outflow) from financing activities		(93,694)	(399,330)	(493,024)	(121,007)	(736,837)	(857,844)
Net increase / (decrease) in cash and cash equivalents		18,115	456,389	474,504	(40,905)	86,584	45,679
Cash and cash equivalents at beginning of year		29,472	1,223,669	1,253,141	70,653	1,350,390	1,421,043
Effect of foreign exchange rate changes		(554)	(344,703)	(345,257)	(276)	(213,305)	(213,581)
Cash and cash equivalents at end of year		47,033	1,335,355	1,382,388	29,472	1,223,669	1,253,141

Details of the restatement are given in note 50.
The notes on pages 24 to 136 are an integral part of these consolidated financial statements.

Notes

1. General information

Bestway Group Limited (the "Company") is a private Company limited by shares, incorporated on 9 October 2017, domiciled and registered in England in the UK under the Companies Act 2006. The registered number is 11003305 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 as a Group.

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRSs"). The Directors have elected to prepare its parent company financial statements in accordance with FRS 101: *Reduced Disclosures Framework*, these are presented on pages 137 to 141. These financial statements have also been prepared in accordance with Companies Act 2006 as applicable to companies using IFRS. These financial statements have also been prepared in accordance with IFRS Interpretations Committee interpretations (IFRIC).

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

Critical accounting estimates and judgements made by the Directors in the application of these accounting policies that have significant effect on the financial statements that could be subject to material adjustment in the future are discussed in note 51.

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 and other pronouncements

Interpretations and amendments IFRSs effective for the current year

The following new standards, interpretations of existing standards and other reporting pronouncements have been issued and are mandatory for the Group for the first time for the year ended 30 June 2019. The application of the amendments has had no material impact, except for IFRS 9 which is detailed below, on the amounts recognised in the Group's consolidated financial statements. However additional disclosures have been made where required.

- IFRS 9 Financial instruments
- IFRS 15 Revenue from contracts with customers
- Annual Improvements to IFRS Standards 2014–2016 Cycle (Amendments to IFRS 1 and IAS 28)
- IAS 40 (amendments): Transfers of Investment Property
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRS 1 regarding short term exemptions covering transition provisions of IFRS7, IAS19 and IFRS10
- IAS 28 amendment, regarding measuring investment in joint ventures and associate through profit or loss (FVTPL)

IFRS 15 is a new accounting standard that is effective for the year ended 30 June 2019 and have not had a material impact on the timing of revenue recognition, the results or financial position of the Company and hence no transition note has been presented. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 30 June 2019 that have had a material impact on the Group.

The Trading Group has adopted IFRS 9 by updating the classification and measurement of its financial instruments, where applicable, and this is reflected in note 4.

Notes *(continued)*

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

Interpretations and amendments IFRSs effective for the current year – Banking Group specific

IFRS 9: *Financial Instruments* (effective date period beginning 1 January 2018): The Banking Group ('Bank') has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 July 2018. As permitted by the transitional provisions of IFRS 9, the Group has opted for modified retrospective approach and has not restated comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves at the beginning of the current year without restating the comparative figures.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures as a result of adoption of IFRS 9 have also only been applied to the current year. The comparative year notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

The disclosures relating to impact as a result of adoption of IFRS 9 on the Banking Group are set out in note 3. Further details of the specific IFRS 9 accounting policies applied in the current year (as well as the previous IAS 39 accounting policies applied in the comparative year) are described in note 4.

New and revised IFRSs in issue but not yet effective

At the date of approval of these financial statements, the Group has not applied the following new and revised IFRSs and IFRIC's that have been issued but are not yet effective:

- IFRS 16: *Leases* (effective 1 January 2019)
- Annual Improvements to IFRS Standards 2015-2017 Cycle (effective 1 January 2019)
- IFRIC 23 "Uncertainty over income tax treatments" (effective 1 January 2019)
- IFRS 9 (amendment) Prepayment features with negative compensation (effective 1 January 2019)
- IAS 28 (amendment) Long term interests in associates, joint ventures (effective 1 January 2019)
- IAS 19 (amendment) Plan amendments, settlements or curtailments (effective 1 January 2019)

Except for IFRS 16, the impact of the above has been assessed as insignificant by the Directors.

IFRS 16 'Leases' '(effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.
The Group has performed an extensive review across all of its components which are expected to have a material IFRS 16 impact. The status on the impact assessment for each component of the Group is provided below.

Component	**Approach to IFRS 16**	**Expected adjustment to opening retained earnings**	**Expected impact on assets and liabilities**
Bestway Wholesale Limited	Using modified retrospective approach by adjusting the opening reserves as at 1 July 2019 *rather than full* retrospective application would include prior year comparatives to be restated.	Reduction of c£1.0m	Increase of c£6.6m in right-to-use assets and increase of c£6.9m in lease liability
Bestway Retail Limited		Reduction of c£1.0m	Increase of c£74.0m in right-to-use *assets and increase of c£74.0m in* lease liability
Well Pharmacy		Reduction of c£1.0m	Increase of c£85.0m in right-to-use assets and increase of c£85.0m in lease liability
United Bank Limited		Reduction of c£2.6m	Increase of c£34.0m in right-to-use assets and increase of c£35.0m in lease liability
Total Group		Reduction of c£5.6m	Increase of c£199.6m in right-to-use assets and increase of c£200.9m in lease liability

Notes *(continued)*

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

Interpretations and amendments IFRSs effective for the current year – Banking Group specific (continued)

The expected adjustment to retained earnings causes no hindrance on the Group's ability to pay dividends to shareholders. The right-of-use asset is initially measured at cost (being the initial lease liability plus any associated direct costs) and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

As a result, the profile of costs recognised in the consolidated income statement will materially change in comparison to IAS 17 as follows:
— Depreciation will increase due to the recognition of right-of-use assets
— Existing rental costs will reduce – the only rental costs that remain will relate to low value assets or short-term leases
— Finance costs will increase due to the unwinding of the discount on the discounted lease liability

Whilst the total cash outflow for leases will not change, the classification of cash flows will be affected as operating lease payments under IAS 17 are presented as operating cash flows, whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing cash flows.

In preparing for the transition to IFRS 16, the Group has been developing new controls, policies and governance procedures in several areas that contribute to the calculation of the overall lease liability and right-of-use asset. These include the identification of any embedded leases, accounting for lease modifications, as well as electing to not apply IFRS 16 to short term leases (less than a year) and low value assets in line with the practical expedients offered under IFRS 16.

Key judgements have also been addressed, including the assessment of how reasonably certain it is considered to be that a lease option (extension, termination or purchase) will be exercised, and the determination of an appropriate discount rate used to present value the lease liability and to initially measure the right-of-use asset.

With regards to these, the Group has determined that the lease term will correspond to the duration of the contracts except in cases where the Group is reasonably certain that it will exercise contractual extension or break options. The historical discount rates applied have been based on the incremental borrowing rate where the implicit rate in the lease is not readily determinable.

All relevant accounting policies will be updated to reflect the changes under IFRS 16 in the consolidated financial statements for the year ending 30 June 2020.

3. Significant accounting policies

Basis of accounting

The financial statements are prepared on the historical cost basis except the following assets and liabilities which use the following measurement basis:

Item	Measurement basis
Financial instruments	Fair value through the profit or loss (FVTPL) or as fair value through OCI (FVOCI)
Investment property	Fair value
Disposal groups	Fair value less costs to sell
Net defined benefit liability	Present value of the defined benefit obligation determined through actuarial valuation
Property (Banking Group)	Fair value

Going concern

The Group financial statements have been prepared on a going concern basis. The consolidated statement of financial position has net assets of £1.7 billion (2018: £1.9 billion). The Group made a consolidated profit after tax of £115.5 million (2018: £201.2 million) in 2019. The Group has significant cash and bank balances net of overdrafts, of £1.4 billion (2018: £1.3 billion) of which £1.3 billion (2018: £1.2 billion) relate to the Banking Group. The Directors have also reviewed the detailed budgets and cash flow forecasts for the businesses and also considered the liquidity requirements of the banking operations and believe that the group has access to sufficient financial resources to enable it to continue its operations and meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements.

Notes *(continued)*

3. Significant accounting policies *(continued)*

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 can 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 Group. 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 any 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.

Associates

Associates are those entities over which the Group has significant influence 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 the income statement. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Business combinations with entities under common control

Business combinations arising from the acquisition of entities that are under the control of the shareholders that controls the Group are accounted from the date of transfer. The assets and liabilities acquired are recognised at the carrying amounts recognised in the acquriee's financial statements. The Group elects to present the comparative figures from the previous consolidate financial statements to present the combining entities as if they have historically always been one consolidated entity. The difference between the consideration paid and the book value of the assets and liabilities acquired is reflected as a merger reserve in the statement of changes in equity.

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.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of an investment in an associate or a joint venture.

Notes *(continued)*

3. *Significant accounting policies (continued)*

Basis of consolidation (continued)

Business combinations

Business combinations (other than those with entities under common control) are accounted for by applying acquisition accounting principles from the date on which control is transferred to the Group.

The assets and liabilities and contingent liabilities of a subsidiary are measured at fair value at the date of acquisition.

Any excess of the cost of acquisition over the fair values of the separately identifiable net assets acquired is recognised as goodwill.

Where necessary, adjustments are made to the financial statements of subsidiaries to align the accounting policies to those used by 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 fair value of the identifiable assets acquired and liabilities acquired

Positive goodwill is recognised in the statement of financial position within intangible assets and is deemed to have an indefinite life and hence not amortised but tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in the income statement. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred, as required by IFRS 3.

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 the income statement.

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

The presentation and functional currency of Bestway Group Limited (the Company) is pounds sterling. Whilst the presentational currency of the Group is pounds sterling the functional currency of subsidiaries and associates will be dependent on the primary economic environment in which they operate.

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 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.

The key foreign exchange currency rate used by the Group to translate the foreign operations for the consolidated financial statements process are presented below:

***Functional currency for banking, insurance and cement* business**	***Presentation* currency**	***Financial* year ended**	***Average* rate used**	***Year end* rate used**
Pakistani rupee	Pounds sterling	30 June 2019	176.59	207.67
Pakistani rupee	Pounds sterling	30 June 2018	148.83	160.76

Notes *(continued)*

3. Significant accounting policies *(continued)*

Goodwill

Goodwill is stated at cost less any accumulated impairment losses and is deemed to have an indefinite life. 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 of intangible assets

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:

Pharmacy licenses	20 years
Software	3 - 10 years
Other intangible assets	4 - 10 years

Intangible assets - Internally developed intangibles

Expenditure on the research phase of projects to develop new intangible assets 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 can use or sell the intangible; and
- the intangible will generate probable future economic benefits.

Revenue recognition

IFRS 15 replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. IFRS 15 addresses revenue recognition for contracts with customers as well as treatment of incremental costs incurred in acquiring a contract with a customer.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the performance obligation is transferred to the customer.

IFRS 15 permits either a full retrospective or a modified retrospective approach for adoption. The Group and Company have adopted the standard using the modified retrospective approach, which means that the cumulative impact of the adoption, if any, is recognised in unappropriated profit in the period of initial application and comparatives are not restated.

The application of IFRS 15 did not have any material impact on revenue recognition policy of the Group and Company and therefore, the cumulative impact of the adoption on retained earnings is not material and accordingly the opening reserves as at 1 July 2018 is not adjusted. Comparative figures are presented under IAS 18 which are substantially the same as the above.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Revenue recognition (continued)

Wholesale revenue

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 which is generally the same day as delivery).

Pharmacy revenue

Revenue includes cash sales and goods sold on credit, exclusive of VAT and any discounts and rebates. 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 at the time services are provided by the pharmacy and medicines are dispensed.

Cement revenue

Revenue is recognised when or as performance obligations are satisfied by transferring control of a promised goods or service to a customer. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies.

Interest income

Mark-up, return and interest on performing advances and investments is recognised based on the effective yield of the asset over the term of the advances and interest earning investments. Where debt securities are purchased at a premium or discount, such premium / discount is amortised through the income statement over the remaining period of maturity of the debt securities.

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

Gains and losses on investments

Translation gains and losses are recognised in the income statement, except those arising on translation of foreign currency securities classified as FVOCI 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 income statement.

Rebate income on home remittances

Rebate income on home remittances relate to income from services provided by the Banking Group during the year and recognised on an accrual basis when the services are rendered, and no significant uncertainties remain regarding the recovery of consideration due.

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 year of insurance from inception to expiry as follows:
(a) For direct business, evenly over the year of the policy;
(b) For proportional reinsurance business, evenly over the year 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 year 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.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Revenue recognition (continued)

Dividend income is recognised when the right to receive the dividend is established. Gain / loss on sale / redemption of investments is taken to income statement in the year of sale / redemption.

Profit on financial assets held at amortised cost is recognised on a time proportion basis taking into account the effective yield on the investment.

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

Investment property

Revenue from investment property 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.

Retrospective rebates and discounts

The Group's subsidiaries negotiate rebates and discounts directly with suppliers. These rebates and discounts are accounted for once the Directors are confident that the group is entitled to the discount. Supplier allowances and credits are recorded as a reduction to 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 obligations to be met are recognised when the performance is satisfied, the amount is fixed and determinable and the collection is reasonably assured.

Dividend income

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

Finance income and expense

Finance income and expense are recognised in the income statement 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 year) 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.

Finance 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 securities classified as FVOCI 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 income statement and OCI.

Fees, commission and brokerage income

Fees, commission and brokerage income are recognised 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.

Leases

The Group as lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. 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.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Leases (continued)

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.

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.

Taxation

Tax on the Group's income 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 income 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.

Within the Trading Group there are overseas undistributed earnings of £206.3 million (2018: £245.1 million) which, if remitted to the UK as dividends, would be subject to withholding tax in Pakistan. An assessable temporary difference exists but, as the parent entity is able to control the timing of distributions, no deferred tax liability has been recognised to the extent that these profits are not expected to be distributed in the foreseeable future.

Within the Banking Group there are overseas undistributed earnings of £347.9 million (2018: £473.9 million) which, if remitted to the UK as dividends, would be subject to withholding tax in Pakistan. An assessable temporary difference exists but, as the parent entity is able to control the timing of distributions, no deferred tax liability has been recognised to the extent that these profits are not expected to be distributed in the foreseeable future.

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.

Provisions

A provision is recognised in the statement of financial position 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 out flows at a pre-tax rate that reflects risks specific to the liability if the impact of discounting is material.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction form the proceeds.

Share premium

The amount receivable above the nominal value of ordinary shares is recognised as share premium and classified as equity.

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 foreign operations.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Reserves categorisation (continued)

UBL Funds reserve

The reserve pertaining to UBL funds relates to the consolidated general reserve position on the mutual funds under management of UBL Fund Managers Limited. This also includes UBL's own share pooling.

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 investment securities FVOCI.

Merger difference reserves

On 21 March 2018, the Company became the new holding company for the Group. This was affected through a share exchange, with 993 ordinary share of £0.01 in Bestway Group Limited exchanged for 71,070 ordinary shares plus 47,949 nil paid shares in Bestway (Holdings) Limited, the previous holding company of the Group.

The accounting treatment for the group reorganisation is scoped out of IFRS 3. The introduction of the new holding company was accounted for as a capital reorganisation using the merger accounting principles prescribed. The use of merger accounting principles has resulted in a merger difference reserve being the movement in equity reserves, excluding retained earnings, at the time of change.in the ultimate parent company and resulting acquisition of entities that are under the control of the shareholders that controls the Group.

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 across all Group companies except for Bestway Retail Limited which uses the First-In-First-Out (FIFO) 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.

Property, plant and equipment

Property, plant and equipment within the Trading Group is 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.

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

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 term of the lease
Leasehold improvements	Over the term 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

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.

Assets in the course of constructions are not depreciated until they are completed and brought in to use. Borrowing costs are capitalised with property, plant and equipment where relevant.

Depreciation methods, useful lives and residual values are reviewed annually.

Notes *(continued)*

3. Significant accounting policies *(continued)*

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 the income statement in the year 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 the income statement in the year in which the property is derecognised.

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

Financial instruments

IFRS 9 permits either a full retrospective or a modified retrospective approach for adoption. The Group has adopted the standard using the modified retrospective approach for classification, measurement and impairment. This means that the cumulative impact, if any, of the adoption is recognised in unappropriated profit as of 1 July 2018.

The new standard requires the Group to assess the classification of financial assets on its statement of financial position in accordance with the cash flow characteristics of the financial assets and the relevant business model that the Company has for a specific class of financial assets.

Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

i. the Group's business model for managing the asset; and
ii. the cash flow characteristics of the asset.

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 29. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to income statement and recognised in 'Gain or Loss realised on sale of debt securities classified as FVOCI'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in income statement and presented in the income statement within 'Unrealised (loss) / gain on revaluation of investments classified as FVPL' in the period in which it arises. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Financial instruments (continued)

Business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in income statement as 'Dividend income on investments' when the Group's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the 'Gains and losses on investments' line in the income statement.

Financial assets and financial liabilities

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the income statement. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI which results in an accounting loss being recognised in the income statement when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

b) In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument and remaining amount, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Financial assets and financial liabilities (continued)

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired at initial recognition - the Bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in the income statement.

Interest income on financial assets

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

a) Purchased or originated credit-impaired (POCI) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Impairment

The Group assesses on a forward-looking basis the expected credit loss ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 44 provides more detail of how the expected credit loss allowance is measured.

Impairment of financial instruments carried at amortised cost

The Group considers evidence of impairment for loans and advances and securities held at amortised cost at both a specific asset and a collective level. All individually significant loans and advances and investment securities held at amortised cost 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 debt securities held at amortised cost that are not individually significant are collectively assessed for impairment by grouping together loans and advances and debt securities held at amortised cost with similar risk characteristics.

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

Notes *(continued)*

3. Significant accounting policies *(continued)*

Impairment (continued)

Impairment losses on loans and receivables and debt securities classified at amortised cost 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 the income statement and reflected in an allowance account against loans and receivables or investment securities held at amortised cost. 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 the income statement.

Impairment debt securities classified as FVOCI

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

Impairment losses are recognised in the income statement. 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 the income statement.

Impairment of equity investments FVOCI

Equity investments FVOCI 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 income statement. A subsequent reversal of an impairment loss, up to the cost of the investment in the associate, is credited to the income statement.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial 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.

Impairment of goodwill and other intangible assets

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

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement with administrative expenses. 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 years 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.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Financial liabilities

Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:
- Financial liabilities at fair value through profit or loss is applied to derivative financial instruments. Gains or losses on these financial liabilities are presented in the income statement.
- Financial guarantee contracts and loan commitments.

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Borrowings and deposits

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

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

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.

Modification and forbearance of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether the new terms are substantially different to the original terms. The Bank does this by considering, among others, indicators of financial difficulties including defaults on covenants, or significant concerns raised by the Credit Risk Department.

'If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in the income statement as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in the income statement. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

It is the Bank's policy to monitor modified and forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 modified and forborne asset until it is collected or written off.

From 1 July 2018, when the loan has been renegotiated or modified but not derecognised, the Bank also reassesses whether there has been a significant increase in credit risk as per Bank's policy. The Bank also considers whether the assets should be classified as Stage 2 or Stage 3. Once an asset has been classified as forborne and modified, it will remain forborne and modified until all of the relevant criteria for reclassification has been met.

The impact of modifications of financial assets on the expected credit loss calculation is discussed in note 44.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Bank retains a subordinated residual interest.

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities. Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance (calculated as described in note 44; and
- The premium received on initial recognition less income recognised in accordance with the principles

Loan commitments provided by the Bank are measured as the amount of the loss allowance (calculated as described in note 44). The Bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument. For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. Contingent liabilities pertaining to off balance sheet obligations such as letter of credits, guarantees and acceptances.

Repurchase agreement lending

In this case, the amount advanced (being the purchase price) is classified as loans and advances while the differential between the purchase price and the resale price is amortised over the period of the agreement and recorded as income. Securities held as collateral are not recognised 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.

Write-off

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

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered 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 income statement.

The Group makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Non-derivative financial instruments

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

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. A provision for impairment is established when the carrying value of the receivable is unlikely to be recoverable. The carrying value of the receivable is reduced and any impairment loss is recognised in the income statement. The Group calculated the expected credit losses using the IFRS 9 simplified approach model and concluded that this did not create a material difference to the current method of impairment loss. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Trade and other payables

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

Cash and cash equivalents

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

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 Group has access to at that date.

When available, the 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, valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs are used.

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 Group recognises transfers (if any) between levels of the fair value hierarchy as of the end of the reporting year.

Intra-group financial instruments

Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Restructured loans

A restructured loan is one where the 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 income 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 Group derecognises a loan when there are substantial modifications to the terms of the loan on restructuring.

Bills payable

Bills payable, measured at amortised cost, represent payables against the banker's cheques which are secured cheques by the Group in favour of payee after collection of funds from the remitter.

Insurance contracts

Insurance contracts are those contracts under which the 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.

Insurance contracts / takaful are classified into following main categories, depending on the duration of risk and whether 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 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.

Marine, aviation and transport insurance cover 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 because 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 because 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 Group also accepts insurance risk pertaining to insurance contracts of other insurer as reinsurance inward. The insurance risk involved in these contracts is like the contracts undertaken by the Group as insurer. All reinsurance inward contracts are facultative (specific risk) acceptance contracts.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Reinsurance contracts

These are contracts entered into by the 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 in these 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 Group recognises liability in respect of all claims incurred up to the balance sheet 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.

Employee benefits – UK Trading Group

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 years during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans and other post-employment benefits is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; 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 year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual year 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 the income statement.

Defined benefit plans

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 the income statement 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.

Notes *(continued)*

3. Significant accounting policies *(continued)*

Employee benefits – Banking Group

UBL Pakistan Head Office 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 Bank operates

- an approved contributory provident fund (defined contribution scheme); and
- an approved gratuity scheme (defined benefit scheme).

b) For employees who have not opted for the conversion option introduced in 2001, the Bank operates

- an approved non-contributory provident fund in lieu of the contributory provident fund; and
- an approved funded pension scheme, introduced in 1975 (defined benefit scheme).

In 2001, the Bank 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 Bank also operates a contributory benevolent fund for all its eligible employees (defined benefit scheme).

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

For the defined contribution scheme, the Bank pays contributions to the fund on a periodic basis. The Bank 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

Employees' compensated absences

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

Post-retirement medical benefits (defined benefit scheme)

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

Employee motivation and retention scheme

The Bank has a long-term motivation and retention scheme for its employees. The liability of the Bank 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 income statement.

Actuarial gains and losses pertaining to long term compensated absences are recognised in the income statement immediately.

Holiday provisions

The Group accrues holiday provisions for its employees for the unutilised portion of the annual leave at the end of each reporting date.

Islamic financings and related assets

Ijarah financing represents arrangements whereby the Bank (being the owner of assets) transfers its usufruct to its customers for an agreed period at an agreed consideration. Assets leased out under Ijarah are stated at cost less accumulated depreciation and accumulated impairment losses, if any. These are depreciated over the term of the lease. Ijarah income is recognised on an accrual basis.

Diminishing Musharaka is partnership agreement between the Bank and its customer for financing vehicle or plant and machinery. The receivable is recorded to the extent of Bank's share in the purchase of asset. Income is recognised on accrual basis.

Notes *(continued)*

4. Adoption of IFRS 9

The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

IFRS 9 permits either a full retrospective or a modified retrospective approach for adoption. The Group has adopted the standard using the modified retrospective approach for classification, measurement and impairment. This means that the cumulative impact, if any, of the adoption is recognised in unappropriated profit as of 1 July 2018 and comparatives are not restated.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures as a result of adoption of IFRS 9 have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Details of these new requirements as well as their impact on the Group's financial statements are described below.

Trading Group

Classification and measurement of financial assets and financial liabilities

The new standard requires the Trading Group to assess the classification of financial assets on its statement of financial position in accordance with the cash flow characteristics of the financial assets and the relevant business model that the Group has for a specific class of financial assets.

- IFRS 9 no longer has an "Available-for-sale" (AFS) classification for financial assets. The new standard has different requirements for debt or equity financial assets.
- Amortised cost, where the effective interest rate method will apply;
- Fair value through other comprehensive income, with subsequent recycling to the profit or loss upon disposal of the financial asset (FVOCI); or
- Fair value through profit or loss (FVTPL)
- Investments in equity instruments, other than those to which consolidation or equity accounting apply, should be classified and measured either at:
- Fair value through other comprehensive income, with no subsequent recycling to the profit or loss upon disposal of the financial asset; or
- Fair value through profit or loss.

Previously, available-for-sale investments 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. Previously, held to maturity investments were measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

As at 1 July 2018	**Classification under IFRS 9**	**Original (IAS 39) £000**	**IFRS 9 impact £000**	**New (IFRS 9) £000**
Current financial assets				
Trade receivables	Amortised cost	159,725	-	159,725
Other receivables	Amortised cost	54,548	-	54,548
Cash and bank balances	Amortised cost	169,884	-	169,884
Total financial assets		**384,157**	**-**	**384,157**
Non-current financial liabilities				
Other interest-bearing loans and borrowings	Amortised cost	275,141	-	275,141
Current financial liabilities				
Overdraft	Amortised cost	140,649	-	140,649
Trade payables	Amortised cost	484,327	-	484,327
Other interest-bearing loans and borrowings	Amortised cost	91,658	-	91,658
Total financial liabilities		991,775	-	991,775

This change in accounting policy has had no impact on the classification of financial assets and financial liabilities in the statement of financial position.

Notes *(continued)*

4. Adoption of IFRS 9 *(continued)*

Impairment of financial assets

IFRS 9 introduces the Expected Credit Loss (ECL) model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Company to recognise an allowance for doubtful debt on all financial assets carried at amortised cost (including, for example, trade debts and other receivables), as well as debt instruments classified as financial assets carried at fair value through other comprehensive income, since initial recognition, irrespective whether a loss event has occurred.

Banking Group

Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 July 2018 are compared as follows:

	IAS 39 Measurement Category £000	IAS 39 Carrying Amount £000	IFRS 9 Measurement Category £000	IFRS 9 Carrying Amount £000
Financial Assets				
Cash and cash equivalents	Amortised cost (Loans and receivables)	1,228,015	Amortised cost	1,227,674
Lending to financial institutions and advances	Amortised cost (Loans and receivables)	4,870,575	Amortised cost	4,766,376
Investments in financial assets	Amortised cost (held to maturity)	2,124,563	Amortised cost	2,111,294
			FVPL (Mandatory)	12,038
	Held for trading	221,366	FVPL (Designated)	221,366
	Available for sale	2,933,722	FVPL (Designated)	115,785
			FVPL (Mandatory)	3,472
			FVOCI - Equity	4,685
			FVOCI - Debt	2,807,055
Trade and other receivables*	Amortised cost (Loans and receivables)	289,756	Amortised cost (Loans and receivables)	288,311
Other financial liabilities**	Amortised cost	238,940	Amortised cost	236,694

* This includes non-financial assets amounting to £55.7 million.
** This includes non-financial liabilities amounting to £15.4 million.

The impact of transition to IFRS 9 on retained earnings as at 1 July 2018 is as follows:

	2018 £000
Retained earnings	
Balance as at 30 June 2018	661,567
Recognition of IFRS 9 ECLs	(112,186)
Deferred tax in relation to IFRS 9 ECLs	43,753
Unrealised gain on revaluation of available for sale equity securities reclassified as FVPL under IFRS 9	18,024
Deferred tax in relation to unrealised gain on revaluation of available for sale equity securities reclassified as FVPL under IFRS 9	(6,045)
	(56,454)
Less: share of non-controlling interest	25,492
	630,605

Notes *(continued)*

4. Adoption of IFRS 9 *(continued)*

	2018 £000
Revaluation Reserve	
Balance as at 30 June 2018	265,196
Unrealised gain on revaluation of Available for sale equity securities reclassified as FVPL under IFRS 9	(18,024)
Deferred tax in relation to unrealised gain on revaluation of available for sale equity securities reclassified as FVPL under IFRS 9	6,045
Revaluation of unquoted equity investment securities classified as FVOCI	2,999
Deferred tax on revaluation of unquoted equity investment securities classified as FVOCI	(1,169)
	(10,149)
Less: share of non-controlling interest	3,869
	258,916

The following table reconciles the prior period's closing impairment allowance measured in accordance with IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 July 2018:

	Impairment provision under IAS 39 as at 1 July 2018 £000	Remeasurement (ECL) £000	Reclassification £000	ECLs under IFRS 9 at 1 July 2018 £000
Impairment allowance for:				
Lending to financial institutions and advances	338,463	104,199	-	**442,661**
Cash and cash equivalents	446	340	-	**787**
Investment in financial assets				
- Held for maturity investment now classified at amortised cost under IFRS 9	13,085	1,230	-	**14,315**
- Available-for-sale investments (debt instruments) now classified at FVOCI under IFRS 9	4,436	2,726	-	**7,162**
- Available-for-sale investments (equity instruments) now classified at FVOCI under IFRS 9	3,232	-	-	**3,232**
- *Available-for-sale investments now classified at* FVPL under IFRS 9	18,024	-	(18,024)	-
Trade and other receivables	7,296	1,445	-	**8,741**
Contingent liability in respect of financial guarantees	4,461	2,246	-	**6,707**
	389,443	**112,186**	**(18,024)**	**483,605**

Notes *(continued)*

4. Adoption of IFRS 9 *(continued)*

The following table provides summary of financial instruments of the Bank by class of those instruments and their cost as at 30 June 2018:

	Classification under IFRS 9				
	At Amortised Cost	At Fair Value through OCI (without recycling)	At Fair Value through OCI (with recycling)	At Fair Value through P&L	Total
	£000	£000	£000	£000	£000
Category					
Cash and balances with treasury banks	1,022,150	-	-	-	1,022,150
Balance with other banks	297,555				297,555
Lending to financial institutions	279,442	-	-	-	279,442
Investments	-	-	-	-	
Held-for-trading	-	-	-	221,366	221,366
Available-for-sale	-	2,582,960	196,110	113,845	2,892,915
Held-to-maturity	2,071,998	-	-	12,038	2,084,036
Loans and advances	4,432,682	-	-	-	4,432,682
Other financial assets	3,633	-	-	136	3,769
Total	**8,107,460**	**2,582,960**	**196,110**	**347,385**	**11,233,915**

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Bank performed a detailed analysis of its business models for managing financial assets and analysis of their cashflow characteristics in order to identify appropriate classification. Detailed information regarding the new classification requirements of IFRS 9 have been explained below.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 July 2018.

Amortised Cost

	Reference	IAS 39 carrying amount as at June 30, 2018	Reclassifications	Remeasurements	IFRS 9 carrying amount as at 1 July 2018
		£000	£000	£000	£000
Cash and cash equivalents					
Opening balance as per IAS 39		1,228,015	-	-	-
Remeasurement ECL allowance		-	-	(341)	-
Closing balance as per IFRS 9		-	-	-	**1,227,674**
Lending to financial institutions and advances					
Opening balance as per IAS 39		4,870,575	-	-	-
Remeasurement ECL allowance		-	-	(104,199)	-
Closing balance as per IFRS 9		-	-	-	**4,766,376**
Investment in financial assets - amortised cost					
Opening balance as per IAS 39		-	-	-	-
Addition: From financial assets held to maturity (IAS 39)	(D)	-	2,112,525	-	-
Remeasurement ECL allowance		-	-	(1,231)	-
Closing balance as per IFRS 9		-	-	-	**2,111,294**

Notes *(continued)*

4. Adoption of IFRS 9 *(continued)*

	Reference	IAS 39 carrying amount as at 30 June 2018 £000	Reclassifications £000	Remeasurements £000	IFRS 9 carrying amount as at 1 July 2018 £000
Investment in financial assets - Held for maturity					
Opening balance as per IAS 39		2,124,563	-	-	-
Less: To amortised cost (IFRS 9)		-	(2,112,525)	-	-
Less: To FVPL (IFRS 9)	(A)	-	(12,038)	-	-
Closing balance as per IFRS 9		-	-	-	-
Trade and other receivables					
Opening balance as per IAS 39		289,756	-	-	-
Remeasurement ECL allowance		-	-	(1,445)	-
Closing balance as per IFRS 9		-	-	-	288,311
Total financial assets at amortised cost		**8,512,909**	**(12,038)**	**(107,216)**	**8,393,655**
Fair value through profit or loss					
Investment securities - Held for *trading*					
Opening balance as per IAS 39 and **closing balance as per IFRS 9**	(B)	221,366	-	-	221,366
Investment securities - FVPL *(mandatory)*					
Opening balance as per IAS 39		-	-	-	-
Add: From available for sale (IAS 39) - debt instruments	(A)	-	3,244	-	-
Add: From available for sale (IAS 39) - equity instruments	(A)	-	228	-	-
Add: From held to maturity (IAS 39) - debt instruments	(A)	-	12,038	-	-
Closing balance as per IFRS 9		-	-	-	15,510
Investment securities - FVPL (designated)					
Opening balance as per IAS 39		-	-	-	-
Addition: From available for sale (IAS 39) - equity instruments		-	115,785	-	-
Closing balance as per IFRS 9		-	-	-	115,785
Total financial assets at FVPL		**221,366**	**131,295**	**-**	**352,661**

Notes *(continued)*

4. Adoption of IFRS 9 *(continued)*

		IAS 39 carrying amount as at 30 June 2018	Reclassifications	Remeasurements	IFRS 9 carrying amount as at 1 July 2018
		£000	£000	£000	£000
Fair value through other comprehensive income					
Investment securities - FVOCI (debt instruments)					
Opening balance as per IAS 39		-	-	-	-
Add: From available for sale (IAS 39)	(D)	-	2,809,781	-	-
Remeasurement ECL allowance		-	-	(2,726)	-
Closing balance as per IFRS 9		-	-	-	2,807,055
Investment securities - FVOCI (equity instruments)					
Opening balance as per IAS 39		-	-	-	-
Add: From available for sale (IAS 39) - Designated	(C)	-	3,889	-	-
Closing balance as per IFRS 9		-	-	2,999	6,888
Investment securities - Available for sale					
Opening balance as per IAS 39		2,933,722	-	-	-
Less: To mandatory FVPL (IFRS 9) - debt instruments	(A)	-	(3,244)	-	-
Less: To FVPL (IFRS 9) - equity instruments		-	(115,785)	-	-
Less: To mandatory FVPL (IFRS 9) - equity instruments		-	(228)	-	-
Less: To FVOCI - equity instruments	(C)	-	(3,889)	-	-
Less: To FVOCI - debt instruments	(D)	-	(2,809,781)	-	-
Closing balance as per IFRS 9		-	-	-	795
Total financial assets at FVOCI		**2,933,722**	**(119,257)**	**273**	**2,814,738**
Total		**11,667,997**	**-**	**(106,943)**	**11,561,054**

The total remeasurement loss of £112.2 million (£68.4 million net of tax) was recognised in opening reserves at 1 July 2018 out of which £109.9 million was on account of financial assets and £2.2 million on financial guarantees and other obligations. In addition, an amount of £12.0 million was reclassified from revaluation reserve to retained earnings at 1 July 2018 on account of surplus on revaluation of equity instruments mandatorily classified as FVPL under IFRS 9.

The following explains how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Group as shown in the table above:

(A) Debt instruments previously classified as held to maturity (HTM) and available for sale (AFS), but which fail the SPPI test

The Group holds a portfolio of debt instruments that failed to meet the 'solely payments of principal and interest' (SPPI) requirement for amortised cost classification under IFRS 9. These instruments contain provisions that, in certain circumstances, can allow the issuer to defer interest payments, but which do not accrue additional interest. This clause breaches the criterion that interest payments should only be consideration for credit risk and the time value of money on the principal. As a result, held to maturity and available for sale instruments, which amounted to £12.0 million and £3.2 million respectively, were classified as FVPL from the date of initial application.

(B) Investment in debt securities previously designated at fair value through profit or loss

The Group holds investment of £221.4 million in a portfolio of debt securities which had previously been designated at fair value through profit or loss as the debt securities were managed on a fair value basis. As part of the transition to IFRS 9, these securities are part of an 'other' business model and so required to be classified as FVPL category under IFRS 9, instead of designated FVPL category under IAS 39.

Notes *(continued)*

4. Adoption of IFRS 9 *(continued)*

(C) Designation of equity instruments at FVOCI

The Group has elected to irrevocably designate strategic investments of £4.7 million in unquoted securities as permitted under IFRS 9. These securities were previously classified as available for sale. The changes in fair value of such securities will no longer be reclassified to profit or loss when they are disposed of.

(D) Reclassification from retired categories with no change in measurement

In addition to the above, the following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were 'retired', with no changes to their measurement basis:

(i) Those previously classified as available for sale and now classified as measured at FVOCI; and

(ii) Those previously classified as held to maturity and now classified as measured at amortised cost.

5. Revenue

Trading Group	2019 £000	2018 £000
Wholesale (including Bestway Retail): sale of goods	2,347,529	2,077,923
Pharmacy: sale of goods	790,259	783,735
Cement: sale of goods	303,523	355,325
Investment property: rental income	6,600	7,392
	3,447,911	3,224,375

Rental income is split between the various cash generating units.

6. Interest income

Banking Group	2019 £000	2018 £000
Operating interest income on:		
Financial assets classified as FVOCI	6,371	-
Trading securities classified as FVPL	298	-
Debt securities measured at amortised cost	357,672	-
Loans and advances to financial institutions measured at amortised cost	30,105	15,068
Loans and advances to customers measured at amortised cost	334,268	264,799
Placement with banks at amortised cost	7,981	6,036
Available for sale investments	-	5,518
Held for trading securities	-	173
Held to maturity securities	-	484,539
	736,695	776,133

Interest income on individually impaired loans is £44.6 million (2018: £33.9 million)

Notes *(continued)*

7. Interest expense

Banking Group	2019 £000	2018 £000
On deposits	**286,776**	229,945
On securities sold under repurchase agreements	**54,233**	131,396
On short term borrowings	**29,789**	18,866
On long term borrowings	**3,525**	3,187
On subordinated debt	**4,852**	-
Cost of foreign currency swaps against foreign currency deposits/borrowings	**13,184**	-
	392,359	383,394

8. Net written premiums

Banking Group	2019 £000	2018 £000
Gross written premium		
Gross premiums written	**24,152**	22,175
Change in provision for unearned premiums	**(2,104)**	(1,371)
	22,048	20,804
Premium ceded to reinsurer		
Re-insurance ceded	**(13,122)**	(11,421)
Change in prepaid reinsurance premium ceded	**1,454**	45
	(11,668)	(11,376)
Net written premiums	**10,380**	9,428

9. Net benefits and claims

Banking Group

	Gross benefits and claims paid 2019 £000	Claims ceded to reinsurers 2019 £000	Gross change in contract liabilities 2019 £000	Change in contract liabilities ceded to reinsurers 2019 £000	Net benefits and claims 2019 £000
Fire	**(3,228)**	**2,787**	**825**	**(566)**	**(182)**
Marine	**(872)**	**686**	**(275)**	**273**	**(188)**
Motor	**(3,601)**	**1,192**	**(129)**	**308**	**(2,230)**
Miscellaneous	**(4,349)**	**3,083**	**(219)**	**65**	**(1,420)**
Total	**(12,050)**	**7,748**	**202**	**80**	**(4,020)**

	Gross benefits and claims paid 2018 £000	Claims ceded to reinsurers 2018 £000	Gross change in contract liabilities 2018 £000	Change in contract liabilities ceded to reinsurers 2018 £000	Net benefits and claims 2018 £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)

Notes *(continued)*

10. Fee, commission and brokerage income

Banking Group	**2019**	2018
	£000	£000
Commission on remittances	**8,948**	8,393
Net rebate income on home remittances*	**8,409**	7,595
Commission on ATM / debit cards	**9,477**	9,891
Corporate service charges / finance / facility fee	**6,862**	11,464
Commission on intercity cheque / cash deposit and withdrawals	**3,966**	3,795
Commission on cash management	**4,294**	4,603
Trade income	**10,250**	12,320
Bank assurance commission	**9,411**	8,813
Commission on consumer loans	**5,568**	5,183
Minimum balance charges	**1,626**	1,640
Commission on inward / outward cheque clearance	**631**	881
Commission on utility bills	**2,186**	2,567
Reinsurance commission income	**2,205**	2,127
Commission on cheque book issuance	**2,440**	2,812
Commission from financial institutions	**6,188**	6,299
Fee for management of funds	**5,395**	7,733
Others	**6,376**	10,535
	94,232	106,651

*This includes pay out to correspondents for home remittances amounting to £26.5 million (2018: £24.2 million).

11. Fee, commission and brokerage expense

Banking Group	**2019**	2018
	£000	£000
Commission expense	**2,708**	2,287
	2,708	2,287

12. Other operating income

Trading Group	**2019**	2018
	£000	£000
Net gain on disposal of investment property	**-**	892
Net gain on disposal of property, plant and equipment	**105**	1,325
Other income	**4,197**	1,769
	4,302	3,986

Banking Group	**2019**	2018
	£000	£000
Rental income	**2,256**	1,648
Other income	**226**	68
	2,482	1,716

Notes *(continued)*

13. Gains and losses on investments

Banking Group	**2019** **£000**	2018 £000
Gain on translation of financial assets	**25,645**	19,048
Gain on sale of securities – realised	**-**	37,390
Loss on equity securities classified as FVPL	**(27,925)**	-
Loss realised on sale of debt securities classified as FVOCI	**(607)**	-
Loss on revaluation of held for trading investments classified as FVPL	**(731)**	-
Gain on revaluation of investments classified as held for trading	**7,546**	-
Other income	**3,632**	3,361
	7,560	59,799

Gains and losses on investments relates to investment income, gains and losses relating to banking operations other than net interest income. Other investment income is shown in note 12, which relates to non-operating investment revenues.

14. Operating profit and auditors' remuneration

Included in operating profit are the following:	**Trading Group 2019 £000**	**Banking Group 2019 £000**	**Total 2019 £000**	Trading Group 2018 (restated) £000	Banking Group 2018 (restated) £000	Total 2018 (restated) £000
Losses on revaluation of investments classified as held for trading	**-**	**731**	**731**	-	9	9
Depreciation of property, plant and equipment	**45,686**	**14,653**	**60,339**	42,498	17,117	59,615
Amortisation of intangible assets	**38,671**	**3,509**	**42,180**	39,040	3,805	42,845
Impairment of goodwill	**3,258**	**-**	**3,258**	10,055	-	10,055
Operating lease charges	**22,322**	**18,808**	**41,130**	16,640	18,544	35,184
Operating expenses of investment property	**629**	**-**	**629**	2,500	-	2,500

Details of the restatement are given in note 50.

Auditors' remuneration:	**2019** **£000**	2018 £000
Audit of these financial statements	**25**	15
Amounts receivable by the Group's auditors' and its associates in respect of:		
Audit of financial statements of subsidiaries of the Group	**977**	619
Audit related assurance services	**183**	
Taxation compliance services	**118**	158
All other services	**290**	490
	1,593	1,282

PwC LLP were appointed as auditors on 6 March 2019. The prior year auditor's remuneration relates to KPMG LLP. Amounts paid to the Group's auditor and its associates in respect of services to the Group, 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.

During the period 30 June 2018 PwC LLP was the auditor of the Bestway Retail Limited with audit fee of £160,000 and non-audit services for the Group of £20,000.

Notes *(continued)*

15. Staff numbers and costs

The average monthly number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	Trading *Group* 2019 Number	Banking *Group* 2019 Number	*Total* 2019 Number	Trading Group 2018 Number	Banking Group 2018 Number	*Total* 2018 Number
Head office and management	1,978	-	1,978	1,433	-	1,433
Wholesale and retailing	10,709	-	10,709	11,580	-	11,580
Manufacturing	1,698	-	1,698	1,820	-	1,820
Distribution	978	-	978	1,019	-	1,019
Banking	-	13,534	13,809	-	15,489	15,489
	15,363	13,534	29,172	15,852	15,489	31,341

Staff costs for the above:

	Trading Group 2019 £000	Banking Group 2019 £000	Total 2019 £000	Trading Group 2018 £000	Banking Group 2018 £000	Total 2018 £000
Wages and salaries	300,754	102,422	403,176	264,567	177,461	442,028
Social security costs	23,122	796	23,918	20,045	1,065	21,110
Other pension costs	7,937	5,539	13,476	6,510	61,409	67,919
	331,813	108,757	440,570	291,122	239,935	531,057

16. Finance income

Trading Group	**2019 £000**	2018 £000
Bank deposits	30	4
Interest from related parties	-	27
Other interest	39	3
	69	34

17. Finance expense

Trading Group	**2019 £000**	2018 £000
Interest on bank loans and overdrafts	17,677	15,454
Accrued preference dividends	3,460	3,460
Refinancing costs	88	2,801
Net interest expense on defined benefit obligation	166	233
	21,391	21,948
Banking Group		
Finance costs	8	-
	8	-

Notes *(continued)*

18. 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, income 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.

Trading Group

There were no adjusting items identified for the year ended 30 June 2019. Adjusting items relating to the prior year are detailed below;

Included in profit / (loss) are the following adjusting items:	**2019 £000**	2018 £000
Gain on acquisition (restated)	-	7,156

The gain on acquisition relates to the restated 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 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 £7.2 million. See note 22 for more information on this acquisition and note 50 for more information relating to the restatement.

Banking Group

Included in profit / (loss) are the following adjusting items:	**2019 £000**	2018 £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 (c.£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.

Notes *(continued)*

19. Taxation

i) Analysis of charge in the year:

Recognised in the income statement	**2019**	2018
	£000	£000
Current tax		
UK corporation tax on profits for the year	**7,689**	13,905
Adjustments in respect of previous years	**2,989**	(4,787)
Foreign tax: Current tax on income in the year	**94,168**	92,411
Current tax expense	**104,846**	101,529
Deferred tax		
Origination and reversal of temporary differences	**934**	(9,128)
Changes in tax rate	**6,597**	(10,798)
Adjustments in respect of previous years	**(195)**	682
Deferred tax credit (see note 39)	**7,336**	(19,244)
Total tax expense	**112,182**	82,285

Income tax recognised in other comprehensive income	**2019**	2018
	£000	£000
Remeasurements of defined benefit liability	**7,603**	(459)
Movements in fair value of investments	**(10,024)**	(49,995)
Other movements	**(1,151)**	(2,784)
	(3,572)	(53,238)

ii) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019	2018 (restated)
	£000	£000
Profit for the year	**227,677**	285,900
Tax using the UK corporation tax rate of 19.00 % (2018: 19.00%)	**43,258**	54,321
Effects of:		
Expenses that are not deductible in determining taxable profit	**7,282**	5,204
Income not taxable for tax purposes	**(1,003)**	(6,902)
Rate change impact	**6,597**	(10,798)
Higher rate of tax on overseas earnings	**52,088**	43,927
Other differences	**1,167**	(4,012)
Adjustment in respect of previous years	**2,793**	545
Total tax expense (including tax equity accounted investees)	**112,182**	82,285

iii) Factors that may affect future tax charges

Reductions in the UK corporation tax from 19% to 17% (effective 1 April 2020) were substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge.

There are no material unrecognised deferred tax balances (2018: £nil) as at June 2019.

Notes *(continued)*

20. Assets classified as held for sale

UBL Bank (Tanzania) Limited (UBTL) is a wholly owned subsidiary of United Bank Limited (UBL). UBL and UBTL have entered into an "Assets and Liabilities Purchase Agreement" with EXIM Bank Tanzania Limited subject to all applicable corporate compliances and the regulatory approvals at both places, i.e. Pakistan and Tanzania. The entity of UBTL and its banking license will remain intact for the time being. Accordingly, the investment in UBTL is classified as "held for sale' at lower of carrying amount and fair value less cost of disposal, in the 2019 financial statements.

Assets and liabilities classified as held for sale

	As at 30 June 2019 £000
Assets	
Non-current assets	
Investments in financial assets	5,720
Lending to financial institutions and advances	6,105
	11,825
Current assets	
Lending to financial institutions and advances	5,188
Cash and cash equivalents	3,882
	9,070
Total assets	**20,895**
Current liabilities	
Trade and other payables	659
Deposits and other accounts	8,639
Other interest-bearing loans and borrowings	10,718
Total liabilities	**20,016**

Notes *(continued)*

21. Goodwill

	Total £000
Cost	
At 1 July 2017	232,336
Exchange differences	(23,524)
At 30 June 2018	208,812
Exchange differences	(28,627)
At 30 June 2019	**180,185**
Accumulated impairment charge	
At 1 July 2017	26,042
Impairment for the year	10,055
Exchange differences	(772)
At 30 June 2018	35,325
Impairment for the year	3,258
Exchange differences	(109)
At 30 June 2019	**38,474**
Net book value	
At 30 June 2019	**141,711**
At 30 June 2018	173,487

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	2019 £000	2018 £000
Pharmacy	**37,757**	40,397
Wholesale	**12,055**	12,055
Cement	**61,499**	81,763
Banking	**30,400**	39,272
	141,711	173,487

The Group tests goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired. The need to recognise any impairment charges is assessed by comparing the carrying value to the recoverable amount. The recoverable amount is the higher of the value in use or the fair value less cost to sell of each cash generating unit with any impairment charge recognised in the administrative expenses in the income statement.

As part of the annual impairment exercise, the Directors have also conducted a sensitivity analysis taking into consideration the impact of reasonably possible changes in key assumptions in the value in use or fair value less cost to sell calculations.

Pharmacy Goodwill

The recoverable amount of the pharmacy cash generating units have been assessed with reference to their value in use calculations using a discounted cash flow model.

Notes *(continued)*

21. Goodwill *(continued)*

In addition to the budgeted EBITDA figures key assumptions used in these calculations are shown below:

	2019	2018
Period on which management approved forecasts are based	5 years	5 years
Growth rate applied beyond approved forecast period	2%	2%
Discount rate	9.3%	8.1%

The growth rates used in value in use calculation reflect the average industry growth expected. The discount rates used have declined year on year due to current market conditions. In calculating this value, management have used budgeted EBITDA. Budgeted EBITDA was based on expectations of future outcomes considering past experience, adjusted for anticipated revenue growth.

In calculating any impairment provision, the Group makes an estimate of the expected return for each cash generating unit in comparison to the goodwill and intangibles of that cash generating unit. Any impairment is first applied to goodwill and then the related licenses. A goodwill impairment charge of £2.6m (2018: £0.4m) was recognised within administrative expenses.

A reasonably possible change in assumptions for goodwill in the pharmacy business would lead to a further impairment.

Wholesale Goodwill

The total goodwill attributable to the wholesale business as at June 2019 is £12.1m. Of the total goodwill value £5.1m relates to acquisition of five depots located in Scotland, with the balance of £7m relating to Batley's Limited.

Goodwill relating to depots:
The Directors have calculated the recoverable amount of these cash generating units with reference to their value in use.

The key assumptions other than the forecast EBITDA used in the value in use calculations are:

	2019	2018
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%	6.0%

Goodwill relating to Batley's Limited
The Directors have calculated the recoverable amount of Batley's Limited with reference to a fair value less cost to sell approach based on its net assets. Using this approach, the recoverable amount was in excess of the carrying value of this cash generating unit.

A reasonably possible change in assumptions for goodwill in the Wholesale business would not lead to an impairment.

Cement Goodwill

The goodwill attributable to the cement business as at 30 June 2019 is £61.5 million (2018: £81.8 million.) and relates to the acquisition of Pakcem Limited and Mustehkam Cement Limited.

The recoverable amount of this goodwill is assessed for impairment annually using a fair value less cost to sell approach. The calculation methodology takes account of an Enterprise Value to EBITDA multiple derived from the financial information of similar sized cement businesses and an estimate of cost to sell of 5% of the Enterprise Value to cover professional, legal costs and taxes.

The recoverable amount for the Cement business using this method is in excess of the carrying value of the CGU and any reasonably possible change in assumptions for group goodwill in the cement business would not lead to an impairment.

Banking Goodwill

The goodwill amount of £30.4 million (2018: £39.3 million) relates to the Group's controlling stake in United Bank Limited.

For the banking business, the recoverable amount has been derived using a fair value less cost to sell methodology based on its listed share price adjusted for a control premium and an estimate of the cost to sell of 5% to cover professional, legal costs and taxes. These assumptions are based on previous comparable transactions.

A reasonably possible change in assumptions for goodwill in the banking business would not lead to an impairment.

Notes *(continued)*

22. Acquisition of subsidiary

Acquisitions in the prior period

In the prior year, on 7 April 2018, Bestway Retail Limited, a wholly owned (indirect) subsidiary of Bestway Group Limited, acquired the assets and liabilities from Bargain Booze Limited, Conviviality Retail Logistics Limited and Wine Rack Limited (see the prior year's financial statements for further details) resulting in a one-off gain on acquisition recognised in Income Statement. At the date of acquisition, the net assets acquired were estimated to have a provisional fair value of £27.9 million and the Directors had one year to finalise their assessment. A detailed exercise to reassess the fair values was performed during the year which resulted in a number of revisions to the provisional figures with the Directors concluding that the final fair values of the net assets acquired was £14.7 million. Details of the adjustments made to finalise the fair value exercise for this acquisition are given below;

		Provisional fair values £'000	Fair value Adjustment £'000	Final fair values £000
Intangible assets	*i*	10,848	(4,755)	6,093
Property, plant and equipment	*ii*	13,618	(8,862)	4,756
Inventories	*iii*	15,765	(1,544)	14,221
Cash and cash equivalents	*iv*	619	234	853
Trade and other payables	*v*	(5,473)	(182)	(5,655)
Provisions (more than one year)	*vi*	(3,870)	(171)	(4,041)
Deferred Tax	*vii*	(3,642)	2,076	(1,566)
Total fair values of identifiable assets		27,865	(13,204)	14,661
Cash consideration		7,505	-	7,505
Gain on aqusition		20,360	(13,204)	7,156

In accordance with IFRS 3 the Directors have restated the financial statements for the year ended 30 June 2018. See note 50 for further details.

23. Other intangible assets

Trading Group	Licences £000	Software £000	Other intangible assets £000	Total £000
Cost				
At 1 July 2017	563,271	537	-	563,808
Acquisitions through business combinations (restated)	-	-	6,093	6,093
Additions developed internally	-	-	367	367
Additions purchased externally	1,500	2	-	1,502
Exchange difference		(82)	-	(82)
At 30 June 2018 (restated)	564,771	457	6,460	571,688
Additions developed internally		559	4,755	5,314
Additions purchased externally	1,045	4	719	1,768
Disposals	(1,407)	-	-	(1,407)
Exchange difference	-	(191)	-	(191)
At 30 June 2019	**564,409**	**829**	**11,934**	**577,172**
Amortisation and impairment				
At 1 July 2017	99,014	351	-	99,365
Impairment	1,123	-	-	1,123
Charge for the year	38,774	94	172	39,040
Exchange differences	-	(61)	-	(61)
At 30 June 2018	138,911	384	172	139,467
Impairment	95	-	-	95
Charge for the year	37,781	69	821	38,671
Disposals	(1,051)	-	-	(1,051)
Exchange differences	-	(98)	-	(98)
At 30 June 2019	**175,736**	**355**	**993**	**177,084**
Net book value				
At 30 June 2019	**388,673**	**474**	**10,941**	**400,088**
At 30 June 2018 (restated)	425,860	73	6,288	432,221

See note 50 for information regarding assets acquired through business combinations and details of the restatement.

Notes *(continued)*

23. Other intangible assets *(continued)*

As per note 50 the numbers above have been restated for the Bestway Retail Limited acquisition. The key change is on the 'gain on acquisition' which was reported in the 30 June 2018 financial statements as £10.8 million and has now been restated to £6.1 million, which is a change of £4.8 million in the fair value of intangible assets acquired.

Licences

The pharmacy business requires licenses from relevant authorities in order to operate.

An impairment loss is recognised whenever the carrying amount of licences exceeds their 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 within administrative expenses.

Other intangible assets

Other intangibles comprise of acquired brands (which are amortised over the useful economic life between 5 and 10 years) and software costs and capitalised project costs (both of which are amortised over 4 years).

Banking Group	**Software £000**
Cost	
At 1 July 2017	17,944
Additions	6,886
Disposals	(3,721)
Exchange difference	(4,960)
At 30 June 2018	16,149
Additions	3,614
Exchange difference	(5,990)
At 30 June 2018	**13,773**
Amortisation and impairment	
At 1 July 2017	10,450
Charge for the year	3,805
Disposals	(3,633)
Exchange differences	(3,648)
At 30 June 2018	6,974
Charge for the year	3,509
Exchange differences	(4,155)
At 30 June 2019	**6,328**
Net book value	
At 30 June 2019	7,445
At 30 June 2018	9,175

Notes *(continued)*

24. Property, plant and equipment

Trading Group	Land and buildings £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Assets in course of construction £000	Total £000
Cost or valuation						
At 1 July 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 (restated)	2,046	408	2,123	55	-	4,632
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	**400,604**	**394,183**	**134,159**	**18,607**	**8,993**	**956,546**
Additions	2,540	7,015	18,971	1,002	17,236	46,764
Disposals	(675)	(1,642)	(1,433)	(1,959)	-	(5,709)
Exchange difference	(23,819)	(76,685)	(646)	(983)	(1,113)	(103,246)
Transfers	7,193	16,154	111	-	(23,458)	-
At 30 June 2019	**385,843**	**339,025**	**151,162**	**16,667**	**1,658**	**894,355**
Depreciation						
At 1 July 2017	66,768	119,524	55,885	8,314	-	250,491
Charged in year (restated)	8,205	13,623	16,933	3,737	-	42,498
Disposals	-	(1,516)	(62)	(1,269)	-	(2,847)
Exchange difference	(3,018)	(11,158)	(195)	(242)	-	(14,613)
At 30 June 2018	**71,955**	**120,473**	**72,561**	**10,540**	-	**275,529**
Charged in year	8,797	15,049	18,883	2,957	-	45,686
Disposals	(64)	(151)	(896)	(1,384)	-	(2,495)
Exchange difference	(4,722)	(19,443)	(280)	(420)	-	(24,865)
At 30 June 2019	**75,966**	**115,928**	**90,268**	**11,693**	-	**293,855**
Net book value						
At 30 June 2019	**309,877**	**223,097**	**60,894**	**4,974**	**1,658**	**600,500**
At 30 June 2018 (restated)	328,649	273,710	61,598	8,067	8,993	681,017

See note 50 for information regarding assets acquired through business combinations and details of the restatement.

Property, plant and equipment under construction

The amount of borrowing costs capitalised during the period was £292,000 (2018: £279,000) with a capitalisation rate of 7.03% (2018: 6.35%).

Assets pledged as security

Freehold land and buildings with a carrying amount of £259.5 million (2018 restated: £264.0 million) have been pledged to secure borrowings of the Group. The Group is prohibited from pledging these assets as security for other borrowings and is restricted with respect to disposing of them.

Notes *(continued)*

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

Banking Group

	Land and buildings £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Assets in course of construction £000	Total £000
Cost or valuation						
At 1 July 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**
Additions	9,419	2,627	8,522	445	2,728	23,741
Disposals	(334)	(2,046)	(1,911)	(715)	(5,233)	(10,239)
Revaluations	(230)					(230)
Exchange difference	(59,368)	(1,251)	(20,132)	(768)	(1,866)	(83,385)
At 30 June 2019	**213,499**	**3,208**	**52,960**	**1,468**	**8,266**	**279,401**
Depreciation						
At 1 July 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**
Charged in year	4,507	1,107	8,632	407	-	14,653
Disposals	(228)	(1,722)	(1,563)	(462)	-	(3,975)
Exchange difference	(3,587)	(555)	(11,014)	(476)	-	(15,632)
At 30 June 2019	**6,574**	**380**	**19,123**	**93**	-	**26,170**
Net book value						
At 30 June 2019	**206,925**	**2,828**	**33,837**	**1,375**	**8,266**	**253,231**
At 30 June 2018	258,130	2,328	43,413	1,882	12,637	318,390

The majority of properties of the Banking Group have been revalued by independent professional valuers as at 31 December 2018. The revaluation was carried out on the basis of professional assessment of present market values. The accumulated surplus arising against the revaluation of fixed assets as at 30 June 2019 amounts to £126.3 million (2018: £169.9 million).

Notes *(continued)*

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

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

Banking Group	Cost 2019 £000	Accumulated depreciation 2019 £000	Net book value 2019 £000
Freehold land	**3,768**	**-**	**3,768**
Leasehold land	**17,070**	**553**	**16,517**
Buildings on freehold land	**17,799**	**987**	**16,812**
Buildings on leasehold land	**23,434**	**1,541**	**21,893**
Buildings on leasehold land	**62,071**	**3,081**	**58,990**

	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

25. Investment property

Trading Group	United Kingdom £000	Pakistan £000	Total £000
Cost or valuation			
At 1 July 2017	113,149	1,838	114,987
Additions	38	-	38
Disposals	(4,520)	-	(4,520)
Exchange difference	-	(281)	(281)
Revaluation	4,342	46	4,388
At 30 June 2018	**113,009**	**1,603**	**114,612**
Additions	40	-	40
Exchange difference	-	(363)	(363)
Revaluation	2,130	23	2,153
At 30 June 2019	**115,179**	**1,263**	**116,442**
Net book value			
At 30 June 2019	**115,179**	**1,263**	**116,442**
At 30 June 2018	113,009	1,603	114,612

The investment property in Pakistan is held by the cement business.

Any gain or loss arising from a change in fair value is recognised as other gains and losses in the consolidated income statement.

Notes *(continued)*

25. Investment property (continued)

Investment properties located in the United Kingdom

For the investment properties located in the United Kingdom. the last full, formal external valuation was performed during the year ended 30 June 2015. An investment property fair value exercise was undertaken in the years to 30 June 2018 and 2019, based on desktop valuations performed by Jones Lang LaSalle, an external, independent valuer, having an appropriate recognised professional qualifications and recent experience in the location and class of property being valued.

The desktop 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.

The UK Trading Group has pledged £115.2 million (2018: £113.0 million) of its investment property to secure domestic banking facilities granted to the Trading Group (see note 36).

Investment properties located in Pakistan

The investment property is a portion of the cement business's head office building in Islamabad held for letting. An independent exercise was carried out to determine the fair value of investment property. To assess the land and building prices, a market survey was carried out in the vicinity of the investment property. Fair value of the investment property is based on independent valuer's judgment about average prices prevalent on the aforementioned date and has been prepared on openly available/provided information after making relevant inquiries from the market. Valuation was carried out by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Any gain or loss arising from a change in fair value is recognised as other gains and losses in the consolidated income statement.

Disclosures for the Trading group's investment properties are given below:

Fair value as at 30 June 2019	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**
Commercial property units:			
Located in the United Kingdom	-	-	115,179
Located in Pakistan	-	-	1,263
	-	-	116,442

Fair value as at 30 June 2018	Level 1 £000	Level 2 £000	Level 3 £000
Commercial property units:			
Located in the United Kingdom	-	-	113,009
Located in Pakistan	-	-	1,603
	-	-	114,612

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). The significant unobservable inputs used by the UK Trading Group is market rate per month £4-£55 per square foot (lettable).

Property valuations are inherently subjective as they are made based on assumptions made by the valuer. For these reasons we have classified the valuations of investment property portfolio as level 3 as defined by IFRS 13 and note they could be subject to material change.

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

Notes *(continued)*

25. Investment property (continued)

Banking Group	**Total £000**
Cost or valuation	
At 30 June 2017	19,634
Additions	3,479
Disposals	(2,183)
Revaluation	541
Exchange differences	(2,017)
At 30 June 2018	19,454
Additions	477
Disposals	(1,572)
Revaluation	1,398
Exchange differences	(3,838)
At 30 June 2019	**15,919**
Net book value	
At 30 June 2019	15,919
At 30 June 2018	19,454

The latest external valuations of investment properties of the Banking Group were performed by various independent professional valuers during year, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued.

The fair value of the investment property of UBL UK was based on a market-based desktop valuation conducted in December 2018. The desktop valuation was based on an analysis of rental yields and sales values of similar properties and locations. It was concluded that there have not been significant property market value movements since last valuations.

The Bank values its investment property at fair value as per the requirements of IFRS 13 - "Fair Value Measurement".

For the fair value measurement of investment properties, unobservable inputs are used by the valuers engaged by the Group. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date. Therefore, the investment properties are classified under level 3 hierarchy of fair value measurement under IFRS 13 and note they could be subject to material change.

Land, buildings and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty. Accordingly, a qualitative disclosure of sensitivity has not been presented in these consolidated financial statements.

Any gain or loss arising from a change in fair value is recognised as other gains and losses in the income statement.

Notes *(continued)*

26. Related undertakings

The Group consists of a parent Company, Bestway Group Limited, incorporated in the UK, and several subsidiaries held directly and indirectly by Bestway Group Limited. Details of the interests in subsidiaries are set out below:

	UK Company number	Registered office	Class of shares held	Ownership % 2019	Ownership % 2018
Directly held subsidiaries					
Bestway (Holdings) Limited (direct)	01392861	B	Ordinary	100	100
Indirectly held subsidiaries					
Trading Group					
Bestway Securities Limited	09106250	B	Ordinary	100	100
Bestway Northern Holdings Limited	NA	T	Ordinary	100	100
Bestway Cement Limited	NA	N	Ordinary	54.5	54.5
Bestway Power Limited	NA	N	Ordinary	100	100
Bestway Spinning Limited	NA	N	Ordinary	100	100
Bestway UK HoldCo Limited	09106288	B	Ordinary	100	100
Oakleaf Limited[4]	NA	T	Ordinary	100	100
Bestway Northern Limited	02675585	B	Ordinary	100	100
Bestway Limited[1]	02596168	B	Ordinary	100	100
Bestway Panacea Holdings Limited	09225479	A	Ordinary	100	100
Bestway Wholesale Limited	01207120	B	Ordinary	100	100
Palmbest Limited	02548785	B	Ordinary	100	100
Batleys Properties Limited	0170410	B	Ordinary	100	100
MAP Trading Limited	01826942	B	Ordinary	100	100
Euroimpex (U.K.) Limited[1]	01584125	B	Ordinary	100	100
Batleys Limited[1]	0675326	B	Ordinary	100	100
Bestway Retail Limited	04103203	B	Ordinary	100	100
Ardiles Bidco Limited[1]	10449694	U	Ordinary	100	100
KMD Enterprises Limited[1]	04314857	U	Ordinary	100	100
Xcel Retail Limited[1]	09121924	U	Ordinary	100	100
Bestway Pharmacy NDC Limited[7]	01050265	A	Ordinary	100	100
Donald Wardle and Son[47]	02914910	A	Ordinary	100	100
Opus Pharmaceuticals Limited[247]	05888155	A	Ordinary	100	100
Bestway Panacea Healthcare Limited[7]	09225514	A	Ordinary	100	100
Bestway National Chemists Limited[7]	09225457	A	Ordinary	100	100
Portslade Medical Supplies Limited[47]	01663067	A	Ordinary	100	100
FA Parkinson (Chemists) Limited[47]	SC038900	I	Ordinary	100	100
Parkinson (Paisley) Limited[47]	SC204178	I	Ordinary	100	100
Bestway Belfast Chemists Limited[47]	NI626625	J	Ordinary	100	100
Ebbw Vale Consortium Limited[147]	01338409	A	Ordinary	100	100
Care4U Pharmacy Limited[47]	03983332	A	Ordinary	100	100
Baillieston Health Centre Pharmacy Limited[5]	SC080281	V	Ordinary	0	36
Ideal Healthcare Limited[47]	03443725	A	Ordinary	100	100
Pills Limited[1]	SC271830	I	Ordinary	100	100
RLJ Consultancy Limited[1]	03283312	A	Ordinary	100	100
CCS (West Street) Limited[15]	06149560	A	Ordinary	0	100
G Lightfoot & Son Limited[1]	0626296	A	Ordinary	100	100
Crown Imperial Associates Limited[13]	03262921	A	Ordinary	0	100
Crewe Complete Solution Limited[15]	05765407	H	Ordinary	0	100
Keighley Health Centre Limited[24]	01263903	G	Ordinary	100	33
Thomas Hetherington Limited[13]	SC095304	I	Ordinary	0	100
P.H.C Pharmacy Limited[6]	SC115847	D	Ordinary	67	67
Cannon St. (HCC) Limited[15]	01659041	C	Ordinary	0	59
P Williams Chemists (Chester) Limited[13]	03210568	A	Ordinary	0	100
Three Swans Pharmacy Limited[24]	06975508	A	Ordinary	100	50
Victoria Pharmacy Limited	01933847	F	Ordinary	25	25
Victoria Pharmacy Limited	01933847	F	A	43	43
Penrith Health Centre (PD) Consortium Limited[24]	01775075	E	Ordinary	100	50
Penrith Health Centre (PD) Consortium Limited[24]	01775075	E	A	0	77
Batleys Glasgow Limited[1]	SC125810	B	Ordinary	100	100
Benson (Grocers) Limited[1]	SC256747	B	Ordinary	100	100
Bellevue Cash and Carry Limited[1]	SC046528	B	Ordinary	100	100

Notes *(continued)*

26. Related undertakings *(continued)*

	UK Company number	Registered office	Class of shares held	Ownership % 2019	2019
Indirectly held subsidiaries					
Banking Group					
United Bank Limited[8]	NA	L	Ordinary	55.8	55.8
UBL Insurers Limited	NA	O	Ordinary	79	79
United Bank AG Zurich[8]	NA	R	Ordinary	55.8	55.8
United National Bank Limited[89]	4146820	M	Ordinary	30.7	30.7
UBL Bank (Tanzania) Limited[8]	NA	Q	Ordinary	55.8	55.8
United Executives & Trustees Company Limited[8]	NA	P	Ordinary	55.8	55.8
UBL Fund Managers Limited[8]	NA	S	Ordinary	55.1	55.1
Al Ameen Financial Services (Pvt.) Limited[8]	NA	S	Ordinary	55.1	55.1

[1] These entities are dormant.

[2] Active; non-trading

[3] Dissolved in the year

[4] These subsidiary undertakings 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.

[5] Disposed of during the year

[6] Acquired 100% of the shareholding after the year end.

[7] These entities require financial support from Bestway Group Limited.

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

[9] This entity has effective ownership of 30.67% but is still considered a subsidiary. The immediate parent company, United Bank Limited, has a 55% holding in this entity, and United Bank Limited is a direct subsidiary of Bestway Holdings Limited as noted above. As a result, the Group can exercise significant control over this entity and is therefore considered a subsidiary. All other entities are considered subsidiaries due to effective ownership of the ordinary shares by this Company being greater than 50%.

The total liabilities of subsidiary undertakings exempt from the Companies Act 2006 audit requirements under Section 479C of the Act, totals £60.2 million (2018: £70.3 million).

A- Merchants Warehouse, Castle Street, Manchester, UK, M3 4LZ
B- 2 Abbey Road, Park Royal, London, UK, NW10 7BW
C- 64 Burnedge Lane, Grasscroft, Oldham, OL4 4EB
D- Citypoint 2 25 Tyndrum Street, Glasgow, G4 0JY
E- 4 Mason Court Gillan Way, Penrith 40 Business Park, Penrith, Cumbria, CA11 9GR
F- The Health Centre, Victoria Road, Hartlepool, TS26 8DB
G- 29 Devonshire Street, Keighley, West Yorkshire, BD21 2BH
H- Unit 6, Ashbrook Office Park, Longstone Road, Heald Green, Manchester, M22 5LB
I- 18-20 Main Street, Beith, Ayrshire, Scotland, KA15 2AD
J- 70 Ballygomartin Road, Belfast, BT13 3NE
K- 20 Muirside Road, Baillieston, Glasgow, G69 7AD
L- 13th Floor, UBL Building, Jinnah Avenue, Blue Area, Islamabad, Pakistan
M- 2 Brook St, London W1S 1BQ
N- Bestway Building, 19-A, College Road, F-7 Markaz, Islamabad, Pakistan
O- 126-C, Jami Commercial, Street No. 14, Phase VII, DHA, Karachi, Pakistan
P- State Life BUILDING No. 1, I.I. Chundrigar Road, Karachi, Pakistan
Q- 26 MKWEPU / Kaluta Street, P.O. BOX 5887, Dares Salaam, Tanzani, Tanzania.
R- United Bank AG (Zurich), Feldeggstrasse 55, P.O Box. No. 1176, 8034, Zurich, Switzerland
S- 4th Floor, STSM Building, Beaumont Road, Civil Lines, Karachi, Pakistan
T- Newport House, 15 The Grange, St Peters Port, GY1 2QL, Guernsey
U- Weston Road, Crewe, Cheshire, England, CW1 6BP
V- 204 Polmadie Road, Hampden Park Industrial Estate, Glasgow, G42 0PH

Notes *(continued)*

27. 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;

	Registered office	Class of shares held	Effective Ownership % 2019	Effective Ownership % 2018	Measurement Method	Carrying amount 2019 £000	Carrying amount 2018 £000
Banking Group							
Khushhali Bank Limited[1,2]	W	Ordinary	**29.7**	29.7	Equity method	**13,529**	13,889
UBL Funds[4]	X	Units	**NA**	NA	Equity method	**842**	9,385
Oman United Exchange Company Limited[2]	Y	Ordinary	**-**	25.0	Equity method	**-**	419
DHA Cogen Limited[2,3]	Z	Ordinary	**21.0**	21.0	Equity method	**-**	-
						14,371	23,693

[1]Khushhali Bank Limited is a microfinance bank which is based in Islamabad, Pakistan.

[2]This entity has a 31 December year end, in line with industry standards.

[3]This entity has been written down in previous financial years, therefore has a carrying value of nil as at 30 June 2019 (2018: nil).

[4]The investment in UBL Funds is across various funds originating from the Banking Group none of which the Group has control over.

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.

W - 55-C, 5th Floor, U-Fone Tower, Jinnah Avenue, Blue Area, Islamabad
X - 4th Floor, STSM Building, Beaumont Road, Civil Lines, Karachi, Pakistan
Y - Said Rajab Building 39, 3727, Ruwi High Street, Mezzanine Floor, Ruwi Area, 889, Muscat, Oman
Z - D-35, Block-5 Clifton, Karachi, Pakistan

Summarised financial information for associates

The Banking Group's investment in associates as at 30 June 2019 is analysed, in aggregate, in the below table;

	2019 £000	2018 £000
Carrying amount of interests in associates	**14,371**	23,693
Share of:		
Profit from continuing operations	**2,899**	2,600
Total comprehensive income	**2,899**	2,600

Below is the analysis of financial performance and financial position of Group's material associate, Khushhali Bank Limited;

	Khushhali Bank Limited 2019 £000	Khushhali Bank Limited 2018 £000
Revenue	**59,399**	79,946
Profit before tax	**25,106**	18,074
Other comprehensive income	**737**	(165)
Current assets	**308,899**	342,110
Net assets	**43,133**	43,944
Carrying amount of interests in associates	**13,529**	13,889

Notes *(continued)*

28. Inventories

Trading Group

	2019	2018 (restated)
	£000	£000
Consumables	**26,539**	47,530
Raw materials	**2,428**	3,929
Work-in-progress	**7,890**	19,222
Finished goods – cement	**2,632**	3,958
Finished goods – UK trading	**245,419**	254,147
	284,908	328,786

Details of the restatement are given in note 50.

The cost of inventories recognised as an expense during the year in respect of continuing operations was £2,855.2 million (2018: £2,942.9 million) before consideration of supplier rebates.

The cost of inventories recognised as an expense includes £1.3 million (2018: £2.7 million) in respect of write-downs of inventory to net realisable value.

Inventories with a carrying amount of £245.4 million (2018: £226.0 million) have been pledged as security for certain of the Trading Group's borrowings.

Notes *(continued)*

29. Investments in financial assets

Banking Group

	Current 2019 £000	Non-current 2019 £000	Total 2019 £000	Current 2018 £000	Non-current 2018 £000	Total 2018 £000
Financial investments at fair value through OCI						
Debt instruments						
Market Treasury Bills	829,735	-	829,735	-	-	-
Pakistan Investment Bonds	197,041	525,798	722,839	-	-	-
Government of Pakistan Sukuk	2,480	45,308	47,788	-	-	-
Government of Pakistan Eurobonds	1,444	103,138	104,582	-	-	-
Term Finance Certificates	3,229	-	3,229	-	-	-
Foreign bonds	89,405	339,356	428,761	-	-	-
Equity instruments						
Ordinary shares of unlisted companies	6,305	176	6,481	-	-	-
Investment in REIT	-	-	-	-	-	-
Mutual Fund	-	33	33	-	-	-
	1,129,639	1,013,809	2,143,448	-	-	-
Financial investments at fair value through Profit and Loss						
Debt instruments						
Market Treasury Bills	645,621	-	645,621	-	-	-
Pakistan Investment Bonds	715	-	715	-	-	-
Sukuks	-	4,158	4,158	-	-	-
Preference shares	177	-	177	-	-	-
Term Finance Certificates	1,709	10,836	12,545	-	-	-
Equity instruments						
Ordinary shares of listed companies- Initially Designated at Fair value through profit and loss	69,085	-	69,085	-	-	-
Investment in REIT	2,042	-	2,042	-	-	-
Mutual Funds	1,088	-	1,088	-	-	-
	720,437	14,994	735,431	-	-	-
Financial investments at amortised cost						
Debt instruments						
Market Treasury Bills	15,534	-	15,534	-	-	-
Pakistan Investment Bonds	464,782	689,243	1,154,025	-	-	-
Government of Pakistan Eurobonds	817	50,635	51,452	-	-	-
Government of Pakistan Sukuk	-	3,989	3,989	-	-	-
Other Federal Government Securities	-	-	-	-	-	-
Term Finance Certificates	3,796	15,119	18,915	-	-	-
Sukuk Bonds	10,786	68,867	79,653	-	-	-
Participation Term Certificates	2	-	2	-	-	-
Debentures	11	-	11	-	-	-
Foreign Bonds	8,961	86,272	95,233	-	-	-
Recovery Note	2,375	-	2,375	-	-	-
Deposit receipts	1,204	-	1,204	-	-	-
Letter of placement	530	-	530	-	-	-
Bai Muajjal	119,764	-	119,764	-	-	-
	628,562	914,125	1,542,687	-	-	-
Less: impairment on investments at amortised cost	(12,910)	-	(12,910)	-	-	-
	615,652	914,125	1,529,777	-	-	-
	2,465,728	1,942,928	4,408,656	-	-	-

Notes *(continued)*

29. Investments in financial assets *(continued)*

	Current 2019 £000	Non-current 2019 £000	Total 2019 £000	Current 2018 £000	Non-current 2018 £000	Total 2018 £000
Available-for-sale investments carried at fair value						
Market Treasury Bills	-	-	-	1,094,726	-	1,094,726
Pakistan Investment Bonds	-	-	-	298,206	791,914	1,090,120
Government of Pakistan Sukuk	-	-	-	63,380	53,304	116,684
Government of Pakistan Eurobonds	-	-	-	25,132	87,618	112,750
Ordinary shares of listed companies	-	-	-	130,782	227	131,009
Preference shares	-	-	-	2,656	-	2,656
Ordinary shares of unlisted companies	-	-	-	4,685	-	4,685
Term Finance Certificates	-	-	-	2,207	3,244	5,451
Units of mutual funds:						
Investment in REIT	-	-	-	3,345	-	3,345
Foreign bonds	-	-	-	92,299	311,039	403,338
Other bonds	-	-	-	-	-	-
	-	-	-	1,717,418	1,247,346	2,964,764
Trading investments carried at fair value						
Market Treasury Bills	-	-	-	221,351	-	221,351
Pakistan Investment Bonds	-	-	-	15	-	15
Ordinary shares of listed companies	-	-	-	-	-	-
Term Finance Certificates	-	-	-	-	-	-
	-	-	-	221,366	-	221,366
Held-to-maturity investments carried at amortised cost						
Market Treasury Bills	-	-	-	35,629	-	35,629
Pakistan Investment Bonds	-	-	-	436,128	1,347,634	1,783,762
Government of Pakistan Eurobonds	-	-	-	777	40,924	41,701
Term Finance Certificates	-	-	-	1,051	38,477	39,528
Sukuk Bonds	-	-	-	6,175	77,190	83,365
Participation Term Certificates	-	-	-	3	-	3
Debentures	-	-	-	14	-	14
Foreign Bonds	-	-	-	9,150	140,752	149,902
Recovery Note	-	-	-	303	2,027	2,330
CDC SAARC Fund	-	-	-	1	-	1
Commercial paper	-	-	-	1,413	-	1,413
	-	-	-	490,644	1,647,004	2,137,648
Impairment provision on investments	-	-	-	(38,776)	-	(38,776)
	2,465,728	1,942,928	4,408,656	2,390,652	2,894,350	5,285,002

Debt instruments measured at fair value through OCI

The table below shows the fair value of the Bank's debt instruments measured at FVOCI by credit risk, based on the Banking Group's internal credit rating system and year-end stage classification.

Internal rating grade	**Stage 1 £000**	**Stage 2 £000**	**Stage 3 £000**	**Total £000**
Performing				
Investment grade	*1,978,245*	*86,570*	-	*2,064,815*
Non-investment grade	-	61,000	-	61,000
Non-performing				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	5,940	5,940
Total	**1,978,245**	**147,570**	**5,940**	**2,131,755**

The table below shows the analysis of changes in the gross carrying amount in relation to debt instruments classified as fair value through OCI.

Notes *(continued)*

29. Investments in financial assets *(continued)*

An analysis of the corresponding ECLs is, as follows:

	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
ECL as at 1 July 2018 (see note 44)	**2,175**	**4,382**	**605**	**7,162**
New assets originated or purchased	83	470	1,757	2,310
Assets derecognised or matured (excluding write-offs)	(302)	(1,491)	-	(1,793)
Transfer to Stage 2	(200)	200	-	-
Transfer to Stage 3	-	(252)	252	-
Impact on year end ECL of exposures transferred between stages during the year	(200)	(52)	252	-
Changes to contractual cashflows due to partial repayments and changes to estimates and assumptions used to calculate ECL	-	5,675	1,513	7,188
Foreign exchange adjustments	219	(44)	(418)	(243)
As at 30 June 2019	**1,975**	**8,940**	**3,709**	**14,624**

The movements of ECL were primarily driven by new purchases and sales.

Gains / losses recognised in the income statement on sale of debt instrument classified under fair value through OCI are disclosed in note 13.

Gains / losses on remeasurement of debt instrument classified under fair value through OCI are recognised in the Statement of Comprehensive Income.

Investments given as collateral by the Banking Group

As at 30 June 2019	**Total £000**
Market Treasury Bills	**301,348**
Pakistan Investment Bonds	**14,089**
Government of Pakistan Eurobonds	**9,995**
Government of Pakistan Sukkuk	**5,874**
	331,306

Information about the methods and assumptions used in determining fair value is provided in note 44, and information about the loss allowance recognised on debt investments at FVOCI is provided above.

Equity instruments measured at fair value through OCI

Equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

Equity investments at FVOCI comprise the following:

Ordinary shares of unlisted companies	**As at 30 June 2019 £000**
First Women Bank	102
N.I.F.T	7
Passco	26
Swift (Belgium)	14
Techlogix International Limited	180
Cinepax Limited	289
Pakistan Mortgage Refinance Co Limited	2,408
The Benefit Company B.S.C	16
	3,042

Notes *(continued)*

29. Investments in financial assets *(continued)*

Debt instruments measured at Fair value through profit and loss (FVPL)

Debt investments recognise in this category are those that do not qualify for measurement at either amortised cost or FVOCI.

Gains / losses recognised in income statement on debt instruments classified under fair value through profit and loss are disclosed in note 13.

Information about the methods and assumptions used in determining fair value of debt instruments at fair value through profit and loss is provided in note 44.

Investments given as collateral by the Bank

As at 30 June 2019	Total £000
Market treasury bills	234,424

Equity instruments measured at fair value through profit and loss (FVPL)

The group classifies the following financial assets at fair value through profit or loss;

- equity investments that are held for trading and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Gains / losses recognised in the income statement on equity instruments classified under fair value through profit and loss are disclosed in note 13.

Information about the methods and assumptions used in determining fair value of equity instruments at fair value through profit and loss is provided in note 44.

Debt instruments measured at amortised cost

The table below shows the fair value of United Bank Limited's (which forms the significant portion of the Banking Group) debt instruments measured at amortised cost by credit risk, based on UBL's internal credit rating system and year-end stage classification.

Internal rating grade	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Performing				
Investment grade	1,475,255	41,108	-	1,516,363
Non-investment grade	-	21,422	-	21,422
Past due but not impaired	-	-	-	-
Non-performing	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	4,902	4,902
Total	**1,475,255**	**62,530**	**4,902**	**1,542,687**

The table below shows the analysis of changes in the gross carrying amount in relation to debt instruments classified as fair value through OCI.

Notes *(continued)*

29. Investments in financial assets *(continued)*

An analysis of the corresponding ECLs is, as follows:

	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
ECL as at 1 July 2018	**1,026**	**2,022**	**11,268**	**14,316**
New assets originated or purchased	114	2,066	-	**2,180**
Assets derecognised or matured (excluding write-offs)	(210)	(1,209)	(2,898)	**(4,317)**
Transfer to Stage 1	94	(94)	-	-
Impact on year end ECL of exposures transferred between stages during the year	94	(94)	-	-
Changes to contractual cash flows due to partial repayments and changes to estimates and assumptions used to calculate ECL.	4	1,802	(42)	**1,764**
Foreign exchange adjustments	17	89	(1,140)	**(1,034)**
As at 30 June 2019	**1,045**	**4,676**	**7,188**	**12,909**

The group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Fair value of debt instruments classified at amortised cost is disclosed in note 13.

Information about the methods and assumptions used in determining fair value is provided in note 44 and information about the loss allowance recognised on debt investments at amortised cost is provided above.

30. Trade and other receivables

Trading Group	**2019 £000**	2018 £000
Trade receivables	**168,627**	163,216
Expected credit losses	**(5,634)**	(3,491)
	162,993	159,725
Amounts due from related parties	**742**	1,584
Prepayments and accrued income	**48,981**	42,402
Other receivables	**36,438**	54,548
	249,154	258,259

Trade receivables

Wholesale and pharmacy businesses

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

The average credit period taken on sales of goods for our wholesale business is 30 days and 63 days for the OPD (Out Patients Department) of our Pharmacy business. No interest is charged on the receivables balance, except for pharmacy's OPD customers for late payment. OPD customers are customers served in Well Pharmacy branches held within hospitals. The wholesale and pharmacy businesses will assess debt using the simplified expected credit loss methodology in respect of trade and other receivables will be recorded and is assessed subsequently at each reporting period end and if there is a material change in the credit risk lifetime ECL's will be recorded, there was no material change in the credit risk of trade and other receivables of the group at 30 June 2019. The debt ageing 90 days, or more are assessed by the wholesale and pharmacy businesses and a provision is provided against the debt which is unlikely to be recovered in the next 12 months. To measure the expected credit losses trade receivables are grouped based on shared credit risk characteristics and days past due.

Notes *(continued)*

30. Trade and other receivables *(continued)*

Cement business

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

The average credit period taken on sales of goods for our cement business is 10 days. The business' exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the credit risk of its customer base. The business has established a credit policy under which each new customer is assessed individually for creditworthiness before the business's standard payment and delivery terms and conditions are offered. Sales limits are established for each customer and are reviewed on monthly basis. The business maintains provision for doubtful debts that represents its estimate of probable losses in respect of trade debts.

Trading Group

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

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

	Gross 2019 £000	Impairment 2019 £000	Gross 2018 £000	Impairment 2018 £000
Not past due	**152,557**	**-**	151,569	-
0-30 days past due	**1,807**	**167**	1,907	-
31-60 days past due	**3,761**	**60**	4,139	235
More than 61 days past due	**10,502**	**5,407**	5,601	3,256
	168,627	**5,634**	163,216	3,491

Movement in expected credit losses:

	2019 £000	2018 £000
Balance at the beginning of the period	**3,491**	2,990
Impairment losses recognised	**1,572**	710
Provision for uncollectable debts	**749**	-
Impairment losses reversed	**(178)**	(209)
Balance at the end of the year	**5,634**	3,491

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.

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. Other receivables are held at amortised cost as the objective is to collect the contractual cash flow which are solely the principal balance and related interest.

Banking Group	2019 £000	2018 £000
Other receivables recognised as financial assets	**202,816**	241,373
Other receivables	**22,787**	34,831
Employee benefits	**-**	865
Insurance receivable	**6,637**	7,842
Prepayments and accrued income	**24,357**	22,359
Other assets - net of provisions	**256,597**	307,270
Provision held against other assets	**(7,840)**	(7,297)
	248,757	299,973

Provision held against other assets include £0.4 million because of ECL allowance on acceptances as at 30 June 2019.

Notes *(continued)*

31. Lending to financial institutions and advances

Banking Group	Current 2019 £000	Non-current 2019 £000	Total 2019 £000	Current 2018 £000	Non-current 2018 £000	Total 2018 £000
Lending to financial institutions						
Call money lending	17,382	-	17,382	110,406	-	110,406
Repurchase agreement lending	61,626	-	61,626	33,319	-	33,319
Bai Muajjal receivable from financial institutions	19,390	-	19,390	-	-	-
Other lending to financial institutions	-	10,534	10,534	76,123	58,379	134,502
Provision against lending to financial institutions	(25)	-	(25)	(5,682)	-	(5,682)
	98,373	10,534	108,907	214,166	58,379	272,545
Advances						
Loans, cash credits, running finances, etc.	1,843,805	1,621,594	3,465,399	2,336,910	2,055,633	4,392,543
Bills discounted and purchased	230,870	83,575	314,445	429,370	108,899	538,269
Provision against advances	(408,935)	-	(408,935)	(332,781)	-	(332,781)
	1,665,740	1,705,169	3,370,909	2,433,499	2,164,532	4,598,031
	1,764,113	1,715,703	3,479,816	2,647,665	2,222,911	4,870,576

Details of impairment losses on lending to financial institutions and advances subject to impairment assessment

Outstanding exposure as at 30 June 2019

The table below shows the carrying value of the Bank's lending to financial institutions and advances measured at amortised cost by credit risk, based on the Bank's internal credit rating system and year-end stage classification.

Internal rating grade (Corporate)

Performing	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Corporate				
High grade	885,396	52,723	-	938,119
Medium grade	962,965	242,630	-	1,205,595
Low grade	182,423	301,317	-	483,740
Past due but not impaired	512,823	114,896	-	627,719
Retail				
Not yet due	185,121	9,147	-	194,268
Past due but not impaired	19,204	21,029	-	40,233
Overseas Branches				
Non-performing (Corporate and Retail)				
OAEM	-	-	-	-
Substandard	-	-	35,850	35,850
Doubtful	-	-	23,614	23,614
Loss	-	-	339,639	339,639
	2,747,932	741,742	399,103	3,888,777

Notes *(continued)*

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

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to consumer lending are, as follows:

	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Gross carrying amount as at 1 July 2018	**3,970,802**	**843,261**	**394,976**	**5,209,039**
New assets purchased or originated	1,300,644	-	-	**1,300,644**
Payments and assets derecognised (excluding write-offs)	(1,270,767)	(307,268)	(43,345)	**(1,621,380)**
Transfers to Stage 1	71,615	(71,209)	(406)	-
Transfers to Stage 2	(462,383)	462,429	(46)	-
Transfers to Stage 3	(37,378)	(340,370)	377,748	-
Changes to contractual cashflows due to partial repayment	(428,146)	50,850	377,296	-
Changes to estimates and assumptions used to calculate ECL	(154,113)	233,955	(280,606)	**(200,764)**
Accrued Interest	-	-	2,235	**2,235**
Amount written off	(7,282)	-	(14,898)	**(22,180)**
Foreign exchange adjustments	(663,206)	(79,056)	(36,555)	**(778,817)**
As 30 June 2019	**2,747,932**	**741,742**	**399,103**	**3,888,777**

	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
ECL allowance as at 1 July 2018 under IFRS 9	31,636	70,285	340,741	442,662
New assets purchased or originated	59,657	-	-	59,657
Payments and assets derecognised (excluding write-offs)	(10,772)	(14,952)	(34,065)	(59,789)
Transfers to Stage 1	2,103	(1,778)	(325)	-
Transfers to Stage 2	(17,482)	17,528	(46)	-
Transfers to Stage 3	(38,734)	(3,501)	42,235	-
Impact on year end ECL of exposures transferred between stages during the year	(54,113)	12,249	41,864	-
Unwind of discount as a reduction of interest income	-	-	2,234	2,234
Changes to contractual cashflows due to modifications not resulting in derecognition	(7,674)	(6,553)	10,224	(4,003)
Changes to estimates and assumptions used for ECL calculations note 44 (Financial instruments)	-	-	19,409	19,409
Amounts written off	-	-	(14,906)	(14,906)
Foreign exchange adjustment	(4,097)	(8,865)	(23,342)	(36,304)
As 30 June 2019	14,637	52,164	342,159	408,960

32. Cash and cash equivalents

	Trading Group 2019 £000	**Banking Group 2019 £000**	**Total 2019 £000**	Trading Group (restated) 2018 £000	Banking Group 2018 £000	Total (restated) 2018 £000
Cash and cash equivalents	**154,181**	**1,337,440**	**1,491,621**	170,121	1,229,870	1,399,991
Bank overdrafts	**(107,148)**	**(2,085)**	**(109,233)**	(140,649)	(6,201)	(146,850)
	47,033	**1,335,355**	**1,382,388**	29,472	1,223,669	1,253,141

Details of the restatement are given in note 50.

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 are equal to their fair value.

Notes *(continued)*

33. Trade and other payables

	Trading Group 2019 £000	Banking Group 2019 £000	Total 2019 £000	Trading Group 2018 £000	Banking Group (restated) 2018 £000	Total (restated) 2018 £000
Trade payables	**416,297**	**15,456**	**431,753**	484,327	-	484,327
Workers welfare fund payable	**-**	**16,946**	**16,946**	-	18,168	18,168
Other banking group payables	**-**	**99,001**	**99,001**	-	15,258	15,258
Acceptances	**-**	**128,864**	**128,864**	-	212,738	212,738
Insurance payables	**-**	**2,234**	**2,234**	-	2,671	2,671
Other taxation and social security costs	**7,841**	**-**	**7,841**	3,896	-	3,896
Amounts due to related parties	**167**	**-**	**167**	51	-	51
Other payables and accruals	**116,899**	**1,029**	**117,928**	94,490	38,244	132,734
	541,204	**263,530**	**804,734**	582,764	287,079	869,843

Details of the restatement are given in note 50.

The carrying amounts of trade and other payables are considered to be the same as their fair values due to their short-term nature. Trade payables 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.

34. Other financial liabilities

Banking Group	2019 £000	2018 £000
Provision against off balance sheet obligations	**2,576**	4,461
Deferred income	**10,037**	10,910
Deferred liabilities	**8,541**	10,830
	21,154	26,201

Off balance sheet obligations	**Stage 1 £000**	**Stage 2 £000**	**Stage 3 £000**	**Total £000**
Outstanding exposure as at 30 June 2019				
Direct credit substitutes				
High grade	73,910	87	-	73,997
Medium grade	228,531	79,936	3,345	311,812
Low grade	548	4,927	-	5,475
Transaction-related contingent liabilities				
High grade	312,789	13,602	-	326,391
Medium grade	75,845	1,078	-	76,923
Low grade	86,479	34,930	-	121,409
Trade-related contingent liabilities				
High grade	753,350	2,240	-	755,590
Medium grade	112,273	2,562	-	114,835
Low grade	355	4,044	-	4,399
Total as at 30 June 2019	**1,644,080**	**143,406**	**3,345**	**1,790,831**

Notes *(continued)*

34. Other financial liabilities *(continued)*

An analysis of changes in the corresponding ECL allowances is as follows:

	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Gross carrying amount as at 1 July 2018	1,907	4,566	234	6,707
New assets purchased or originated	423	376	-	799
Payments and assets derecognised (excluding write-offs)	(490)	(3,415)	-	(3,905)
Transfers to Stage 1	3	(32)	-	(29)
Transfers to Stage 2	(24)	7	-	(17)
Transfers to Stage 3	-	(2)	2	-
	(21)	(27)	2	(46)
Changes to contractual cashflows due to partial repayment and changes to estimates and assumptions used to calculate ECL	(438)	(93)	-	(531)
Foreign exchange adjustments	(231)	(222)	5	(448)
As 30 June 2019	**1,150**	**1,185**	**241**	**2,576**

35. Deposits and other accounts

Banking Group	**Current 2019 £000**	**Non-current 2019 £000**	**Total 2019 £000**	Current 2018 £000	Non-current 2018 £000	Total 2018 £000
Customers						
Fixed deposits - remunerative	**1,408,361**	**299,528**	**1,707,889**	1,506,171	535,504	2,041,675
Savings deposits - remunerative	**2,239,586**	-	**2,239,586**	2,563,291	-	2,563,291
Sundry deposits - remunerative	**91,400**	**20**	**91,420**	245,651	181	245,832
Margin deposits - remunerative	**33,091**	**145**	**33,236**	54,493	143	54,636
Current accounts - remunerative	**50,258**	-	**50,258**	43,429	-	43,429
Current accounts - non-remunerative	**2,956,513**	-	**2,956,513**	3,379,841	-	3,379,841
Financial Institutions						
Remunerative deposits	**201,808**	-	**201,808**	218,259	-	218,259
Non-remunerative deposits	**101,542**	-	**101,542**	136,899	-	136,899
Interest payable	**26,549**	-	**26,549**	57,265	-	57,265
	7,109,108	**299,693**	**7,408,801**	8,205,299	535,828	8,741,127

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.

Notes *(continued)*

36. Other interest-bearing loans and borrowings

Trading Group	2019 £000	2018 £000
Current liabilities		
Secured bank loans	**111,403**	91,658
	111,403	91,658
Non-current liabilities		
Preference shares classified as debt	**58,178**	58,178
Secured bank loans	**176,786**	275,141
	234,964	333,319
Total loans and borrowings	**346,367**	424,977

Preference shares classified as debt

The cumulative preference shares have been classified as non-current liabilities 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 income statement. 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 issuing 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 4 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 issuing 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.

Secured domestic bank loan

During the 2015 period the Group attained bank finance in order to complete its acquisition of Panacea Holdings Limited. On 19 September 2017, companies in the Bestway Securities Limited Group, refinanced the 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 under the Senior Facilities Agreement amount to £225million of term loan ('Term Loan A'). 'Term Loan A' is repayable biannually until 26 September 2022, with the first payment, of £16.1 million, made on 25 March 2019. The loans currently attract interest of LIBOR + 2.35%.

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 B'). At the beginning of the year, £32 million remained outstanding, and this was fully repaid during the year.

Notes *(continued)*

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

Secured 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 biannual instalments starting from October 2015. Interest is payable on biannual basis at the rate of 6 months' KIBOR (Karachi Inter-Banking Offering Rate) plus 0.20% per annum. The facility is secured against the present and future assets excluding land and buildings of the Cement group.

Analysis of borrowings by currency:	Currency	Nominal interest rate	Year of maturity / redemption	Carrying amount 2019 £000	Carrying amount 2018 £000
Preference shares classified as debt	GBP	8%		2	2
Preference shares classified as debt	GBP	10%		514	514
Preference shares classified as debt	GBP	6%	2027	57,662	57,662
				58,178	58,178
Secured Term Loan A	GBP	LIBOR + 2.1%	2022	208,928	225,000
Secured Term Loan B	GBP	LIBOR + 3.85%	2020	-	32,000
				208,928	257,000
Secured Syndicate Loan	PKR	KIBOR + 0.2%	2020	79,261	109,799
				346,367	424,977

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

Banking Group	note	Carrying amount 2019 £000	Carrying amount 2018 £000
Unsecured borrowing at amortised cost			
Call borrowings	a	33,860	69,648
Other borrowings	b	113,177	213,324
		147,037	282,972
Secured borrowing at amortised cost			
Export refinance scheme	c	140,196	108,836
Refinance facility for modernisation of SME	d	41	35
Long term financing facility	e	113,150	131,924
Repurchase agreement borrowings	f	601,900	1,118,471
Bai Muajjal	g	105,383	217,320
		960,670	1,576,586
Interest payable		33,886	40,610
		1,141,593	1,900,168
Amount due for settlement within 12 months		967,260	1,734,563
Amount due for settlement after 12 months		174,333	165,605
		1,141,593	1,900,168

Notes *(continued)*

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

(a) These are unsecured borrowings carrying mark-up at rates ranging from 2.00% to 10.60% per annum and were repaid after the year end.

(b) These borrowings carry mark-up at rates ranging from 2.70% to 4.75% per annum and were repaid after the year end.

(c) The Bank 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 July 2019. These carry mark-up at rates ranging from 3.47% to 12.35% 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 were repaid after the year end. These carry mark-up at a rate of 6.2% per annum.

(e) These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernising their plant and machinery. These borrowings are repayable by June 2028. 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 12.08% to 12.18% per annum. These borrowings and were repaid after the year end.

(g) These represent Bai Muajjal borrowings whereby the Bank bought sukuks sold by other financial institutions on deferred payment basis. These carry mark-up at rates ranging from 12.22% to 12.30% per annum and were repaid after the year end.

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 30 June 2019.

37. Subordinated loans

The Bank has issued fully paid up, rated, listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments in the nature of Term Finance Certificates (TFCs) which qualify as Additional Tier I Capital as outlined by local regulatory requirements. This totals £49.2 million in the year (2018: Nil).

Notes *(continued)*

38. Provisions

Trading Group	Reduction in *pharmacy funding* £000	Dilapidation *provision* £000	*Other* £000	*Total* £000
As at 30 June 2017	19,750	-	944	20,694
Additional provision in the year (restated)	2,419	5,115	2,730	10,264
Utilisation of provision	(8,370)	-	-	(8,370)
As at 30 June 2018 (restated)	13,799	5,115	3,674	22,588
Additional provision in the year	-	900	596	**1,496**
Utilisation of provision	(11,880)	(420)	-	**(12,300)**
As at 30 June 2019	**1,919**	**5,595**	**4,270**	**11,784**

Details of the restatement are given in note 50.

£3.4 million of provisions at the year end were classified as non-current (2018: Nil).

The reduction in government funding relates to a provision made for Category M adjustments relating to the NHS year ended March 2019. The unutilised provision in respect to NHS funding cuts at year end 30 June 2019 was £1.9 million (2018: £13.8 million).

Dilapidations provisions comprise store dilapidation costs on stores as identified as part of the acquisition in the for the retail and pharmacy businesses.

Provisions are based on management best estimates to be added and could be subject to change in the future and are not subject to discounting.

Other provisions include potential liabilities incurred as part of the Trading Group's operations that are expected to lead to cash outflows.

Banking Group	Fire £000	Marine £000	Motor £000	Miscellaneous £000	Total £000
As at 1 July 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
Claims incurred during the year	2,404	1,147	3,730	4,568	11,849
Claims paid during the year	(3,229)	(872)	(3,601)	(4,348)	(12,050)
Premium written in the year	7,870	2,023	7,481	6,778	24,152
Premiums earned during the year	(6,903)	(2,019)	(7,034)	(6,092)	(22,048)
Exchange differences	(1,254)	(327)	(1,122)	(1,417)	(4,120)
As at 30 June 2019	**4,348**	**1,212**	**4,038**	**5,162**	**14,760**

The movement in provisions is due to the normal course of business of providing insurance contracts. All provisions in both financial years are current. These were previously considered non-current (see note 50 for prior year adjustments).

Notes *(continued)*

39. 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	65,713	69,424	5,168	13,257	(1,573)	(541)	151,448
On acquisition (restated)	2,502	(940)	-	-	-	28	1,590
(Credit) / charge to profit and loss	(3,082)	(8,302)	965	131	-	1,260	(9,028)
(Credit) / charge to the OCI	-	-	-	(4,552)	465	(45)	(4,132)
Exchange differences	(9,033)	(457)	-	(1,344)	-	-	(10,834)
At 30 June 2018 (restated)	56,100	59,725	6,133	7,492	(1,108)	702	129,044
(Credit) / charge to profit and loss	8,810	(2,237)	-	395	-	75	7,043
(Credit) / charge to the OCI	-	-	-	986	(154)	38	870
Exchange differences	(11,925)	(258)	-	(2,039)	-	75	(14,147)
At 30 June 2019	**52,985**	**57,230**	**6,133**	**6,834**	**(1,262)**	**890**	**122,810**

See note 50 for information regarding assets acquired through business combinations and details of the restatement.

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:

	2019 £000	2018 £000
Deferred tax liabilities	**124,072**	130,152
Deferred tax assets	**(1,262)**	(1,108)
Net deferred tax liability	**122,810**	129,044

Net deferred tax liabilities include £123.8 million of deferred tax liabilities, and no deferred tax assets, which are expected to be settled or recovered more than 12 months after the reporting period. For the year ended 30 June 2018 the £122.8 million of net deferred tax liability was materially due to be settled in more than one year and related primarily to intangible assets and property, plant & equipment.

Banking Group

	Employee welfare provisions	Tax losses £000	Employee benefits £000	Property, plant & equipment £000	Investment property £000	Sub total £000
At 30 June 2017	(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)
(Credit) / charge 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)
(Credit) / charge to profit and loss	(2,106)	9,369	(6,770)	1,949	4	2,446
(Credit) / charge to retained earnings	-	-	-	-	-	-
(Credit) / charge to SOCI / revaluation reserve	-	-	-	-	-	-
Credit / (charge) to the OCI	-	-	7,756	(30)	-	7,726
Exchange differences	1,703	1,632	532	(3,276)	(401)	190
At 30 June 2019	**(6,627)**	**282**	**(1,311)**	**11,619**	**1,374**	**5,337**

Notes *(continued)*

39. Deferred Tax *(continued)*

	Sub total £000	Investments £000	Associates £000	Expected credit losses and short-term timing differences £000	Total £000
At 30 June 2017	5,053	49,551	3,439	(13)	58,030
(Credit) / charge to profit and loss	(10,789)	(26)	615	1	(10,199)
(Credit) / charge 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)
(Credit) / charge to profit and loss	2,446	(3,735)	1,619	-	330
(Credit) / charge to SOCI / retained earnings	-	6,045	-	(43,753)	(37,708)
(Credit) / charge to SOCI / revaluation reserve	-	(4,876)	-	-	(4,876)
(Credit) / charge to the OCI	7,726	(11,010)	-	(1,158)	(4,442)
Exchange differences	190	3,899	(1,040)	9,884	12,933
At 30 June 2019	**5,337**	**(14,033)**	**4,109**	**(35,042)**	**(39,629)**

During the year, a gain on remeasurement of defined benefit liabilities of £21.0 million through other comprehensive income, resulted in a deferred tax impact of £7.7 million. Furthermore, a net loss on investments in debt instruments classified as 'at FVOCI' of £31.1 million resulted in a deferred tax impact of £11.0 million. In the prior year, a loss arising on investments in securities as 'at FVOCI' of 148.7 million resulted in deferred tax impact of £50.0 million.

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	**2019 £000**	2018 £000
Deferred tax liabilities	**(17,384)**	(18,277)
Deferred tax assets	**57,013**	24,143
Net deferred tax asset	**39,629**	5,866

Net deferred tax assets include £13.3 million which is expected to be settled or recovered more than 12 months after the reporting period.

40. 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. Reduced disclosures have been provided for the Pakistan scheme as it is considered immaterial.

United Kingdom Scheme

The Group's main pension commitments relate to its two occupational pension schemes; the Batley's Limited Retirement Benefits Scheme (the "Main scheme") and the Batley's 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 Batley's Limited to Bestway Wholesale Limited as part of the group reorganisation, at which point Bestway Wholesale Limited became the sponsoring company.

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.

Notes *(continued)*

40. Employee benefits *(continued)*

Full actuarial valuations were carried out as at 30 April 2017 for the Main Scheme and 31 December 2018 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.

The sponsoring 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%. In addition, and in accordance with the actuarial valuations, the sponsoring 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 2018 for the Officers' Scheme, which were carried out by a qualified independent actuary, have been updated on an approximate basis to 30 June 2019. There have been no changes in the valuation methodology compared to the prior year.

Defined benefit pension schemes of the Trading Group

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

Present values of scheme liabilities, fair values of assets and deficit:	2019 £000	2018 £000
Present value of scheme liabilities	(38,542)	(37,479)
Fair value of scheme assets	31,067	27,868
Deficit	(7,475)	(9,611)
Related deferred tax asset	1,262	1,108
Net liability	(6,213)	(8,503)

The present value of schemes' 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 statement of financial position 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 £35.4 million (2018: £37.8 million).

All actuarial gains and losses are recognised in the year in which they occur in other comprehensive income.

Impact of the asset ceiling

The Directors 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 2019.

Movements in present value of defined benefit obligations:	2019 £000	2018 £000
Defined benefit obligation at beginning of the year	37,479	39,529
Current service costs	426	465
Interest cost	1,122	1,122
Past service costs	439	
Actuarial loss / (gain)	2,174	(1,554)
Benefits paid	(2,370)	(1,800)
Exchange differences	(728)	(283)
At the end of the year	38,542	37,479

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

Notes *(continued)*

40. Employee benefits *(continued)*

Movements in fair value of scheme assets:	2019 £000	2018 £000
Value of scheme assets at beginning of the year	27,868	27,594
Interest income on plan assets	105	-
Expected return on scheme assets	730	706
Actuarial gains	1,482	675
Contributions by employer	3,095	569
Benefits paid	(2,213)	(1,676)
At the end of the year	**31,067**	27,868

Expense recognised in the income statement:	2019 £000	2018 £000
Interest on defined benefit pension obligation	1,122	1,122
Current service costs	426	465
Past service costs	439	-
Expected return on defined benefit pension assets	(730)	(706)
Total expense	**1,257**	881

Expense recognised in other comprehensive income:	2019 £000	2018 £000
Actuarial losses	2,182	-
Actuarial gains	(1,482)	(2,229)
Total expense / (gain)	**700**	(2,229)

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

	2019 £000	2018 £000
Cash	406	239
Equities	5,824	8,891
Bonds	7,896	5,514
Hedge funds	1,506	-
Liability Driven Investments (LDI)	6,697	5,450
Diversified growth funds	8,738	7,774
	31,067	27,868

None of the fair values of the assets shown above include any direct investments in the Group or Company's own financial instruments or any property occupied by, or other assets used by, the Group or 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)*

40. Employee benefits *(continued)*

Actuarial assumptions

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

	2019 UK	2018 UK
Discount rate	**2.30%**	2.70%
Inflation (RPI)	**3.45%**	3.35%
Inflation (CPI)	**2.45%**	2.35%
Future salary increases	**3.65%**	3.55%

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

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

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) because 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 2019 is 18 years (2018: 20 years).

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

The Group and Trustees are aware of these risks and manage them through appropriate investment and funding strategies.

Funding

The best estimate of contributions to be paid by the Group to the schemes for the year beginning 1 July 2019 is £559,000 per annum.

Notes *(continued)*

40. Employee benefits *(continued)*

Banking Group

	2019		2018	
	Net surplus	Net liability	Net surplus	Net liability
	£000	**£000**	**£000**	**£000**
Defined benefit schemes				
United Bank Limited, Pakistan (UBL)	**-**	**2,825**	-	61,092
United National Limited, United Kingdom (UBL UK)	**147**	**-**	-	160
UBL Fund Managers Limited, Pakistan (UFML)	**-**	**5**	-	41
UBL Insurers Limited, Pakistan (UIL)	**-**	**38**	-	44
Defined contribution schemes				
UBL - Provident Fund, Pakistan	**609**	**-**	131	-
UBL Bank (Tanzania) Limited, Tanzania	**-**	**-**	-	17
	756	**2,868**	131	61,354
Net liability		**2,112**		61,223

Banking Group (Pakistan) scheme - United Bank Limited, Pakistan (UBL)

The Bank operates a funded pension scheme established in 1975, as well as 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-privatisation.

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 2019.

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

	2019	2018
Pension fund	**7,891**	10,608
Gratuity fund	**9,447**	10,382
Benevolent Fund	**3,558**	3,886
Post-retirement medical benefit scheme	**8,250**	9,744

Principal actuarial assumptions

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

	2019	2018
Discount rate and expected rate of return on scheme assets	**14.25%**	9.00%
Expected rate of future salary increase	**12.25%**	7.00%
Expected rate of increase in pension	**5.00%**	5.00%
Expected rate of increase in medical benefit	**14.25%**	9.00%
Post-retirement mortality at age 60:		
Pension fund	**17.34**	17.34
Benevolent Fund	**7.71**	7.71
Post-retirement medical benefit scheme	**13.87**	13.87

Notes *(continued)*

40. Employee benefits *(continued)*

Present values of scheme liabilities, fair values of assets and deficit:	Pension fund 2019 £000	Gratuity fund 2019 £000	Benevolent Fund 2019 £000	Post-retirement medical benefit 2019 £000	Total 2019 £000
Present value of scheme liabilities	37,648	4,159	1,243	9,993	53,043
Fair value of scheme assets	(43,987)	(4,255)	(1,976)	-	(50,218)
Net asset / (liability)	**(6,339)**	**(96)**	**(733)**	**9,993**	**2,825**

	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	71,823	4,692	2,474	9,910	88,899
Fair value of scheme assets	(19,909)	(4,785)	(3,113)	-	(27,807)
Net asset / (liability)	51,914	(93)	(639)	9,910	61,092

Movement in present value of defined benefit obligations:	Pension fund £000	Gratuity fund £000	Benevolent Fund £000	Post - retirement medical benefit £000	Total £000
Defined benefit obligation at 1 July 2018	71,823	4,692	2,474	9,910	88,899
Current service cost	222	785	32	8	1,047
Interest cost	5,147	402	145	784	6,478
Benefits paid	(4,715)	(726)	(258)	(692)	(6,391)
Return allocated to other funds	305	-	-	-	305
Actuarial (gain) / loss	(22,068)	158	(709)	2,631	(19,988)
Exchange difference	(13,066)	(1,152)	(441)	(2,648)	(17,307)
At 30 June 2019	**37,648**	**4,159**	**1,243**	**9,993**	**53,043**

Movement in fair value of scheme assets:	Pension fund £000	Gratuity fund £000	Benevolent Fund £000	Post-retirement medical benefit £000	Total £000
Value of scheme assets at 1 July 2018	19,909	4,785	3,113	-	27,807
Interest income on scheme assets	1,190	409	196	-	1,795
Contribution by employer	38,137	1,007	11	-	39,155
Benefits paid	-	-	11	-	11
Amount paid by the fund to the Bank	(6,985)	(659)	(696)	-	(8,340)
Actuarial gain / (loss)	1,262	(109)	(34)	-	1,119
Exchange difference	(9,526)	(1,178)	(625)	-	(11,329)
At 30 June 2019	**43,987**	**4,255**	**1,976**	**-**	**50,218**

Notes *(continued)*

40. Employee benefits *(continued)*

Expense recognised in the income statement:	**Pension fund 2019 £000**	**Gratuity fund 2019 £000**	**Benevolent Fund 2019 £000**	**Post-retirement medical benefit 2019 £000**	**Total 2019 £000**
Current service cost	222	785	32	8	1,047
Net interest on defined benefit asset or liability	3,946	(7)	(51)	784	4,672
Return allocated to other funds	305	-	-	-	305
	4,473	**778**	**(19)**	**792**	**6,024**

	Pension fund 2018 £000	Gratuity fund 2018 £000	Benevolent Fund 2018 £000	Post-retirement medical benefit 2018 £000	Total 2018 £000
Current service cost	60,534	762	21	13	61,330
Net interest on defined benefit asset or liability	(1,093)	(16)	(18)	671	(456)
Return allocated to other funds	908	-	-	-	908
Employees' contribution	60,349	746	3	684	61,782

Movement recognised in the statement of comprehensive income:	**Pension fund 2019 £000**	**Gratuity fund 2019 £000**	**Benevolent Fund 2019 £000**	**Post-retirement medical benefit 2019 £000**	**Total 2019 £000**
Financial assumptions	(15,288)	32	(277)	2,971	(12,562)
Actuarial loss on obligation	(6,780)	126	(433)	(339)	(7,426)
Actuarial gain / (loss) on plan assets	(1,262)	109	34	-	(1,119)
Adjustment for mark up	81	2	-	-	83
	(23,249)	**269**	**(676)**	**2,632**	**(21,024)**

	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)	(2,441)	(2,623)
Experience adjustments	308	175	112	4,459	5,054
Return on plan assets over interest income	1,939	42	81	-	2,062
Adjustment for mark up	133	2	14	-	149
	2,380	234	10	2,018	4,642

Notes *(continued)*

40. Employee benefits *(continued)*

The fair value of the scheme assets and the return on those assets were as follows:	**Pension fund 2019**	**Gratuity fund 2019**	**Benevolent Fund 2019**	**Total 2019**
	£000	**£000**	**£000**	**£000**
Cash and cash equivalents	77	356	22	**455**
Quoted ordinary shares	544	200	100	**844**
Unquoted term finance certificates	6,843	-	96	**6,939**
Market treasury bills	14,610	1,196	664	**16,470**
Pakistan investment bonds	21,913	2,239	626	**24,778**
Term deposits	-	264	468	**732**
	43,987	4,255	1,976	**50,218**

	Pension fund 2018	Gratuity fund 2018	Benevolent Fund 2018	Total 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	573	1,737	12,155
Reverse repo	-	98	-	98
	19,909	4,786	3,112	27,807

The funds primarily invest 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)*

40. 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 2019 £000**	**Gratuity fund 2019 £000**	**Benevolent Fund 2019 £000**	**Post-retirement medical benefit 2019 £000**	Pension fund 2018 £000	Gratuity fund 2018 £000	Benevolent Fund 2018 £000	Post-retirement medical benefit 2018 £000
Increase in discount rate by 1%	**12,967**	**(826)**	**580**	**(3,026)**	(6,437)	(387)	(118)	(908)
Decrease in discount rate by 1%	**23,922**	**(177)**	**775**	**(1,485)**	7,714	451	133	1,082
Increase in expected future increment in salary by 1%	**-**	**(174)**	**672**	**-**	-	456	-	-
Decrease in expected future increment in salary by 1%	**-**	**(834)**	**672**	**-**	-	(397)	-	-
Increase in expected future increment in pension by 1%	**23,730**	**-**	**-**	**-**	7,466	-	-	-
Decrease in expected future increment in pension by 1%	**13,030**	**-**	**-**	**-**	(6,357)	-	-	-
Increase in expected future increment in medical benefit by 1%	**-**	**-**	**-**	**(1,517)**	-	-	-	1,041
Decrease in expected future increment in medical benefit by 1%	**-**	**-**	**-**	**(3,014)**	-	-	-	(892)

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 £0.7 million in the financial year to 30 June 2019.

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.

Defined contribution plans

UBL Pakistan operates a contributory provident fund scheme for its employees who are not in the pension scheme. The employer and employee each contribute 8.33% of the basic salary to the funded scheme every month.

Notes *(continued)*

41. Operating lease arrangements

Trading Group	2019 £000	2018 £000
Lease payments under operating leases recognised as an expense in the year	**22,322**	16,640

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

	2019 £000	2018 £000
Less than one year	**21,354**	14,592
Between one to five years	**65,441**	45,024
More than five years	**75,519**	56,718
	162,314	116,334

Operating lease payments represent rentals payable by the Trading Group for certain of its office properties, retail stores, pharmacies and vehicles. Property 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 further at the then prevailing market rate. The vehicle leases normally run for a period of 3-5 years.

Leases as lessor

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

	2019 £000	2018 £000
Less than one year	**4,539**	4,703
Between one and five years	**14,246**	15,455
More than five years	**44,310**	48,785
	63,095	68,943

During the year £6.5 million (2018: £7.2 million) was recognised as rental income.

Banking Group	2019 £000	2018 £000
Lease payments under operating leases recognised as an expense in the year	**18,808**	18,544

At 30 June 2019 the Banking Group had annual commitments under non-cancellable operating leases of £72.2 million (2018: £74.6 million).

42. Capital Commitments

At 30 June 2019 the Group had entered into contracts to purchase property, plant and equipment; the Trading Group commitment was £12.4 million (2018: £1.8 million) and the Banking Group commitment was £4.6 million (2018: £12.3 million).

Notes *(continued)*

43. Contingent liabilities

Trading Group

Cement business

The cement business is subject to certain contingent legal and tax matters which are currently at different legal stages. The Directors and the Company's legal advisor are confident of a favourable outcome on all these matters, accordingly no provision has been made in respect of these matters in the consolidated financial statements.

Banking Group

Penalties amounting to £23.0 million have been levied by the Banking Group's (UBL) regulator relating to alleged contraventions of the requirements of foreign exchange regulations. UBL maintains that it fully discharged its liability, in accordance with the law and has filed a civil suit in the respective High Court challenging the levy of the penalty. The High Court has granted a stay on action being taken against UBL. The Directors based on the advice from legal counsel, are confident that the view of UBL will prevail and therefore no provision has been made in respect of same in the consolidated financial statements.

The banking business is subject to certain contingent legal and tax matters which are currently at different legal stages. The Directors and the Bank's legal advisor are confident of a favourable outcome on all these matters, accordingly no provision has been made in respect of these matters in the consolidated financial statements.

44. Financial instruments

Trading Group

a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings disclosed in note 36 after deducting cash and bank balances) and equity of the Group (comprising issued capital and retained earnings).
The Group manages its capital by increasing/decreasing its debt and/or equity as needed and also by adjusting the number of dividends paid to shareholders. The Trading Group is not subject to any externally imposed capital requirements.

b) Financial risk

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

Financial Assets	**2019** **£000**	2018 £000
Loans and receivables		
Amounts receivable for sale of goods	**162,993**	159,725
Other receivables	**35,297**	54,548
Cash and cash equivalents	**154,181**	170,121
Total financial assets	**352,471**	384,394
Financial liabilities		
Overdraft	**107,148**	140,649
Trade payables	**416,297**	484,327
Other interest-bearing loans and borrowings	**288,189**	366,799
Total financial liabilities	**811,634**	991,775

Notes *(continued)*

44. Financial instruments *(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 in accordance with IFRS 9. 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 30 for more information on provisions relating to credit customers.

d) Interest rate and liquidity risk

The Group is exposed to interest rate risk because the Trading Group borrows funds at floating interest rates, namely LIBOR (London inter-bank offer rate) 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. The group had access to undrawn borrowing facilities at the end of the reporting period of £50.3m (2018: £50.3m).

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 2019					
Fixed interest rate instruments:					
Shares classified as debt	10.0	52	206	717	975
Shares classified as debt	6.0	-	-	57,662	57,662
Variable interest rate instruments:					
Bank loans	LIBOR + 2.1	38,574	190,154	-	228,728
Bank loans	KIBOR + 0.2	79,260	27,086	-	106,346
Trade payables	0	416,597	-	-	416,597
		534,483	217,446	58,379	810,308

Notes *(continued)*

44. Financial instruments *(continued)*

30 June 2018	Weighted average effective interest rate %	1 year or less £000	1-5 years £000	5+ years £000	Total £000
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	LIBOR + 2.1	21,970	224,975	-	246,945
Bank loans	KIBOR + 0.2	103,579	62,204	-	165,783
Trade payables	0	484,327	-	-	484,327
		609,928	287,385	58,379	955,692

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:

	2019 £000	2018 £000
Bank loans	**2,882**	3,628
	2,882	3,628

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

	2019 £000	2018 £000
Bank loans	**2,882**	3,628
	2,882	3,628

Banking Group

This section presents information about the Banking Group's banking business (UBL) 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 covering domestic and international franchise. The Board Risk and Compliance Committee (BRCC) oversees the entire risk management process of the Banking Group. Furthermore, Risk Management Committee has been formed which looks at all risks collectively at senior management level. The committee is chaired by the President and comprises of Heads of all risk areas, finance, business etc. The Risk and Credit Policy Group is responsible for the development and implementation of all risk policies as approved by the BRCC / BoD. The group is organised into the functions of Market & Treasury Risk, Financial Institution Risk, Credit Policy & Research, Consumer Credit Policy, Credit Risk Management and Operational Risk & Basel. Each risk function is headed by a senior manager who reports directly to the Group Executive, Risk and Credit Policy. The role of the Risk and Credit Policy Group includes:

- 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 BRCC/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.;
- Setting systems to identify significant portfolio indicators, problem credits and Level of provisioning required; and
- Assigning of Obligor's Risk Rating (ORR) to customers.

Notes *(continued)*

44. Financial instruments *(continued)*

30 June 2019	Financial assets (other than investments) - At amortised cost £000	Debt investments at amortised cost £000	Debt investments at fair value through OCI £000	Debt investments at fair value through Profit and loss £000	Equity investments - Initially designated at fair value through Profit and loss £000	Equity investments- Initially designated at fair value through OCI £000	Financial liabilities at amortised cost £000	Total £000
Financial assets								
Cash and cash equivalents	1,336,341	-	-	-	-	-	-	1,336,341
Investments in financial assets	-	1,529,777	2,131,755	663,215	72,214	6,305	-	4,403,266
Lending to financial institutions	108,907	-	-	-	-	-	-	108,907
Advances	3,370,909	-	-	-	-	-	-	3,370,909
Other assets	202,816	-	-	-	-	-	-	202,816
	5,018,973	1,529,777	2,131,755	663,215	72,214	6,305	-	9,422,239

Reinsurance assets of £10.3 million recognised by our insurance business, is classified as a financial asset at amortised cost.

Financial liabilities								
Trade and other payables	-	-	-	-	-	-	195,668	195,668
Deposit and other accounts	-	-	-	-	-	-	7,408,802	7,408,802
Sub ordinated loans	-	-	-	-	-	-	49,202	49,202
Payable to investors of UBL Funds	-	-	-	-	-	-	9,536	9,536
Bills payable	-	-	-	-	-	-	143,886	143,886
Other interest-bearing loans and borrowing	-	-	-	-	-	-	1,143,559	1,143,559
Other liabilities	-	-	-	-	-	-	2,576	2,576
	-	-	-	-	-	-	8,953,229	8,953,229

Notes *(continued)*

44. Financial instruments *(continued)*

30 June 2018	Loans and receivables £000	Held-to-maturity £000	Available-for-sale £000	Held for Trading £000	Other financial assets / liabilities £000	Total £000
Financial assets						
Cash and cash equivalents	-	-	-	-	1,228,015	1,228,015
Investments in financial assets	-	2,137,648	2,959,413	221,366	-	5,318,427
lending to financial institutions	-	(38,776)	-	-	-	(38,776)
Advances	272,545	-	-	-	-	272,545
Other assets	4,598,031	-	-	-	-	4,598,031
impairment provision on investments	241,373	-	-	-	-	241,373
	5,111,949	2,098,872	2,959,413	221,366	1,228,015	11,619,615

Reinsurance assets of £11.4 million recognised by our insurance business, is classified as a financial asset at amortised cost.

Financial liabilities						
Trade and other payables	-	-	-	-	253,083	253,083
Deposit & other accounts	-	-	-	-	8,741,126	8,741,126
Sub ordinated loans	-	-	-	-	7,487	7,487
Bills payable	-	-	-	-	96,844	96,844
Other interest-bearing loans and borrowing	-	-	-	-	1,906,370	1,906,370
Other liabilities	-	-	-	-	4,462	4,462
	-	-	-	-	11,009,372	11,009,372

The 2019 figures presented are on IFRS 9 classifications while the compared figures are based on IAS 39 classification.

(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 balance sheet date.

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 Directors, 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).

Notes *(continued)*

44. Financial instruments *(continued)*

	Fair value hierarchy as at 30 June 2019			
	Level 1	Level 2	Level 3	Carrying Value
	£000	£000	£000	£000
Investments in financial assets measured at fair value (Note 29)				
Investments in:				
Government Securities (T-bills, PIBs, GoP Sukuks and Eurobonds)	-	2,348,975	-	2,348,975
Foreign Bonds	-	428,761	-	428,761
Ordinary shares of listed companies	69,085	-	-	69,085
Ordinary shares of unlisted companies	-	-	6,305	6,305
Preference Shares		-	177	177
Debt securities (TFCs, Sukuks and others)	-	17,057	-	17,057
Mutual Funds	-	1,088	-	1,088
REIT scheme	2,042	-	-	2,042
	71,127	2,795,881	6,482	2,873,490
Investments in financial assets not measured at fair value (Note 29)				
Securities carried at amortised cost (2018: held-to-maturity)	-	-	-	1,415,700
Off balance sheet financial instruments (at notional value)				
Forward purchase and sale of foreign exchange contracts	-	34,281	-	3,458,334
Interest rate swaps	-	(96)	-	1,524
FX options - purchased and sold	-	-	-	8,076
Forward purchase of government securities	-	158	-	382,280

	Fair value hierarchy as at 30 June 2018			
	Level 1	Level 2	Level 3	Carrying Value
	£000	£000	£000	£000
Investments in financial assets measured at fair value (Note 29)				
Investments in:				
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	130,782	-	-	130,782
Ordinary shares of unlisted companies	-	-	4,685	4,685
Preference Shares	-	-	2,656	2,656
Debt securities (TFCs, Sukuks and others)	-	3,448	-	3,448
Mutual Funds	-	-	-	-
REIT scheme	3,345	-	-	3,345
	134,127	3,039,311	7,341	3,180,779
Investments in financial assets not measured at fair value (Note 29)				
Securities carried at amortised cost (2018: held-to-maturity)	-	-	-	1,643,521
Off balance sheet financial instruments (at notional value)	-	-	-	-
Forward purchase and sale of foreign exchange contracts	-	4,652	-	2,552,728
Interest rate swaps	-	126	-	14,098
FX options - purchased and sold	-	-	-	1,057
Forward purchase of government securities	-	(19)	-	5,072

Notes *(continued)*

44. Financial instruments ***(continued)***

Operating fixed assets and investment properties are carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the market values as disclosed in notes 24 and 25 respectively.

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

The fair value of quoted securities other than those classified at amortised cost, is based on quoted market price. The fair value of unquoted equity securities, other than investments in associates is the fair value of unquoted equity investments is measured by using the market approach (comparable company multiples) and the cost approach (adjusted net assets) under IFRS 13. The fair value of assóciates is based on the net assets of the associates as per their latest financial statements.

(f) Credit risk

Credit risk is the risk that a customer or counterparty may not settle an obligation for full value, either when due or at any time thereafter.

This risk arises from the potential that a customer's or counterparty's willingness or ability to meet such an obligation is impaired, resulting in an economic loss to the Banking Group. The credit risk management process is driven by the Bank's Credit Policy, which provides policies and procedures in relation to credit initiation, approval, documentation and disbursement, credit maintenance and remedial management. Individual credit authorities are delegated to credit officers by the Board according to their seasoning/maturity. Approvals for corporate and consumer loans are centralised, while approval authorities for Commercial and SME exposures are delegated to a Regional level. All credit policy functions are centrally organised.

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.

Risk limit control and mitigation policies

The Banking Group manages, limits and controls concentrations of credit risk wherever they are identified - in particular, to individual counterparties and groups, industries and countries.

The Banking Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product and industry sector are approved quarterly by the Management Board.

The exposure to any one borrower is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations at the time of loan appraisal for initial and subsequent loans.

Some other specific control and mitigation measures are outlined below.

(i) Collateral

The Banking Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Banking Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are given in described in note 44.

In addition, in order to minimise the credit loss, the Banking Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Notes *(continued)*

44. Financial instruments *(continued)*

(ii) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Banking Group on behalf of a customer authorising a third party to draw drafts on the Banking Group up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Banking Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Banking Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

	Lending to financial institutions 2019 £000	Loans and advances 2019 £000	Investments (debt securities) 2019 £000	Off balance sheet items 2019 £000
At amortised cost				
Considered good	108,908	3,234,529	1,542,689	-
Watch list	-	169,739	-	-
Substandard	-	33,432	-	-
Doubtful	-	24,669	-	-
Loss	-	317,474	-	-
Less: Allowance for impairment	-	(408,934)	(12,910)	-
Fair value through OCI / available for sale	-	-	-	-
Considered good	-	-	2,122,672	-
Watch list	-	-	9,083	-
Loss	-	-	-	-
Less: Allowance for impairment	-	-	-	-
Fair value through profit and loss	-	-	-	-
Considered good	-	-	663,215	-
Loss	-	-	-	-
Less: Allowance for impairment	-	-	-	-
Off balance sheet	-	-	-	-
Trade-related contingent liabilities	-	-	-	959,552
Direct credit substitutes	-	-	-	181,307
Transaction-related contingent liabilities	-	-	-	710,717
Forward contracts – purchase*	-	-	-	2,055,005
Forward contracts – sale*	-	-	-	1,740,420
Derivatives - Interest rate swaps*	-	-	-	1,524
Derivatives - Cross currency swaps	-	-	-	-
FX options – purchased*	-	-	-	4,038
FX options – sold*	-	-	-	4,038
Forward purchase of Government securities*	-	-	-	382,280
Forward sale of Government securities*	-	-	-	-
Other claims, commitments and contingencies	-	-	-	798,059
	108,908	**3,370,909**	**4,324,749**	**6,836,940**

* These represent the notional amount of the derivatives trade.

Notes *(continued)*

44. Financial instruments *(continued)*

	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)	-
Fair value through OCI / available for sale	-	-	-	-
Considered good	-	-	2,796,188	-
Watch list	-	-	-	-
Loss	-	-	607	-
Less: Allowance for impairment	-	-	(607)	-
Fair value through profit and loss	-	-	221,366	-
Considered good	-	-	-	-
Loss	-	-	-	-
Less: Allowance for impairment	-	-	-	-
Off balance sheet	-	-	-	1,199,358
Trade-related contingent liabilities	-	-	-	164,656
Direct credit substitutes	-	-	-	1,014,206
Transaction-related contingent liabilities	-	-	-	1,794,251
Forward contracts – purchase*	-	-	-	1,503,421
Forward contracts – sale*	-	-	-	18,212
Derivatives - Interest rate swaps*	-	-	-	-
Derivatives - Cross country swaps	-	-	-	683
FX options – purchased*	-	-	-	683
FX options – sold*	-	-	-	6,552
Forward purchase of Government securities*	-	-	-	-
Forward sale of Government securities*	-	-	-	137,827
Other claims, commitments and contingencies	-	-	-	-
	272,545	4,598,030	5,138,183	5,839,849

** These represent the notional amount of the derivatives trade.*

The Banking Group has pledged marketable securities amounting to £566 million against repurchase borrowings. The breakup of these securities has been disclosed in note 29.

Notes *(continued)*

44. Financial instruments *(continued)*

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

	Cash and cash equivalents 2019 £000	Lending to financial institutions 2019 £000	Advances 2019 £000	Investments (debt securities) through FVTPL 2019 £000	Investments (debt securities) through FVOCI 2019 £000	Investments (debt securities) through Amortised cost 2019 £000	Other assets 2019 £000	Off balance sheet items 2019 £000
Concentration of credit risk								
Chemical and pharmaceuticals	-	-	62,164	-	-	487	7,226	29,321
Agri business	-	-	393,717	-	-	-	-	22,403
Communication	-	-	14,536	-	-	-	53,323	38,301
Textile	-	-	356,046	177	313	333	2,487	32,462
Sugar	-	-	43,320	-	-	-	-	1,375
Shoes and leather garments	-	-	9,898	-	-	-	407	6,647
Transportation equipment	-	-	4,968	-	-	-	-	-
Financial	197,066	108,908	299,419	15,170	58,396	7,119	66,331	5,346,675
Electronics and electrical appliances	-	-	71,346	-	-	-	2,449	5,180
Production and transmission of energy	-	-	866,951	-	12,423	82,330	38,884	469,763
Paper and allied	-	-	3,524	-	-	-	869	7,438
Wholesale traders	-	-	127,262	-	-	-	2,911	20,193
Fertilizer dealers	-	-	-	-	-	2,051	-	8,222
Sports goods	-	-	-	-	-	-	-	-
Food industries	-	-	81,902	-	2,231	-	487	6,122
Construction	-	-	176,567	-	-	-	15,764	74,514
Engineering	-	-	79,171	-	-	-	1,218	80,166
Glass and allied	-	-	-	-	-	-	-	-
Hotels	-	-	2,656	-	-	-	-	1,612
Polyester and fibre	-	-	-	-	-	-	-	30,561
Individuals	-	-	348,230	-	37,757	-	-	12,190
Others including government securities	1,139,275	-	429,230	647,869	2,020,633	1,437,457	10,461	643,794
	1,336,341	**108,908**	**3,370,907**	**663,216**	**2,131,753**	**1,529,777**	**202,817**	**6,836,939**
Concentration by locations			-					
Pakistan operations	873,238	98,398	2,356,504	663,216	1,707,473	1,417,813	179,564	4,084,000
Middle East	352,415	-	794,823	-	237,111	61,111	22,705	2,382,060
United States of America	14,137	-	-	-	2,487	-	-	-
Export processing Zones	172	-	374	-	-	-	499	12,015
Europe	93,020	-	122,432	-	3,060	3,444	49	337,942
Africa	-	8,659	14,781	-	69,484	17,970	-	-
Rest of the world	3,359	1,851	81,993	-	112,138	29,439	-	20,922
	1,336,341	**108,908**	**3,370,907**	**663,216**	**2,131,753**	**1,529,777**	**202,817**	**6,836,939**

Notes *(continued)*

44. Financial instruments ***(continued)***

	Lending to financial institutions 2018 £000	Loans and advances 2018 £000	Investments (debt securities) 2018 £000	Off balance sheet items 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	-	1,134,075	112,572	699,612
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	4,930,811	5,138,183	5,839,849
Concentration by locations				
Pakistan operations	197,601	3,673,365	4,370,111	3,051,154
Middle East	59,031	922,839	497,774	2,197,751
United States of America	-	-	-	-
Export Processing Zones	8,842	1,290	11,892	15,399
Europe	12,753	313,525	246,657	573,861
Africa	-	19,792	11,749	1,684
Rest of the World	-	-	-	-
	278,227	4,930,811	5,138,183	5,839,849

Credit risk measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the risk associated with exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Banking Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

Credit ratings and PD estimation process

The Banking Group's Credit Risk Department operates its internal rating models for Advances, lending's to financial institutions and off-balance sheet obligations. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behavior. PDs for rated portfolios are determined using migration of rating grades from one period to other within the PD observation period. Consumer lending comprises unsecured personal loans, credit cards and overdrafts. PDs models of these products are primarily driven by days past due.

For debt securities and balances with banks in the Treasury portfolio, external rating agency credit grades are used. The PDs associated with each grade are determined based on realised default rates as published by the rating agency.

Estimated historical realised default rates are adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS stage classification of the exposure. This is repeated for each economic scenario as appropriate.

Notes *(continued)*

44. Financial instruments *(continued)*

The Banking Group's internal credit rating grades

Lending to financial institutions, advances and Off-balance sheet obligations

Internal credit rating	**Internal credit rating description**
Performing	
1-4	High Grade
5-6	Medium Grade
7-9	Low Grade
Non-performing	
10-12	Default

Debt securities and balances with banks

Internal credit rating	**Ratings Agency's Rating (JCR - VIS) Medium to Long term**	**Ratings Agency's Description**
Performing		
Investment grade	AAA	Highest credit quality. The risk factors are negligible being only slightly more than for risk-free Government of Pakistan debt
	AA+, AA , AA-	High credit quality. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.
	A+, A, A-	Good credit quality. Protection factors are adequate. Risk factors may vary with the possible changes in the economy.
	BBB+, BBB	Adequate credit quality. Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.
Non-Investment Grade	BBB-	Adequate credit quality. Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.
	BB+, BB, BB-	Obligation deemed likely to be met when due. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.
	B+, B, B-	Obligations deemed less likely to be met when due. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.
Non-performing		
Loss	CCC	Considerable uncertainty exists towards obligations when due. Protection factors are scarce, and risk may be substantial.
	CC	A high default risk.
	C	A very high default risk.
	D	Defaulted obligations.

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Banking Group.

- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information.

- Purchased or originated credit-impaired financial assets are those financial assets that are credit- impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Further explanation is also provided of how the Banking Group determines appropriate groupings when ECL is measured on a collective basis.

Notes *(continued)*

44. Financial instruments ***(continued)***

Significant increase in credit risk (SICR)

The Banking Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to twelve months expected credit loss or lifetime expected credit loss, the Banking Group assesses whether there has been a significant increase in credit risk since initial recognition. The Banking Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition.

Significant increase in credit risk is measured by comparing the risk of default estimated at origination with the risk of default at reporting date. The Banking Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 60 days past due in case of corporate advances and 30 days past due in case of retail advances and other financial assets subject to impairment, the credit risk is deemed to have increased significantly since initial recognition.

As per IFRS 9 there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, however the Banking Group has carried out an analysis of corporate advances whereby the Banking Group has monitored repayment behavior of those corporate customers who were in the bucket of 30-60 days past due at any time during the year ended 30 June 2019 and observed that majority of such customers pay back before 90 days and therefore, do not ultimately fall under default category.

Definition of default and credit-impaired assets

The Banking Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments or when the entity is rated at ORR 10 or above or CCC/ CC as at the assessment date. As a part of a qualitative assessment of whether a customer is in default, the Banking Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Banking Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

Measuring ECL - Explanation of inputs, assumptions and estimation techniques

"The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- The EAD is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. The EADs are determined based on the expected payment profile, which varies by product type. For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over the 12 months and lifetime basis. This is also adjusted for any overpayments made by the borrower. For revolving products, the EAD is predicted by taking current drawn balance and adding a credit conversion factor which allows for the expected drawdown of the remaining limit by the time of default.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Banking Group has the legal right to call it earlier. The Banking Group's product offering includes a variety of corporate and retail credit cards facilities, in which the Banking Group has the right to cancel and/or reduce the facilities with one day's notice. However, in case of credit cards, the Banking Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Banking Group's expectations of the customer behaviour, its likelihood of default and the Banking Group's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Banking Group's expectations, the period over which the Banking Group calculates ECLs for credit card, is till the date of validity of credit card.

To calculate the EAD for a Stage 1 loan, the Banking Group assesses the possible default events within 12 months for the calculation of the 12 months ECL. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

Notes *(continued)*

44. Financial instruments *(continued)*

- LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

Banking Group calculates LGD rates and these LGD rates take into account the EAD for historical pool of non-performing loans in comparison to the amount recovered or realised against such loans. In determining LGDs, the Banking Group considers all eligible collateral provided the collateral can be legally enforced. Due to the complexities involved regarding collateral realisation and lack of historical experience to demonstrate recoveries through realisation of collaterals, the Banking Group restricts the expected recoveries (to be considered in LGD computations) based on its historical recovery experiences.

LGDs for corporate and retail portfolio is calculated using the actual historical recoveries on its defaulted portfolio over a period of at least 5 years prior to the assessment date. The historical defaults are taken for the different vintages and the recoveries are calculated and discounted back for that particular vintage. The recovery period / crystallisation period is not defined as such and will change based on the vintages taken.

LGDs for investment portfolio has been fixed at 45% as per the Basel guidelines. This approach is followed due to the complexities involved with respect to collateral realisation and lack of sufficient historical data points to demonstrate recoveries through realisation of collateral.

PD, EAD and LGD are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in earlier year) on annual basis. This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in ECL computation is the original effective interest rate or an approximation thereof.

Forward looking economic information is also included in determining the 12 months and lifetime ECL. The Banking Group has performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio. These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecast of these economic variables (the "base economic scenario") are obtained from external sources on a quarterly basis.

In addition to the base economic scenario, the management also estimate other possible scenarios along with scenarios weighting. The scenario weighting is determined by an expert credit judgement. As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Banking Group considers these estimates of the possible outcomes. The Banking Group has used base, upside and downside scenarios for its ECL estimation.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Banking Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

In its ECL models, the Banking Group relies on a range of forward looking information on a geographic regions basis with economic inputs, such as:

- GDP growth
- Consumer Price Index
- Export growth
- Unemployment

Analysis of inputs to the ECL model under multiple economic scenarios per geographic regions

To ensure completeness and accuracy, the Banking Group obtains the data used from third party sources i.e., publications of International Monetary Fund and verifies the accuracy of inputs to the Banking Group' ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Banking Group's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios for each of the geographical segments, as at 1 July 2018 and 30 June 2019.

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations.

Notes *(continued)*

44. Financial instruments *(continued)*

Region Pakistan
30 June 2019

Key drivers	**ECL Scenario**	**Assigned Probabilities %**	**2019 %**	**2020 %**	**2021 %**	**2022 %**	**2023 %**
GDP growth %							
	Upside	5%	3.5	3.4	3.4	3.3	3.2
	Base case	60%	2.9	2.8	2.8	2.7	2.6
	Downside	35%	2.3	2.2	2.2	2.1	2.0
Consumer price index %							
	Upside	5%	9.9	9.2	7.2	7.2	7.2
	Base case	60%	7.6	7.0	5.0	5.0	5.0
	Downside	35%	5.4	4.8	2.8	2.8	2.8
Volume of exports of goods %							
	Upside	5%	8.5	12.3	9.9	9.4	8.5
	Base case	60%	2.5	6.3	3.9	3.4	2.5
	Downside	35%	-3.5	0.3	-2.0	-2.6	-3.4

1 July 2018

Key drivers	ECL Scenario	Assigned Probabilities %	2017 %	2018 %	2019 %	2020 %	2021 %
GDP growth %							
	Upside	5%	5.7	6.1	4.3	3.8	3.8
	Base case	60%	5.4	5.8	4.0	3.5	3.5
	Downside	35%	5.0	5.5	3.7	3.2	3.1
Unemployment rates %							
	Upside	5%	6.1	6.1	6.2	6.2	6.3
	Base case	60%	6.0	6.1	6.1	6.2	6.3
	Downside	35%	6.0	6.0	6.1	6.2	6.2
Consumer price index %							
	Upside	5%	7.4	7.2	10.7	9.7	8.2
	Base case	60%	4.1	3.9	7.5	6.5	5.0
	Downside	35%	0.9	0.7	4.2	3.2	1.8
Volume of exports of goods %							
	Upside	5%	0.1	15.5	17.2	13.3	10.2
	Base case	60%	-3.5	11.8	13.6	9.7	6.5
	Downside	35%	0.1	8.2	9.9	6.0	2.9

Region United Kingdom
30 June 2019

Key drivers	**ECL Scenario**	**Assigned Probabilities %**	**2019 %**	**2020 %**	**2021 %**	**2022 %**	**2023 %**
GDP growth %							
	Upside	10%	1.7	2.0	2.1	2.1	2.2
	Base case	80%	1.2	1.4	1.5	1.6	1.6
	Downside	10%	0.6	0.8	1.0	1.0	1.0

1 July 2018

Key drivers	ECL Scenario	Assigned Probabilities %	2017 %	2018 %	2019 %	2020 %	2021 %
GDP growth %							
	Upside	10%	1.7	1.8	1.9	2.0	2.0
	Base case	80%	1.7	1.4	1.5	1.5	1.6
	Downside	10%	1.7	0.9	1.0	1.1	1.1

Notes *(continued)*

44. Financial instruments *(continued)*

Region Switzerland
30 June 2019

Key drivers	ECL Scenario	Assigned Probabilities %	2019 %	2020 %	2021 %	2022 %	2023 %
GDP growth %							
	Upside	10%	1.6	2.1	2.2	2.2	2.2
	Base case	80%	1.1	1.5	1.6	1.6	1.6
	Downside	10%	0.5	1.0	1.0	1.0	1.0

1 July 2018

Key drivers	ECL Scenario	Assigned Probabilities %	2017 %	2018 %	2019 %	2020 %	2021 %
GDP growth %							
	Upside	1.7	3.5	2.3	2.2	2.1	1.7
	Base case	1.7	3.0	1.8	1.7	1.7	1.7
	Downside	1.7	2.6	1.4	1.2	1.2	1.7

Region UAE
30 June 2019

Key drivers	ECL Scenario	Assigned Probabilities %	2019 %	2020 %	2021 %	2022 %	2023 %
GDP growth %							
	Upside	30%	4.0	4.5	4.2	4.1	4.0
	Base case	40%	2.8	3.3	3.0	2.9	2.8
	Downside	30%	1.6	2.1	1.8	1.7	1.6

1 July 2018

Key drivers	ECL Scenario	Assigned Probabilities %	2018 %	2019 %	2020 %	2021 %	2022 %
GDP growth %							
	Upside	30%	2.5	4.6	4.4	4.3	4.3
	Base case	40%	1.3	3.4	3.2	3.1	3.1
	Downside	30%	0.1	2.2	2.0	1.9	1.9

Region Bahrain
30 June 2019

Key drivers	ECL Scenario	Assigned Probabilities %	2019 %	2020 %	2021 %	2022 %
GDP growth %						
	Upside	30%	2.6	2.5	2.5	2.6
	Base case	40%	3.6	3.5	3.5	3.6
	Downside	30%	1.6	1.5	1.5	1.6

1 July 2018

Key drivers	ECL Scenario	Assigned Probabilities %	2018 %	2019 %	2020 %	2021 %	2022 %
GDP growth %							
	Upside	30%	3.2	2.6	2.5	2.5	2.6
	Base case	40%	4.2	3.6	3.5	3.5	3.6
	Downside	30%	2.2	1.6	1.5	1.5	1.6

Notes *(continued)*

44. Financial instruments *(continued)*

Region Qatar
30 June 2019

Key drivers	ECL Scenario	Assigned Probabilities %	2019 %	2020 %	2021 %	2022 %
GDP growth %						
	Upside	30%	2.8	2.6	2.7	2.9
	Base case	40%	4.0	3.8	3.9	4.1
	Downside	30%	1.6	1.4	1.5	1.7

1 July 2018

Key drivers	ECL Scenario	Assigned Probabilities %	2018 %	2019 %	2020 %	2021 %	2022 %
GDP growth %							
	Upside	30%	2.7	2.8	2.6	2.7	2.9
	Base case	40%	3.9	4.0	3.8	3.9	4.1
	Downside	30%	1.5	1.6	1.4	1.5	1.7

Following tables outline the impact of multiple scenarios on the allowance:

Region - Pakistan
30 June 2019

£000	**Balances with other banks**	**Debt Instruments at FVOCI**	**Debt Instruments at Amortised Cost**	**Lending and Advances**	**Small Business Lending**	**Consumer Lending**	**Unfunded**	**Acceptances**	**Total**
Upside (5%)	10	23	160	7,200	-	-	31	7	7,431
Base case (60%)	148	281	1,916	89,441	-	-	528	172	92,486
Downside (35%)	105	164	1,118	55,165	-	-	499	201	57,252
Total	263	468	3,194	151,806	-	-	1,058	380	157,169

1 July 2018

£000	Balances with other banks	Debt Instruments at FVOCI	Debt Instruments at Amortised Cost	Lending and Advances	Small Business Lending	Consumer Lending	Unfunded	Acceptances	Total
Upside (5%)	6	30	206	9,393	-	-	61	22	9,718
Base case (60%)	87	363	2,477	117,797	-	-	1,015	477	122,216
Downside (35%)	65	212	1,446	81,872	-	-	1,516	945	86,056
Total	158	605	4,129	209,062	-	-	2,592	1,444	217,990

Region - United Kingdom
30 June 2019

£000	**Balances with other banks**	**Debt Instruments at FVOCI**	**Debt Instruments at Amortised Cost**	**Lending and Advances**	**Small Business Lending**	**Consumer Lending**	**Unfunded**	**Acceptances**	**Total**
Upside (5%)	9	848	-	1,007	-	-	-	-	1,864
Base case (60%)	88	7,795	-	9,796	-	-	-	-	17,679
Downside (35%)	13	1,126	-	1,478	-	-	-	-	2,617
Total	110	9,769	-	12,281	-	-	-	-	22,160

1 July 2018

£000	Balances with other banks	Debt Instruments at FVOCI	Debt Instruments at Amortised Cost	Lending and Advances	Small Business Lending	Consumer Lending	Unfunded	Acceptances	Total
Upside (5%)	-	164	393	2,684	-	-	-	-	3,241
Base case (60%)	1	2,136	3,392	23,802	-	-	-	-	29,331
Downside (35%)	-	426	468	3,323	-	-	-	-	4,217
Total	1	2,726	4,253	29,809	-	-	-	-	36,789

Notes *(continued)*

44. Financial instruments *(continued)*

Region - Switzerland
30 June 2019

£000	Balances with other banks	Debt Instruments at FVOCI	Debt Instruments at Amortised Cost	Lending and Advances	Small Business Lending	Consumer Lending	Unfunded	Acceptances	Total
Upside (5%)	13	-	275	5	-	-	-	-	293
Base case (60%)	215	-	2,574	57	-	-	-	-	2,846
Downside (35%)	53	-	375	11	-	-	-	-	439
Total	281	-	3,224	73	-	-	-	-	3,578

1 July 2018

£000	Balances with other banks	Debt Instruments at FVOCI	Debt Instruments at Amortised Cost	Lending and Advances	Small Business Lending	Consumer Lending	Unfunded	Acceptances	Total
Upside (5%)	7	-	10	32	-	-	-	-	49
Base case (60%)	138	-	116	315	-	-	-	-	569
Downside (35%)	38	-	20	48	-	-	-	-	106
Total	183	-	146	395	-	-	-	-	724

Region - Qatar
30 June 2019

£000	Balances with other banks	Debt Instruments at FVOCI	Debt Instruments at Amortised Cost	Lending and Advances	Small Business Lending	Consumer Lending	Unfunded	Acceptances	Total
Upside (5%)	-	50	129	12,521	-	-	68	-	12,768
Base case (60%)	-	67	172	16,694	-	-	91	-	17,024
Downside (35%)	-	50	129	12,521	-	-	68	-	12,768
Total	-	167	430	41,736	-	-	227	-	42,560

1 July 2018

£000	Balances with other banks	Debt Instruments at FVOCI	Debt Instruments at Amortised Cost	Lending and Advances	Small Business Lending	Consumer Lending	Unfunded	Acceptances	Total
Upside (5%)	-	147	49	3,414	-	-	20	-	3,630
Base case (60%)	-	195	65	4,553	-	-	27	-	4,840
Downside (35%)	-	147	49	3,414	-	-	20	-	3,630
Total	-	489	163	11,381	-	-	67	-	12,100

Region - Bahrain
30 June 2019

£000	Balances with other banks	Debt Instruments at FVOCI	Debt Instruments at Amortised Cost	Lending and Advances	Small Business Lending	Consumer Lending	Unfunded	Acceptances	Total
Upside (5%)	-	348	124	866	-	-	108	-	1,446
Base case (60%)	-	464	165	1,154	-	-	144	-	1,927
Downside (35%)	-	348	124	866	-	-	108	-	1,446
Total	-	1,160	413	2,886	-	-	360	-	4,819

Notes *(continued)*

44. Financial instruments *(continued)*

1 July 2018
£000

	Balances with other banks	Debt Instruments at FVOCI	Debt Instruments at Amortised Cost	Lending and Advances	Small Business Lending	Consumer Lending	Unfunded	Acceptances	Total
Upside (5%)	-	370	92	878	-	-	54	-	1,394
Base case (60%)	-	493	122	1,171	-	-	72	-	1,858
Downside (35%)	-	370	92	878	-	-	54	-	1,394
Total	-	1,233	306	2,927	-	-	180	-	4,646

Region - UAE
30 June 2019
£000

	Balances with other banks	*Debt* Instruments at FVOCI	Debt *Instruments* at Amortised Cost	*Lending* and Advances	*Small* Business Lending	Consumer Lending	Unfunded	Acceptances	Total
Upside (5%)	72	854	1,654	55,386	-	-	238	-	58,204
Base case (60%)	103	1,220	2,256	74,166	-	-	352	-	78,097
Downside (35%)	83	985	1,738	55,902	-	-	303	-	59,011
Total	258	3,059	5,648	185,454	-	-	893	-	195,312

1 July 2018
£000

	Balances with other banks	Debt Instruments at FVOCI	Debt Instruments at Amortised Cost	Lending and Advances	Small Business Lending	Consumer Lending	Unfunded	Acceptances	Total
Upside (5%)	133	583	1,566	49,483	-	-	785	-	52,550
Base case (60%)	178	841	2,125	66,464	-	-	1,447	-	71,055
Downside (35%)	133	686	1,627	50,272	-	-	1,530	-	54,248
Total	444	2,110	5,318	166,219	-	-	3,762	-	177,853

Grouping of instruments for losses measured on a collective basis

"For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Banking Group has considered benchmarking internal / external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined below:

Region - Pakistan	
Corporate, Commercial and SME	**Retail**
-Obligors Risk Rating	-Product Basis (Personal Loans, Auto Loans, Credit Cards, Agricultural Loans and House Loans)

Region - United Kingdom and Switzerland	
Corporate	**Consumer Loans**
-External Ratings	-Individuals

Region - UAE, Qatar and Bahrain	
Retail Exposure	**Non-Retail Exposure**
-Obligors Risk Rating	-Individuals

Notes *(continued)*

44. Financial instruments *(continued)*

Exposure to credit risk

Maximum exposure to credit risk - Financial instruments subject to impairment

The analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised is disclosed in their respective notes. The gross carrying amount of these financial assets also represents the Group's maximum exposure to credit risk on these assets. The disclosure is in the notes as per the following:

Financial Assets	Note reference
Lending to financial institutions and advances	31
Investments in financial assets	29
Off balance sheet obligations	34
Cash and cash equivalents	32

Maximum exposure to credit risk - Financial instruments not subject to impairment

The following information lists the maximum credit risk exposure from financial assets not subject to impairment:

	Maximum Exposure to Risk £000
Debt investments at fair value through profit and loss	663,215
Equity investments- Initially designated at fair value through profit and loss	72,214
Equity investments- Initially designated at fair value through OCI	6,305
	741,734

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are, as follows:

Exposure	Collateral
Securities lending and reverse repurchase transactions	Cash or securities.
Corporate and small business lending	Charges over real estate properties, government guarantees, cash or other liquid collaterals.
Retail lending	Mortgages over residential properties, charge over vehicles and cash collaterals.

The tables below show the maximum exposure to credit risk by class of financial asset. They also show the total fair value of collateral and the net exposure to credit risk.

Notes *(continued)*

44. Financial instruments *(continued)*

Type of Collateral and Credit Enhancement

30 June 2019 — **Fair Value of Collateral and Enhancements held**

In £000	Maximum exposure to credit risk	Cash	Securities	Government guarantees	Real Estate	Others	Total Collateral	Net Exposure	Associated ECL
Balances with Other Banks	210	-	-	-	-	-	-	210	1
Loans and Advances to Customers	3,780	106	14	784	244	29	1,177	2,603	409
Lending to Financial institutions	109	-	-	-	-	-	-	109	-
	4,099	**106**	**14**	**784**	**244**	**29**	**1,177**	**2,922**	**410**
Debt instruments at amortised cost	1,543	-	2	75	-	-	77	1,465	13
Total financial assets at *amortised cost*	**5,642**	**106**	**16**	**859**	**244**	**29**	**1,254**	**4,388**	**423**
Debt instruments at fair value through OCI	2,132	-	-	-	-	-	-	2,132	15
	7,774	**106**	**16**	**859**	**244**	**29**	**1,254**	**6,520**	**438**
Other commitments	1,920	56	-	-	1	-	57	1,863	2
	9,694	**162**	**16**	**859**	**245**	**29**	**1,311**	**8,383**	**440**

30 June 2018 — Fair Value of Collateral and Enhancements held

In £000	Maximum exposure to credit risk	Cash	Securities	Government guarantees	Real Estate	Others	Total Collateral	Net Exposure	Associated ECL
Balances with Other Banks	153	-	-	-	-	-	-	153	1
Loans and Advances to Customers	3,817	132	9	1,029	294	34	1,498	2,319	338
Lending to Financial institutions	215	-	-	-	-	-	-	215	4
	4,185	132	9	1,029	294	34	1,498	2,687	343
Debt instruments at amortised cost	1,645	-	1	56	-	-	57	1,588	11
Total financial assets at amortised cost	5,830	132	10	1,085	294	34	1,555	4,275	354
Debt instruments at fair value through OCI	2,182	-	-	-	-	-	-	2,182	6
	8,012	132	10	1,085	294	34	1,555	6,457	360
Other commitments	1,956	34	-	-	6	27	67	1,889	6
	9,968	166	10	1,085	300	61	1,622	8,346	366

Notes *(continued)*

44. Financial instruments *(continued)*

Loss allowance

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Life
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to Assets that were written off during the period.

The changes in the loss allowance between the beginning and the end of the annual periods due to the above factors and the significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance is disclosed in their respective notes as follows:

Financial assets	**Note reference**
Lending to financial institutions and advances	31
Investments in financial assets	29
Off balance sheet obligations	34

Write off policy

The Banking Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Banking Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering the residual exposure in full.

Notes *(continued)*

44. 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 management information system 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.

(h) Foreign exchange risk

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

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 Pakistani Rupee. From time to time, TCM proactively hedges foreign currency exposures resulting from its market making activities, subject to pre-defined limits.

Notes *(continued)*

44. Financial instruments *(continued)*

	Assets 2019 £000	Liabilities 2019 £000	Off-balance sheet items 2019 £000	Net currency exposure 2019 £000	Assets 2018 £000	Liabilities 2018 £000	Off-balance sheet items 2018 £000	Net currency exposure 2018 £000
Pakistan Rupee	**7,502,677**	**(6,423,993)**	**(347,769)**	**730,915**	9,369,240	(8,101,010)	(300,974)	967,256
US Dollar	**1,198,181**	**(882,273)**	**(311,888)**	**4,020**	1,570,243	(991,339)	(599,793)	(20,889)
Pound Sterling	**332,958**	**(350,052)**	**94,045**	**76,951**	274,750	(327,734)	129,260	76,276
Japanese Yen	**207**	**(50)**	**(72)**	**85**	157	(40)	(74)	43
Euro	**19,506**	**(49,558)**	**30,180**	**128**	31,833	(82,175)	51,304	962
UAE Dirham	**596,675**	**(1,048,688)**	**446,218**	**(5,795)**	598,766	(1,211,324)	612,011	(547)
Bahraini Dinar	**66,056**	**(129,054)**	**63,315**	**317**	73,090	(140,720)	69,999	2,369
Qatari Riyal	**112,176**	**(149,090)**	**35,506**	**(1,408)**	151,047	(176,931)	22,518	(3,366)
Other Currencies	**91,440**	**(33,661)**	**(9,535)**	**48,244**	113,796	(92,183)	15,749	37,362
	9,919,876	**(9,066,419)**	**-**	**853,457**	12,182,922	(11,123,456)	-	1,059,466

Sensitivity analysis

The effect of different levels of impact 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 impact (%)	**20%**	**30%**	**50%**
Net foreign impact (£million)	122.54	122.54	122.54
Loss on exchange rate change (£ million)	(24.51)	(36.76)	(61.27)
Tax adjusted loss (£ million)	(14.95)	(22.43)	(37.38)

(i) Equity position risk

Equity position risk is the risk that the fair value of a financial instrument will fluctuate due to changes in the prices of individual stocks or the levels of equity indices. The Bank's equity book comprises of FVPL and FVOCI portfolios. The objective of the FVPL portfolio is to make short-term capital gains, whilst the FVOCI 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.

	2019 £000
Impact of 5% change in equity prices on,	
Income statement	
+5% change	3,611
-5% change	(3,611)

Notes *(continued)*

44. Financial instruments ***(continued)***

(j) Yield / interest risk

Mismatch of interest rate sensitive assets and liabilities

Interest rate risk is the risk that fair value of a financial instrument will fluctuate as a result of changes in interest rates, including changes in the shape of yield curves. Interest rate risk is inherent in 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 assets and liabilities in the statement of financial position:

On balance sheet financial instruments	Effective yield / interest rate	Total	Up to 1 year	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	Non-interest-bearing financial instruments
		2019	2019	2019	2019	2019	2019
	%	£000	£000	£000	£000	£000	£000
Assets							
Cash and balances with treasury banks	0.50%-0.90%	1,336,340	287,005	-	-	-	1,049,335
Lending to financial institutions	5.60%-10.50%	108,907	107,172	-	1,735	-	-
Investments	7.30%-8.70%	4,403,269	2,548,186	330,542	804,726	605,869	113,946
Advances	6.30%-9.60%	3,370,909	3,245,726	5,858	21,663	26,770	70,892
Other assets		202,816	-	-	-	-	202,816
		9,422,241	6,188,089	336,400	828,124	632,639	1,436,989
Liabilities							
Bills payable		143,886	-	-	-	-	143,886
Borrowings	3.40%-4.60%	1,143,559	995,093	113,342	-	-	35,124
Deposits and other accounts	2.50%-4.30%	7,408,801	3,964,901	126,871	70,170	77,570	3,169,289
Subordinated Debt	10.20%-12.10%	49,202	48,152	-	-	-	1,050
Payable to investors of UBL Funds		9,536	9,536	-	-	-	-
Other liabilities		198,245	20,094	-	-	-	178,151
		8,953,229	5,037,776	240,213	70,170	77,570	3,527,500
On balance sheet gap		469,012	1,150,313	96,187	757,954	555,069	(2,090,511)
Net non-financial assets		384,442					
Total net assets		853,454					

Notes *(continued)*

44. Financial instruments *(continued)*

Off-balance sheet financial instruments	Fair value 2019 £000	Notional value 2019 £000	Total 2019 £000	Exposed to yield / interest rate Up to 1 year 2019 £000	1-2 years 2019 £000	2-5 years 2019 £000	>5 years 2019 £000	Non-interest-bearing financial instruments 2019 £000
Interest rate long derivatives	(96)	1,524	1,524	-	1,524	-	-	-
Interest rate short derivatives			(1,524)	(1,524)	-	-	-	-
Cross currency long swap	-	-	-	-	-	-	-	-
Cross currency short swap	-	-	-	-	-	-	-	-
Foreign currency forward purchases	34,281	2,055,005	2,055,005	-	-	-	-	2,055,005
Foreign currency forward sales		(1,740,420)	(1,740,420)	-	-	-	-	(1,740,420)
FX options - purchased	-	4,038	4,038	-	-	-	-	4,038
FX options - sold		(4,038)	(4,038)	-	-	-	-	(4,038)
Forward purchase of government securities	158	382,280	382,280	-	-	-	-	382,280
Forward sale of government securities	-	-	-	-	-	-	-	-
Off-balance sheet gap			**696,865**	**(1,524)**	**1,524**	**-**	**-**	**696,865**
Total yield / interest rate risk sensitivity gap			**1,165,874**	**1,148,789**	**97,711**	**757,954**	**555,069**	**(1,393,649)**
Cum yield / Interest rate risk sensitivity gap			**-**	**1,148,789**	**1,246,500**	**2,004,454**	**2,559,523**	**1,165,874**

On balance sheet financial instruments	Effective yield / interest rate %	Total 2018 £000	Up to 1 year 2018 £000	Over 1 year to 2 years 2018 £000	Over 2 years to 5 years 2018 £000	Over 5 years 2018 £000	Non-interest bearing financial instruments 2018 £000
Assets							
Cash and balances with treasury banks	0.07%	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)
Net non-financial assets		491,536					
Total net assets		1,059,466					

Notes *(continued)*

44. Financial instruments ***(continued)***

Off-balance sheet financial instruments	Fair value	Notional value	Total	Exposed to yield / interest rate				Non-interest bearing *financial* instruments
				Up to 1 year	1-2 years	2-5 years	> 5 years	
	2018	2018	2018	2018	2018	2018	2018	2018
	£000	£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)	-	-	-	-
Cross currency long swap			-	-	-	-	-	-
Cross currency short swap			-	-	-	-	-	-
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)	(683)	-	-	-	-
Forward purchase of Government securities	(24)	6,552	6,552	6,552	-	-	-	-
Forward sale of Government securities	-	-	-	-	-	-	-	-
Off-balance sheet gap			297,382	297,382	-	-	-	-
Total yield / interest rate risk sensitivity gap			865,312	1,196,820	763,218	1,042,363	687,033	(2,824,122)
Cum yield / interest rate risk sensitivity gap			-	1,196,820	1,960,038	3,002,401	3,689,434	865,312

Sensitivity analysis

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

Magnitude of impact (%)	2%	3%	4%
Total assets of the Bank - (£ million)	1,169	1,169	1,169
Net fall in market value of equity - (£ million)	(23)	(35)	(47)
Tax Adjusted Loss - (£ million)	(14)	(21)	(29)

(k) Liquidity risk

Liquidity risk is the risk that the Banking Group may be unable to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable cost or losses.

The Assets and Liability Management Committee (ALCO) of the Banking Group is responsible for the oversight of liquidity management and meets on a monthly basis or more frequently, if required.

The Banking Group's approach to liquidity management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking sustained damage to business franchises. A centralised approach is adopted, based on an integrated framework incorporating an assessment of all material known and expected cash flows and the availability of collateral which could be used to secure additional funding if required. The framework entails careful monitoring and control of the daily liquidity position, and regular liquidity stress testing under a variety of scenarios. These encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the Banking Group's business.

Notes *(continued)*

44. Financial instruments *(continued)*

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

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

30 June 19	**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	1,126,288	1,126,288	-	-	-
Balances with other banks	210,053	210,053	-	-	-
Lending to financial institutions	108,907	98,372	-	10,535	-
Investments	4,403,268	2,460,549	363,437	698,579	880,703
Advances	3,370,909	1,665,740	216,926	731,213	757,030
Other financial assets	384,930	360,488	-	-	24,442
	9,604,355	5,921,490	580,363	1,440,327	1,662,175
Liabilities					
Bills payable	143,886	143,886	-	-	-
Borrowings	1,141,474	967,260	63,641	12,494	98,079
Deposits and other accounts	7,408,801	7,109,108	141,890	137,178	20,625
Sub-ordinated loans	49,202	-	-	-	49,202
Liabilities against assets subject to finance lease	-	-	-	-	-
Payable to investors of UBL Funds	9,536	9,536	-	-	-
Other financial liabilities	313,521	282,368	21,154	-	9,999
	8,922,534	8,368,272	226,685	149,672	177,905
Net inflow / (outflow)	**681,821**	**(2,446,782)**	**353,678**	**1,290,655**	**1,484,270**

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	214,166	18,754	38,423	1,201
Investments	5,279,651	2,387,013	860,545	1,172,906	859,187
Advances	4,598,030	2,433,499	497,384	959,025	708,122
Other financial assets	452,347	426,251	-	-	26,096
	11,830,587	6,688,944	1,376,683	2,170,354	1,594,606
Liabilities					
Bills payable	96,844	96,844	-	-	-
Borrowings	1,900,169	1,734,563	380	46,111	119,115
Deposits and other accounts	8,741,127	8,205,299	205,479	288,274	42,075
Liabilities against assets subject to finance lease	-	-	-	-	-
Payable to investors of UBL Funds	7,487	7,487	-	-	-
Other financial liabilities	377,830	289,586	26,201	-	62,043
	11,123,457	10,333,779	232,060	334,385	223,233
Net inflow / (outflow)	707,130	(3,644,835)	1,144,623	1,835,969	1,371,373

Notes *(continued)*

44. Financial instruments *(continued)*

(l) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Operational Risk Division of the Group 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 organisational 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 Banking Group, clearly defining the roles and responsibilities of respective stakeholders, and covering recovery strategy, IT and structural backups, scenario and impact analyses and testing directives. The outsourcing policy has also been augmented to address risks associated with such arrangements.

(m) Capital risk management

Capital is held to protect the Banking Group's banking business's (UBL) depositors, cover inherent risks, provide a cushion for stress events and to support the business strategy. In assessing the adequacy of capital resources, UBL considers its business plan, risk appetite, the material risks to which it is exposed, and the appropriate strategies required to manage those risks.

UBL is committed to maintaining a strong capital base under both existing and future regulatory requirements. The strength of its capital base is dependent upon the size of its capital relative to Risk Weighted Assets.

UBL prepares a Capital Adequacy Assessment Process document that sets out how it identifies and manages the key risks to which it is exposed and details its capital requirements, capital resources and capital adequacy over the planning period, including under stress scenarios. This process is used to ensure that it applies appropriate management buffers to regulatory capital requirements in line with risk appetite. In order to appropriately monitor and manage the Bank's capital resources, UBL produces regular reports on the current and forecasted level of capital for the Board and the shareholders. The key assumptions and risk drivers used to create the stress tests are regularly monitored and reported and are used in determining how it will evolve its capital resources and ensure they are appropriate for growth.

The Banking Group's insurance business's (UIL) objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business.

UIL manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

In accordance with Insurance Rules, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP) vide SRO 89(1)/2017, minimum paid-up capital requirement to be complied with by Insurance / Takaful companies as at 31 December 2017 and subsequent year is PKR 500 million (£2.4 million). As at June 2019 UIL's paid-up capital of PKR 1,152 million (£5.6 million) was in excess of the prescribed limit.

Notes *(continued)*

45. Subsequent events *(continued)*

After the year end, Bestway Cement Limited declared and paid £8.6 million in dividends for the quarter ended 30 June 2019. United Bank Limited declared and paid £14.7 million in dividends for the quarter ended 30 June 2019.

There have been no other subsequent events which would have a material effect on the Group's financial statements at 30 June 2019.

46. Share capital

	2019 £000	2018 £000
Authorised:		
1,000,000 ordinary shares of £0.01 each	**10**	10
Allotted, called up and fully paid:		
1,000,000 ordinary shares of £0.01 each	**10**	10

On 26 June 2019, Bestway Group Limited declared and paid a final ordinary dividend of £4.00 per share for the year ended 30 June 2018. This is in addition to the £6.00 per share interim dividend declared and paid on 21 May 2018 for the year ended 30 June 2018. Together, this dividend totalled £10 million. No dividend has yet been declared for the year ended 30 June 2019.

47. Non-controlling interest

	Total £000
Balance at 1 July 2017	720,113
Share of total comprehensive income for the year	(24,491)
Payment of dividends	(53,595)
Repurchase of own shares	(10)
Balance at 30 June 2018	642,017
Change in accounting policy	(29,361)
Balance at 30 June 2018 (restated)	612,656
Share of total comprehensive income for the year	(38,515)
Payment of dividends	(46,211)
Change in non-controlling interest	(15)
Issuance and repurchase of units	1,191
Balance at 30 June 2019	**529,106**

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.

	2019 £000	2018 £000
Bestway Cement Limited		
Current assets	**72,487**	120,070
Non-current assets	**379,684**	470,683
Current liabilities	**(119,099)**	(165,164)
Non-current liabilities	**(50,972)**	(93,982)
Equity attributable to owners of the Company	**(282,100)**	(331,607)
United Bank Limited		
Current assets	**5,988,615**	6,689,189
Non-current assets	**3,929,273**	5,513,783
Current liabilities	**(8,512,158)**	(10,333,779)
Non-current liabilities	**(554,263)**	(789,677)
Equity attributable to owners of the Company	**(823,723)**	(1,045,844)
Non-controlling interests	**(27,744)**	(33,672)

Notes *(continued)*

48. Related party transactions

Balances and transactions between the Company and wholly owned subsidiaries are not required to be disclosed in accordance with IAS 24. Transactions between the Group and related parties are disclosed below.

Trading transactions

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

	Purchase of goods	
	2019	2018
	£000	*£000*
Map Rice Mill (Pvt) limited	**2,431**	2,766
Total	**2,431**	2,766

	Net interest receivable	
	2019	2018
	£000	£000
Buybest Limited	-	27
Total	-	27

The following amounts were outstanding at the balance sheet date:

	Amounts owed by *related parties*		**Amounts owed to *related parties***	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Map Rice Mill (Pvt) limited	**182**	549	**167**	-
Buybest Limited	**560**	1,035	-	51
Total	**742**	1,584	**167**	51

Buybest Limited is a related party of the Group because certain Directors of Bestway Group 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.

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 payable or receivable or interest free are unsecured and will be settled in cash.

49. Remuneration of Directors and Key Management Personnel

Aggregate Directors' remuneration

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

	2019	2018
	£000	£000
Salaries, fees, bonuses and benefits in kind	**10,628**	6,453
Contribution to money purchase pension scheme	**56**	204
	12,363	6,657

The above remuneration relates to 6 directors (2018: 6 directors). 2 of these directors did not receive any emoluments for their services to the Group.

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid Director in the Group was £6.8 million (2018: £1.8 million).

Post-employment benefits are accruing for 6 (2018: 6) directors under the money purchase schemes.

Notes *(continued)*

49. Remuneration of Key Management Personnel and Directors *(continued)*

Aggregate key management personnel remuneration

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.

	2019 £000	2018 £000
Salaries, fees, bonuses and benefits in kind	19,596	20,514
Contribution to money purchase pension scheme	431	356
Contribution to gratuity fund pension scheme	3,038	37
	23,065	20,907

Key management personnel are considered as such as they are instrumental in planning, directing and controlling activities of the Group.

Other transactions with Directors

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 Group Limited and the outstanding balance of redeemable preference shares shown as non-current liabilities is as follows:

	2019 £000	2018 £000
Sir MA Pervez	37,403	37,403
Lord 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:

	2019 £000	2018 £000
Sir MA Pervez	2,244	2,244
Lord ZM Choudrey	608	608
MY Sheikh	608	608
	3,460	3,460

The Banking Group has certain related party transactions with the Company's Directors and details of these transactions is given below;

	Advances £000	Deposits taken £000	Interest payable £000	Net income £000	Interest expense £000
Year ended 30 June 2019					
Details of transactions with these Directors is as follows	-	47,128	361	-	1,118

	Advances £000	Deposits £000	Interest payable £000	Net income £000	Interest expense £000
Year ended 30 June 2018					
Details of transactions with these Directors is as follows	4	25,519	43	-	1,183

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

Notes *(continued)*

49. Remuneration of Key Management Personnel and Directors *(continued)*

The current Directors of the Company and their immediate relatives control 100% (2018: 100%) of the voting shares of the Company.

During the year under review, Bestway Foundation provided in excess of £225,000 (2018: £200,000) in grants to students of South Asian origin to attend a number of universities in the United Kingdom. In addition, Bestway Foundation donated over £240,000 (2018: £185,000) to nine charities in the UK, including amongst others, The Duke of Edinburgh Award, Crimestoppers and Grocery Aid.

50. Prior year adjustments

Trading Group

Following the purchase of Bargain Booze Ltd by the Group an exercise has been performed to assess if the original fair values on the opening statement of financial position have been changed. It has been concluded by management that those changes are material resulting in a restatement of the consolidated statement of financial position and income statement for the year ended 30 June 2018. Distribution expenses have also been reclassified from administrative expenses to reflect the correct classification of these transactions. The following line items in the financial statements have been amended as follows;

Extract of consolidated income statement and consolidated statement of comprehensive income for the year to 30 June 2018 restated (due to prior year adjustments)

	Original		Movement due to restatement		Restated	
	Trading Group £000	Total Combined £000	Trading Group £000	Total Combined £000	**Trading Group £000**	**Total Combined £000**
Distribution expenses	(10,933)	(10,933)	(3,013)	(3,013)	**(13,946)**	**(13,946)**
Administrative expenses	(386,616)	(727,552)	3,887	3,887	**(382,729)**	**(723,665)**
Total operating profit	115,685	353,841	874	874	**116,559**	**354,715**
Underlying Profit before tax	93,771	331,927	874	874	**94,645**	**332,801**
Adjusting items:						
Gain on acquisition (see note viii)	20,360	20,360	(13,204)	(13,204)	**7,156**	**7,156**
Profit before tax	114,131	295,817	(12,330)	(12,330)	**101,801**	**283,487**
Profit for the year	85,531	213,532	(12,330)	(12,330)	**73,201**	**201,202**
Attributable to:						
Owners of the Company	50,882	123,350	(12,330)	(12,330)	**38,552**	**111,020**
Non-controlling interests	34,649	89,960	-	-	**34,649**	**89,960**
Investors of UBL funds	-	222	-	-	**-**	**222**
Profit for the year	85,531	213,532	(12,330)	(12,330)	**73,201**	**201,202**
Other comprehensive income for the year	(52,275)	(253,722)	-	-	**(52,275)**	**(253,722)**
Total comprehensive income for the year	33,256	(40,190)	(12,330)	(12,330)	**20,926**	**(52,520)**
Total comprehensive income attributable to:						
Owners of the Company	24,479	(15,699)	(12,330)	(12,330)	**12,149**	**(28,029)**
Non-controlling interests	8,777	(24,491)	-	-	**8,777**	**(24,491)**
Total comprehensive income for the year	33,256	(40,190)	(12,330)	(12,330)	**20,926**	**(52,520)**

Notes *(continued)*

50. Prior year adjustments *(continued)*

Extract of consolidated statement of financial position as at 30 June 2018 restated (due to prior year adjustments)

	Note	Original £000	Movement due to restatement £000	**Restated £000**
Non-current assets				
Trading Group				
Other intangible assets	*i*	436,835	(4,614)	**432,221**
Property, plant and equipment	*ii*	689,445	(8,428)	**681,017**
Total non-current assets		6,919,614	(13,042)	**6,906,572**
Current assets				
Trading Group				
Inventories	*iii*	330,330	(1,544)	**328,786**
Cash at bank and in hand	*iv*	169,887	234	**170,121**
Total current assets		7,480,256	(1,310)	**7,478,946**
Total assets		14,399,870	(14,352)	**14,385,518**
Current liabilities				
Trading Group				
Trade and other payables	*v*	582,582	182	**582,764**
Provisions	*vi*	22,715	(127)	**22,588**
Total current liabilities		11,178,632	55	**11,178,687**
Non-current liabilities				
Trading Group				
Deferred tax liabilities	*vii*	131,121	(2,077)	**129,044**
Total non-current liabilities		1,280,705	(2,077)	**1,278,628**
Total liabilities		12,459,337	(2,022)	**12,457,315**
Total net assets		1,940,533	(12,330)	**1,928,203**
Equity				
Retained earnings	*viii*	673,897	(12,330)	661,567
Equity attributable to owners of the Company		1,940,533	(12,330)	**1,928,203**

Notes *(continued)*

50. Prior year adjustments *(continued)*

Notes relating to prior year adjustments

i. Intangible assets

An adjustment of £4.6 million was made to the provisional fair value of intangible assets that arose principally from software being stated in excess of its fair value.

ii. Property, plant and equipment

Following acquisition, a full review of property, plant and equipment was undertaken which identified that the fair value of a number of assets had been overstated and that asset decommissioning costs had been omitted from the provisional fair values. The net adjustment to finalise the fair values led to a reduction of £8.4 million in the provisional fair value of property, plant and equipment.

iii. Inventories

An adjustment of £0.8 million was made to inventory to goods supplied to the business under retention of title clauses which were subsequently enforced by the supplier. In addition to this there was a further adjustment to increase the level of inventory provisions by £0.7 million. The total impact of these adjustments was to reduce the fair value of inventories by £1.5 million.

iv. Cash at bank and in hand

An adjustment of £0.2 million was made to restate the cash balance.

v. Trade and other payables

Trade payable related to provisions on the opening balance has had the fair value reassessed and increased the provision by £0.1 million.

vi. Provisions

A net adjustment of £0.1 million was made to restate the fair value of the dilapidations provision as the provisional amount was not sufficient to cover the potential liability.

vii. Deferred tax

The deferred tax liability was restated by £2.1 million as a result of the finalisation of the fair value of net assets acquired. This principally arises from the adjustment made to intangible assets and property plant and equipment.

viii. Adjusting items

As a result of the fair value adjustments made to intangible assets and property, plant and equipment there was a reduction in amortisation and depreciation expenses totalling £0.8 million, recognised in administrative expenses. IFRS 3 requires negative goodwill to be immediately recognised in the income statement. The finalisation of the fair values resulted in a reduction of £13.0 million in the negative goodwill balance, recognised in adjusting items. These two items resulted in net a restatement of £12.3 million on retained earnings.

Notes *(continued)*

50. Prior year adjustments *(continued)*

Banking Group

The comparative figures for certain liabilities previously disclosed in the statement of financial position for the year ended 30 June 2018 have been restated to reflect the appropriate categories required by IAS 39, Financial Instruments. The adjustments have been disclosed below:

	Original £000	Movement due to reclassification £000	Restated £000
Current liabilities			
Banking Group			
Trade and other payables	168,522	(97,875)	70,647
Deposits and other accounts	8,148,034	57,265	8,205,299
Other interest-bearing loans and borrowings	1,859,558	40,610	1,900,168
Provisions	-	16,977	16,977
Non-current liabilities			
Banking Group			
Provisions	16,977	(16,977)	-
	10,193,091	-	10,193,091

Following the restatement identified above, the accounting standards require the Group to also present a restated 2017 statement of financial position to show the effect of the reclassification error. Bestway Group Limited did not legally exist at 30 June 2017, however the former ultimate parent company, Bestway (Holdings) Limited, did exist and the financial statements for this entity were publicly available. Therefore, the Group presents this as the reported and restated statement of financial position for the Group below to show the effect of the reclassification error as at 30 June 2017.

Statement of financial position as at 30 June 2017 restated (due to prior year adjustments)

	Original £000	Movement due to restatement £000	Restated £000
Non-current assets			
Group Goodwill	206,294	-	206,294
Trading Group			
Other intangible assets	464,443	-	464,443
Property plant and equipment	653,118	-	653,118
Investment property	114,987	-	114,987
Banking Group			
Other intangible assets	7,494	-	7,494
Property plant and equipment	311,760	-	311,760
Investment property	19,634	-	19,634
Reinsurance assets	12,877	-	12,877
Investment in equity accounted investees	31,600	-	31,600
Other financial assets classified held for sale	4,392,263	-	4,392,263
Lending's to financial institutions and advances	1,991,887	-	1,991,887
	8,206,357	-	8,206,357

Notes *(continued)*

50. Prior year adjustments *(continued)*

Statement of financial position as at 30 June 2017 restated (due to prior year adjustments) (continued)

	Original £000	Movement due to restatement £000	Restated £000
Current assets			
Trading group			
Inventories	298,020	-	298,020
Tax receivable	8,048	-	8,048
Trade and other receivables	214,202	-	214,202
Cash and cash equivalents	108,973	-	108,973
Banking Group			
Other financial assets classified as held for sale	3,315,760	-	3,315,760
Lending's to financial institutions & advances	2,752,614	-	2,752,614
Tax receivable	96,501	-	96,501
Trade and other receivables	307,489	-	307,489
Cash and cash equivalents	1,354,340	-	1,354,340
	8,455,947	-	8,455,947
Total assets	16,662,304	-	16,662,304
Current liabilities			
Trading Group			
Trade and other payables	526,225	-	526,225
Tax payable	-	-	-
Bank overdraft	38,320	-	38,320
Other interest-bearing loans and borrowings	50,965	-	50,965
Provisions	20,694	-	20,694
Banking Group			
Trade and other payables	423,229	(96,959)	326,270
Deposits and other accounts	9,162,686	32,802	9,195,488
Payable to investors of UBL funds	13,016	-	13,016
Bill payable	129,188	-	129,188
Bank overdraft	3,950	-	3,950
Other interest-bearing loans and borrowings	2,802,778	64,157	2,866,935
Technical provisions	-	17,091	17,091
	13,171,051	17,091	13,188,142

Notes *(continued)*

50. Prior year adjustments *(continued)*

Statement of financial position as at 30 June 2017 restated (due to prior year adjustments) (continued)

	Original £'000	Movement due to restatement £'000	Restated £'000
Non-current liabilities			
Trading group			
Other interest-bearing loans and borrowings	408,416	-	408,416
Employee benefits	12,053	-	12,053
Deferred tax liabilities	151,466	-	151,466
Preference shares	58,178	-	58,178
Banking group			
Other interest-bearing loans and borrowings	131,491	-	131,491
Deposits and accounts	577,074	-	577,074
Employee benefits	6,555	-	6,555
Deferred tax liabilities	58,024	-	58,024
Technical provisions	17,091	(17,091)	-
Other financial liabilities	31,689	-	31,689
	1,452,037	(17,091)	1,434,946
Total liabilities	**14,623,088**	-	**14,623,088**
Total net assets	**2,039,216**	-	**2,039,216**
Equity			
Share capital	71	-	71
Share premium	3,055	-	3,055
Revaluation reserve	271,243	-	271,243
Capital redemption reserve	39	-	39
Statutory reserve	205,124	-	205,124
Reserve pertaining to UBL funds	1,178	-	1,178
Translation reserves	225,775	-	225,775
Retained earnings	612,618	-	612,618
Equity attributable to owners of company	1,319,103	-	1,319,103
Non-controlling interest	720,113	-	720,113
Total equity	**2,039,216**	-	**2,039,216**

Notes *(continued)*

50. Prior year adjustments *(continued)*

Prior year cashflow restatement

Due to foreign exchange calculation errors noted during the year with respect to the cashflow statement for the year ended 30 June 2018, the comparative figures have been reclassified. The individual lines on the cashflow statement materially impacted are as follows;

	Trading Group 2018	Banking Group 2018	Total cashflow 2018	Trading Group	Banking Group	Total cashflow	Trading Group 2018	Banking Group 2018	Total cashflow 2018
		Reported		Movement due to restatement				Restated	
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cash flows from operating activities									
(Decrease) / increase in provisions	(9,576)	(42,118)	(51,694)	6,829	(13,506)	(6,677)	(2,747)	(55,624)	(58,371)
Increase / (decrease) in pension provision	(2,442)	55,488	53,046	2,229	(50,960)	(48,731)	(213)	4,528	4,315
movements in working capital									
(Increase) / decrease in inventories	(3,097)	-	(3,097)	(25,539)	-	(25,539)	(28,636)	-	(28,636)
(Increase) / decrease in receivables	(36,006)	2,070,809	2,034,803	(10,992)	(2,113,708)	(2,124,700)	(46,998)	(42,899)	(89,897)
Increase / (decrease) in payables	32,724	(2,821,678)	(2,788,954)	29,021	2,739,806	2,768,827	61,745	(81,872)	(20,127)
Tax paid	(34,027)	(38,874)	(72,901)	(11,271)	(63,893)	(75,164)	(45,298)	(102,767)	(148,065)
Cash flows from financing activities									
Dividends paid to non-controlling interest	(17,657)	(35,938)	(53,595)	(3,299)	(7,640)	(10,939)	(20,956)	(43,578)	(64,534)
Net borrowings (from) / to third parties	(102,785)	(1,582,321)	(1,685,106)	30,597	951,331	981,928	(72,188)	(630,990)	(703,178)
Effect of foreign exchange rate changes	24,952	(260,687)	(235,735)	(25,228)	47,382	22,154	(276)	(213,305)	(213,581)

Furthermore, interest paid of £21.9 million has been reclassified from "cashflow from operating activities" to "cashflow from financing activities" and dividends paid by the Banking Group to Trading Group of £63.4 million , dividends paid to owners of the parent of £6 million, and dividends paid to non-controlling interest of £64.5 million have been reclassified from "cashflow from investing activities" to "cashflow from financing activities" to reflect the correct classification of these items.

Notes *(continued)*

51. Critical accounting estimates and judgements

In application of the Group's accounting policies, which are described in note 3, the Directors are required to make the judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These judgements, estimates and assumptions also impact the results reported in the income statement and statement of comprehensive income. 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 year in which the estimate is revised if the revision affects only that year or in the year of the revision and future periods if the revision affects both current and future years.

Trading Group

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 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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date 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 licences

In calculating the impairment provision for licences, the Group makes an estimate of the expected return for each cash generating unit in comparison to the licences relating to that cash generating unit. The estimates used in projecting the discounted cash flows for use in the expected return include the expected growth rate, the WACC discount rate, and budgeted EBITDA figures for the next financial year. Sensitivity analysis is performed surrounding the effect of changes in the growth rate and WACC on the impairment model. The impairment provision for the year is disclosed in note 23.

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 21. Given the role of a Group holding company is to hold and manage its investments, the most appropriate method of assessing for goodwill held at group level is through fair value less cost to sell (FVLCTS).

Valuation of investment properties

Some of the Group's investment properties are measured at fair value for financial reporting purposes. In estimating the fair value of an investment property, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation.

Notes *(continued)*

51. Critical accounting estimates and judgements *(continued)*

Fair value of assets and liabilities from business combinations

In determining the fair value of the acquired trading assets of Bargain Booze Limited, Conviviality Retail Logistics Limited and Wine Rack Limited in the year, the fair value was determined by the Directors. The income approach was used to arrive at the fair value of the intangible assets. 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 worked closely with the qualified external valuers to establish the appropriate valuation techniques and inputs in determining the fair value.

Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation because 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.

Category M provisioning

Most 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 the Department of Health and NHS England (see note 38). Specifically, the Category M provision included within NHS income is made in relation to NHS retained margin funding. This is based on an internally produced model looking at drug tariff reimbursement rates in the market relative to available pharmacy funding to estimate whether a funding provision is required. The Company performs regular review and sensitivity analysis on the model. Also included within NHS income is an element of discount on the basis of what is known as the "deduction scale". This is an assumed amount of discount received to avoid pharmacy contractors having to calculate and declare discount received on each item dispensed. Currently, the deduction scale is based in the monthly total of reimbursement prices with a minimum of 5.6% and a maximum of 11.5% deducted from the total monthly reimbursement.

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.

Contingent liabilities

As described in note 43 (Contingent liabilities) the Group has a number of contingent liabilities. Judgement is required in assessing the likelihood of outflow, the potential quantum of any outflow and the associated disclosure requirements. The Directors, with the aide of legal advisors, are confident of a favourable outcome on all these matters, accordingly no provision has been made in respect of these matters in the consolidated financial statements.

Post-employment benefit obligations

The present value of the post-employment benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of post-employment benefit obligations. The key assumptions and sensitivities are for post-employment obligations are disclosed in note 22 of the consolidated financial statements.

Banking Group

Credit risk measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the risk associated with exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Banking Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9. Refer to note 44 for more details.

Company Statement of Financial Position

As at 30 June 2019

	Note	**2019**	2018
		£000	£000
Non-current assets			
Investments	*54*	**578,048**	578,048
Current assets			
Cash and cash equivalents		**3**	3
Total assets		**578,051**	578,051
Current liabilities			
Trade and other payables	55	**(5)**	(5)
Total liabilities		**(5)**	(5)
Net assets		**578,046**	578,046
Capital and reserves			
Share capital	*56*	**10**	10
Merger reserve		**508,740**	508,740
Retained earnings		**69,296**	69,296
Shareholders' funds		**578,046**	578,046

The notes on pages 137 to 139 are an integral part of these financial statements.

These financial statements were approved by the board of Directors on 19 December 2019 and were signed on its behalf by:

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

M Y Sheikh
Director

Company Statement of Changes in Equity
For the year ended 30 June 2019

	Share capital £000	Merger reserve £000	Retained earning £000	Total equity £000
Balance at 1 July 2017	-	-	-	-
Profit for the year and total comprehensive income	-	-	75,296	75,296
Issue of ordinary shares	10	-	-	10
Acquisition of subsidiaries under common control	-	508,740	-	508,740
Dividends paid	-	-	(6,000)	(6,000)
Balance at 30 June 2018	**10**	**508,740**	**69,296**	**578,046**
Profit for the year and total comprehensive income	-	-	4,000	4,000
Dividends paid	-	-	(4,000)	(4,000)
Balance at 30 June 2019	**10**	**508,740**	**69,296**	**578,046**

The notes on pages 137 to 139 are an integral part of these financial statements.

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

52. 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 Company has adopted several new standards, amendments to standards and IFRIC that became effective during the year and these had no material impact and are detailed in the notes to the consolidated financial statements.

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 408 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.

The financial statements have been prepared on the historical cost basis except for the remeasurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out in note 3 to the consolidated financial statements.

Dividend income is recognised in the financial statements when the right to receive payment is established.

The merger reserve relates to the difference between the consideration paid and the book value of the assets and liabilities at the time of acquisition of entities that are under the control of the shareholders that control the Company.

The Company financial statements have been prepared on a going concern basis. The Company made a profit before tax of £4.0 million and has net assets of £578.0 million. This relates predominantly to an investment in Bestway (Holdings) Limited. The Directors consider that this will enable the Group to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

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

53. 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 period. The Company reported a profit for the financial period ended 30 June 2019 of £4.0 million (2018: £75.3 million). The auditors' remuneration for audit and other services is disclosed in note 14 to the consolidated financial statements.

Company notes *(continued)*

54. *Investments*

	Shares in group *undertakings* £000	*Total* £000
Cost and net book value		
At 30 June 2018 and 30 June 2019	578,048	578,048

Details of the Company's directly owned subsidiary are given below;

Name	UK Company number	Registered office	Class of shares held	2019 Ownership %	2018 Ownership %
Bestway (Holdings) Limited	**01392861**	2 Abbey Road, Park Royal, London, UK, NW10 7BW	Ordinary	**100**	100

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

See note 26 for information relating to other indirectly owned related undertakings of the Company.

55. Trade and other payables

	2019	2018
	£000	£000
Amounts owed to group undertakings	5	5
	5	5

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

56. Share capital

	2019 **£000**	2018 £000
Authorised:		
1,000,000 ordinary shares of £0.01 each	**10**	10
Allotted, called up and fully paid		
1,000,000 ordinary shares of £0.01 each	**10**	10

On 26 June 2019, Bestway Group Limited declared and paid a final, ordinary dividend of £4.00 per share in addition to the £6.00 per share interim dividend declared and paid on 21 May 2018 for the year ended 30 June 2018. This totalled £10 million.

No dividend has been declared for the year ended 30 June 2019.

Company notes *(continued)*

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.

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

Directors' remuneration

The costs relating to the Directors' remuneration for the Company are mainly incurred by Bestway Wholesale Limited and Bestway (Holdings) Limited for the wider Group. The amount attributable to services provided to the Company was £6.6 million (2018: £3.2 million). The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid Director in the Group was £6.6 million.