Bestway Wholesale Limited
(formerly known as Bestway Cash & Carry Limited)

Annual report and financial statements
Registered number 1207120
For the year ended 30 June 2016

Contents

Company information

Registered number	1207120
Registered office	2 Abbey Road Park Royal London NW10 7BW
Directors	ZM Choudrey, CBE, BA (Hons), FCA MY Sheikh AM Chaudhary, MBA R Pervez, ACA D Pervez, BA (Hons), FRSA MA Oxon, Solicitor JR Hall NJ Khan, FCA M Race RJ Hickey
Secretary	D Pervez, BA (Hons), FRSA MA Oxon, Solicitor
Solicitors	Kerman & Co LLP 7 Savoy Court Strand London WC2R 0ER Lovells LLP Atlantic House Holborn Viaduct London EC1A 2FG
Auditor	KPMG LLP 15 Canada Square London E14 5GL

Strategic report

The directors present their Strategic report, Directors' report and the audited financial statements of Bestway Wholesale Limited for the year ended 30 June 2016.

Principal activities

The principal activity of the Company during the year was that of wholesalers of groceries, tobacco, wines, spirits and other household goods.

Business review

Turnover for the year ended 30 June 2016 amounted to £1,431 million compared to £939 million for the previous year, which is an increase of 52%. Operating loss for the year to 30 June 2016 was £2.6 million compared to £16.9 million operating profit for the previous year. Loss on ordinary activities before taxation was £8.1m compared to £13.5 million profit last year.

During the year, the Company's ultimate parent undertaking, Bestway (Holdings) Limited performed a group reorganisation to simplify the group structure with the intention of reducing the number of entities within the group. The impact of the reorganisation on this company is at 31 October 2015 the company acquired the trade and assets of Batleys Limited, Bestway Direct Limited, Bellevue Cash and Carry Limited and Batleys Glasgow Limited. In addition as part of this reorganisation the company transferred its Land and Buildings to Batleys Properties Limited. These transactions happened at book value and was for consideration satisfied by an intercompany loan. As part of this reorganisation the company waived an intercompany payable of £16.4 million. This waiver was recorded directly in equity as a capital contribution from owners. The company also waived an intercompany receivable of £6.02 million as part of this group reorganisation. This waiver was recorded directly in equity as a distribution to parent undertakings.

Change of name

During the year, the company changed its name from Bestway Cash & Carry Limited to Bestway Wholesale Limited.

Principal risks & uncertainties

The cash & carry sector is affected by the rate of inflation. Cost price inflation is expected to increase following the fall in Sterling exchange rates seen in the first quarter of financial year 2016/17, and it is not yet clear to what extent it will be possible to pass these increases on to selling prices. The Company continues to face increasing competition from multiples in the cash & carry sector, with consequent pressure on margins.

Sales of tobacco may be adversely effected by changes in cigarette packaging and display regulations which will come into force during the year. This is expected to impact total reported sales, but will have limited effect on profits due to the low gross profit margins on tobacco products.

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

Key performance indicators

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

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

The non-financial performance indicators are staff revenue, staff/supplier/customer satisfaction, health and safety reports among others. The Board is of the belief that the monitoring of the above-mentioned indicators is an effective aspect of business performance review.

Strategic report (continued)

Future outlook

The general UK economy, food inflation and continued pressure from black market stocks of alcohol will mean that 2016/17 will be a tough year for the Company.

Whilst we remain cautiously optimistic about the growth prospects of our business, we see no likelihood of any reduction in competitive intensity in our markets.

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

Transition to FRS 101

During the year the company transitioned to Financial Reporting Standard 101'Reduced Disclosure Framework', "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 101"). The Company's parent undertaking, Bestway (Holdings) Limited, was notified of and did not object to take disclosure exemptions allowed under FRS 101 as a qualifying entity. There were no material recognition or measurement differences arising on the adoption of FRS 101.

By order of the board

27th October 2016

N J Khan, FCA
Director

Directors' report

The directors present their annual report and financial statements for the year ended 30 June 2016.

Directors

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

ZM Choudrey, CBE, BA (Hons), FCA
MY Sheikh
AM Chaudhary, MBA
R Pervez, ACA
D Pervez, BA (Hons), FRSA MA Oxon, Solicitor
JR Hall
NJ Khan, FCA
M Race
RJ Hickey

Indemnity provisions

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

Dividends

The directors do not recommend the payment of a final dividend during the year *(2015: £nil)*.

No dividends were paid or are payable on the non-cumulative preference shares in issue *(2015: £nil)*.

Financial instruments

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

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

Employee involvement and equal opportunities

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

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

Political and charitable donations

During the year the Company made political donations of £115,472 *(2015: £127,000)* to the Conservative Party and charitable donations totalling £5,630 *(2015: £3,475)*.

Directors' report (continued)

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.

Auditor

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

By order of the board

27th October 2016

N J Khan, FCA
Director

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

The directors are responsible for preparing the Strategic report and the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.
They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

KPMG LLP
15 Canada Square
London
E14 5GL
United Kingdom

Independent auditor's report to the members of Bestway Wholesale Limited

We have audited the financial statements of Bestway Wholesale Limited for the year ended 30 June 2016 set out on pages 9 to 34. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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

Matters on which we are required to report by exception

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

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

K Dunn

Kelly Dunn (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

27 October 2015

Profit and Loss Account
for the year ended 30 June 2016

	Note	**2016** **£000**	2015 £000
Turnover	*4*	**1,431,159**	939,166
Cost of sales		**(1,390,451)**	(907,774)
Gross profit		**40,708**	31,392
Administrative expenses		**(52,133)**	(21,438)
Other operating income	*7*	**8,810**	6,979
Operating (loss)/profit	*5*	**(2,615)**	16,933
Interest receivable and similar income	*8*	**3,729**	1,197
Interest payable and similar charges	*9*	**(9,213)**	(4,680)
(Loss)/profit on ordinary activities before taxation		**(8,099)**	13,450
Tax on profit/(loss) on ordinary activities	*10*	**1,561**	(516)
(Loss)/profit for the financial year		**(6,538)**	12,934

The notes on pages 13 to 34 form part of the financial statements.

Statement of Other Comprehensive Income
for the year ended 30 June 2016

	Note	2016 £000	2015 £000
(Loss)/profit for the financial year		**(6,538)**	12,934
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Actuarial loss on pension scheme	*20*	**(3,838)**	-
Deferred tax asset on defined benefit pension liability	*17*	**488**	-
Other comprehensive income for the year net of tax		**(3,350)**	-
Total comprehensive income for the year		**(9,888)**	12,934

The results shown above are derived from continuing operations.

The notes on pages 13 to 34 form part of the financial statements.

Balance Sheet
at 30 June 2016

	Note	2016 £000	2015 £000
Fixed Assets			
Tangible assets	*11*	**25,756**	166,789
Goodwill	*12*	**2,907**	-
		28,663	166,789
Current assets			
Stock	*13*	**128,205**	75,396
Debtors (including £233.7m (*2015: £134.7m*) due after more than one year)	*14*	**465,745**	176,106
Cash at bank and in hand		**10,827**	9,751
		604,777	261,253
Creditors: amounts falling due within one year	*15*	**(379,169)**	(186,722)
Net current assets		**225,608**	74,531
Total assets less current liabilities		**254,271**	241,320
Creditors: amounts falling due after more than one year	*16*	**(163,052)**	(159,374)
Provision for liabilities			
Deferred tax liability	*17*	**-**	(110)
Pensions and similar obligations	*20*	**(8,895)**	-
Net assets		**82,324**	81,836
Capital and reserves			
Called up share capital	*18*	**200**	200
Profit and loss account		**82,124**	81,636
Shareholders' funds		**82,324**	81,836

The notes on pages 13 to 34 form part of the financial statements.

These financial statements were approved by the board of directors on 27th October 2016 and were signed on its behalf by:

27th October 2016

N J Khan, FCA
Director

M Y Sheikh
Director

Registered number: 1207120

Statement of Changes in Equity
for the year ended 30 June 2016

	Called up share capital £000	Profit and loss account £000	Total Equity £000
Balance at 1 July 2014	200	68,702	68,902
Total comprehensive income for the period			
Profit for the year	-	12,934	12,934
Balance at 30 June 2015	200	81,636	81,836
Total comprehensive income for the period			
Loss for the year	-	(6,538)	(6,538)
Other comprehensive income	-	(3,350)	(3,350)
Transactions with owners			
Distribution to parent undertakings	-	(6,026)	(6,026)
Capital contribution	-	16,402	16,402
Balance at 30 June 2016	**200**	**82,124**	**82,324**

The notes on pages 13 to 34 form part of the financial statements.

Notes to the financial statements

1. General information

Bestway Wholesale Limited (the Company) is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The principal activities of the company and the nature of the Company's operations are set out in the Strategic report on page 2.

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

2. Significant accounting policies

2.1 Basis of preparation

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 30 June 2016 the company has decided to adopt FRS 101. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied. This transition is not considered to have had a material effect on the financial statements.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

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.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. This transition is not considered to have had a material effect on the financial statements.

The Company's ultimate parent undertaking, Bestway (Holdings) Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Bestway (Holdings) Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

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

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

As the consolidated financial statements of Bestway (Holdings) Limited includes the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

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

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

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

2.2 Going concern

The company meets its day-to-day working capital requirement through its cash reserves and borrowings. The current economic conditions continue to create uncertainty particularly over the level of demand for the company's products. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate with the level of its current cash reserves and borrowings. After making enquiries, the directors are confident that the group has access to sufficient financial resources to meet its liabilities as they fall due and continue in operational existence for the foreseeable future. The Company has positive cash flows and it has sufficient cash reserves to continue as a going concern. The Directors have considered compliance with covenants within certain UK loan agreements and are satisfied that no events of default have occurred or will occur in the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

2.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies 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. 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. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

2.4 Non-derivative financial instruments

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

a) Trade and other debtors
Trade and other debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

b) Trade and other creditors
Creditors are obligations to pay for good or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

c) Interest-bearing borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any differences between the proceeds (net of transaction costs) are the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and are amortised over the period of the facility to which it relates.

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

2.5 Tangible fixed assets

Fixed assets are stated at historical cost less accumulated depreciation. Depreciation is charged to the profit and loss account at rates calculated to write each asset down to its estimated residual value. Land is not depreciated. Their estimated useful lives as follows:

Plant and machinery	15% reducing balance
Fixtures and fittings	15% reducing balance
Motor vehicles	25% reducing balance
Computer equipment	25% reducing balance

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

2.6 Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

2.7 Stocks

Stocks are valued at the lower of cost and net realisable value. In determining the cost of goods purchased for resale, the weighted average purchase price is used. Provision is made for obsolete and slow moving items.

2.8 Impairment excluding stocks and deferred tax assets

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets (including tangible assets)
The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.
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").
An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

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

2.9 Provisions

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

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

2.10 Cash at bank and in hand

Cash at bank and in hand includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.11 Employee benefits

Defined Benefit Plans

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

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company'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 Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method.

2.12 Taxation

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

a) Current tax

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.

b) Deferred tax

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

2.13 Turnover

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

2.14 Retrospective rebates and discounts

The Company negotiates discounts directly with suppliers. These discounts are accounted for once the directors are confident that the Company is entitled to the discount, and are netted against cost of sales accordingly.

2.15 Rental income

Rental income from operating leases is recognised in the profit and loss account on a straight-line basis over the term of the 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.

2.16 Turnover and profit on ordinary activities before taxation

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

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

2.17 Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

2.18 Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2.19 Interest receivable and interest payable

Financial income comprises interest receivable on cash balances. Interest receivable is recognised as it accrues, using the effective interest method. Financial expenses comprise interest payable on loans and overdrafts. Interest receivable and payable is recognised in the profit and loss as it accrues.

2.20 Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

The company as lessee

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into the operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

2.21 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3. Critical accounting estimates and judgements

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other facts that are considered to be relevant. Actual results may differ from these estimates.

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are addressed below:

i) Impairment of trade and other debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the credit rating of the receivable, the ageing profile of debtors and historical experience.

ii) Inventory provisioning

The company'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.

4. Turnover

The analysis of the company's turnover is as follows:

	2016	2015
	£000	£000
Sale of goods	1,431,159	939,166
Total turnover	**1,431,159**	939,166

Analysis of turnover by geography:

	2016	2015
	£000	£000
UK sales	1,403,338	911,712
Overseas sales	27,821	27,454
Total turnover	**1,431,159**	939,166

Notes to the financial statements (continued)

5. Expenses and auditor's remuneration

Included in profit/(loss) are the following:	2016	2015
	£000	£000
Net foreign exchange (gains)/losses	(58)	28
Depreciation of property, plant and equipment	6,954	4,833
Gain on disposal of land and buildings to Group companies	(968)	-
Gain on disposal of other property, plant and equipment	(12)	(42)

Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	2016	2015
	£000	£000
The audit of the company's accounts	71	46
Total audit fees	71	46
Taxation compliance services	37	14
Total non-audit fees	37	14
Auditor Remuneration	108	60

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

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

6. Staff costs

The average monthly number of persons employed by the Company (including directors) during the year was:

	2016	2015
	Number	Number
Office and Management	548	341
Retail	2,926	1,272
Distribution	267	85
	3,741	1,698

Notes to the financial statements (continued)

6. Staff costs (continued)

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	58,549	31,368
Social security costs	4,874	2,730
Other pension costs	1,019	621
	64,442	34,719

7. Other operating income

	2016	2015
	£000	£000
Management fee	6,773	6,035
Disposal of fixed assets to Group companies	968	-
Rental income	769	905
Other income	300	39
	8,810	6,979

8. Interest receivable and similar income

	2016	2015
	£000	£000
Bank interest receivable	64	147
Interest receivable from group undertakings	3,665	1,050
Total interest receivable and similar income	3,729	1,197

9. Interest payable and similar charges

	2016	2015
	£000	£000
Interest on bank loans and overdrafts	1,555	1,028
Interest payable to group undertakings	7,453	3,652
Net interest expense on defined benefit obligation	205	-
Total interest payable and similar charges	9,213	4,680

Notes to the financial statements (continued)

10. Taxation

a) Analysis of charge for the period

	2016	2015
UK corporation tax	**£000**	£000
Current tax on income for the period	**-**	769
Adjustments in respect of prior periods	**(1,199)**	206
Total current tax	**(1,199)**	975
Deferred tax (see note 17)		
Origination and reversal of timing differences	**(499)**	(546)
Impact of change in tax rate	**(126)**	-
Adjustments in respect of prior periods	**263**	87
Total deferred tax	**(362)**	(459)
Tax on profit on ordinary activities	**(1,561)**	516

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

b) Reconciliation of effective tax rate

	2016	2015
	£000	£000
(Loss)/profit before tax on continuing operations	**(8,099)**	13,450
Tax using the UK corporation tax rate of 20% (*2015: 20.75%)*	**(1,620)**	2,791
Effects of:		
Non-deductible expenses	**140**	10
Tax exempt revenues	**(330)**	-
Group relief surrendered/(received)	**1,311**	(2,599)
(Over)/under provided in prior years	**(936)**	293
Rate change impact	**(126)**	21
Tax expense for the year	**(1,561)**	516

c) Factors that may affect future current and total tax rate changes

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset at 30 June has been calculated based on these rates. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly and reduce the deferred tax asset at 30 June 2016.

Notes to the financial statements (continued)

11. Tangible fixed assets

	Land and Building	Plant and machinery	Fixtures, fittings and equipment	Motor Vehicles	Total
Cost	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 July 2015	157,048	15,526	27,966	9,143	209,683
Transfers from group companies	-	4,890	5,339	3,408	13,637
Additions		1,004	3,755	1,804	6,563
Disposals to group companies	(157,048)	-	-	-	(157,048)
Disposals	-	-	-	(1,064)	(1,064)
At 30 June 2016	-	**21,420**	**37,060**	**13,291**	**71,771**
Accumulated depreciation					
At 1 July 2015	1,990	12,236	23,456	5,212	42,894
Charge for year	1,005	1,352	2,378	2,219	6,954
Disposals to group companies	(2,995)	-	-	-	(2,995)
Disposals	-	-	-	(838)	(838)
At 30 June 2016	-	**13,588**	**25,834**	**6,593**	**46,015**
Net book value					
At 30 June 2016	-	**7,832**	**11,226**	**6,698**	**25,756**
At 30 June 2015	155,058	3,290	4,510	3,931	166,789

The cost of freehold land and buildings includes land of £nil (*2015: £47.95 million*) on which depreciation is not provided. During the year land and buildings of £157.05 million were transferred to Batleys Properties Limited as part of the group reorganisation.

12. Goodwill

	Goodwill
Cost	**£000**
At 1 July 2015	-
Additions	**2,907**
At 30 June 2016	**2,907**
Impairment	
At 1 July 2015	-
Charged in the year	-
At 30 June 2016	-
Net book value	
At 30 June 2016	**2,907**
At 30 June 2015	-

Notes to the financial statements (continued)

12. Goodwill (continued)

On 31 October 2015 the trade and assets including goodwill of Batleys Limited was transferred to Bestway Wholesale Limited as part of a group reorganisation. The goodwill relates to the Batleys Limited acquisition of Bellevue Cash and Carry Limited, Martex Cash & Carry and Batleys Glasgow Limited that has now been transferred to Bestway Wholesale Limited.

13. Stocks

	2016	2015
	£000	£000
Finished goods and goods for resale	**128,205**	75,396

14. Debtors

	2016	2015
	£000	£000
Trade debtors	**31,296**	8,570
Other debtors	**938**	4,624
Amounts owed by group undertakings	**399,807**	144,197
Amounts owed by related parties	**111**	112
Prepayments and accrued income	**31,713**	18,603
Corporate tax debtor	**912**	-
Deferred tax asset (note 17)	**968**	-
	465,745	176,106
Due within one year	**303,297**	41,442
Due after more than one year	**162,448**	134,664
	465,745	176,106

Trade debtors are shown net of provision for bad debts amounted to £1.4 million (*2015: £0.3 million*).

Amounts owed by group undertakings of £159m fall due after more than one year. This relates to a 10 year loan note with Batleys Property Limited at 1.75% rate per annum plus LIBOR repayable in November 2024. The loan note has been issued by Batleys Property Limited at fair value, therefore the face and the carrying value are the same.

Notes to the financial statements (continued)

15. Creditors: amounts falling due within one year

	2016	2015
	£000	£000
Trade creditors	212,537	111,486
Amounts owed to group undertakings	40,603	10,128
Amounts owed to related party	100,133	48,295
Other creditors	1,142	289
Accruals and deferred income	21,453	10,571
Corporate tax creditor	-	1,120
Tax and social security	3,301	4,833
	379,169	186,722

16. Creditors: amounts falling due after more than one year

	2016	2015
	£000	£000
Amounts owed to group undertakings	163,052	159,374

Amounts owed to group undertakings relate to a £157 million 10 year loan note repayable in November 2024 at 1.75% rate per annum plus LIBOR.

17. Provisions for liabilities

Deferred tax assets and liabilities

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:

	2016	2015
	£000	£000
Deferred tax assets/(liabilities) that may reverse through the Profit and Loss account	(634)	(110)
Deferred tax assets that may reverse through Other Comprehensive Income	1,602	-
Total deferred tax provision	968	(110)

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

	Accelerated capital allowances	Short tern timing differences	Total
	£000	£000	£000
Items that may reverse through the Profit and Loss account			
At 1 July 2015	(118)	8	(110)
Transfer from group companies	(1,196)	310	(886)
Charged to the income statement (see note 10)	362	-	362
	(952)	318	(634)

Notes to the financial statements (continued)

17. Provisions for liabilities (continued)

	Accelerated capital allowances	Short term timing differences	Total
	£000	**£000**	**£000**
Items that may reverse through Other Comprehensive Income			
At 1 July 2015	-	-	-
Defined Benefit Pension liability - transfer	-	1,114	1,114
Defined Benefit Pension liability - current	-	488	488
	-	1,602	1,602
At 30 June 2016	**(952)**	**1,920**	**968**

18. Capital and reserves

	2016	2015
	£000	£000
Authorised		
100,000 ordinary shares of £1 each	**100**	100
100,000 5 % non-cumulative preference shares of £1 each	**100**	100
	200	200
Allotted, called up and fully paid		
100,000 ordinary shares of £1 each	**100**	100
100,000 5 % non-cumulative preference shares of £1 each	**100**	100
	200	200

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

The holders of 5% non-cumulative preference shares have:

- the right to receive a non-cumulative preferential dividend at the rate of 5% p.a. on the capital paid up or credited as paid up. The dividend is payable out of profits available for dividend or resolved to be distributed in respect of any financial year or other period. In case of deficiency, there is no right to resort to the profits of subsequent financial years or accounting periods, nor is there any priority in payment of a dividend over the ordinary shares;
- the right on winding-up to have the repayment of capital paid up in priority to the ordinary shares;
- no right to receive notice or to attend and vote at general meetings of the Company; and
- no right to participate in the profits or assets of the Company.

During the year the company did not issue any shares *(2015: nil)* and no dividend have been proposed or recognised *(2015: nil)*.

Notes to the financial statements (continued)

19. Contingent liabilities

The company together with the other companies in the Bestway Securities Limited Group and Bestway Northern (a related party) became party to a Senior Facilities Agreement with JP Morgan Limited on 6th October 2014, whereby the liabilities to JP Morgan Limited of each of the subsidiaries are cross guaranteed by each of the companies. The loans under the agreement at 30th June 2016 amount to £430million *(2015: £564.18million)*.

20. Employee Benefits

The Company's main pension commitments relate to its two occupational pension schemes; the Batleys Limited Retirement Benefits Scheme (the "Main scheme") and the Batleys Limited Officers' Retirement Benefits Scheme (the "officers' scheme"). Both schemes are funded by the payment of contributions to separately administered trust funds.

On 31 October 2015, the pension scheme was transferred from Batleys Limited (a group company) to Bestway Wholesale Limited as part of the group reorganisation.

The Schemes are subject to the funding legislation, which came into force on 30 December 2005, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK.

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

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

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

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

Defined contribution plans

The Company operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was £1,019,000 *(2015: £621,000)*.

Defined benefit pension schemes

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

Notes to the financial statements (continued)

20. Employee Benefits (continued)

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

	2016	2015
	£000	£000
Present value of scheme liabilities	(33,974)	-
Fair value of assets	25,079	-
Deficit	(8,895)	-
Related deferred tax asset	1,602	-
Net liability	7,293	-

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

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

Impact of the Asset Ceiling

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

Movements in present value of defined benefit obligations:

	2016	2015
	£000	£000
Defined benefit obligation at beginning of period	-	-
Transfer from group company	29,161	-
Interest cost	1,135	-
Actuarial losses	4,556	-
Benefits paid	(878)	-
At the end of the period	33,974	-

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

Movements in fair value of plan assets:

	2016	2015
	£000	£000
Value of scheme assets at beginning of period	-	-
Transfer from group company	23,606	-
Expected return on plan assets	930	-
Actuarial gains	718	-
Contributions by employer	703	-
Benefits paid	(878)	-
At the end of the period	25,079	-

Notes to the financial statements (continued)

20. Employee Benefits (continued)

Expense recognised in the profit and loss account:

	2016	2015
	£000	£000
Interest on defined benefit pension plan obligation	1,135	-
Expected return on defined benefit pension plan assets	(930)	-
Total expense	205	-

Expense recognised in other comprehensive income:

	2016	2015
	£000	£000
Actuarial losses	4,556	-
Actuarial gains	(718)	-
Total expense	3,838	-

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

	2016	2015
	Fair value	Fair value
	£000	£000
Cash	764	-
Equities	7,545	-
Bonds	1,177	-
Hedge funds	139	-
Liability Driven Investments (LDI)	4,991	
Diversified growth	10,463	
	25,079	-

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

Actuarial assumptions

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

	2016	2015
Discount rate at 30 June 2016	3.05%	3.95%
Inflation (RPI)	3.10%	3.30%
Inflation (CPI)	2.10%	2.30%
Future salary increases	3.30%	3.50%

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

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

Notes to the financial statements (continued)

20. Employee Benefits (continued)

Sensitivity analysis

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

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

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

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

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

21. Capital commitments

The Company had £1.4 million (*2015: £126,000*) commitments of capital expenditure contracted for but not provided in these financial statements. These commitments are expected to be settled in the following financial year.

22. Operating lease arrangements

	2016	2015
	£000	£000
Lease payments under operating leases recognised as an expense in the year	**14,390**	353

Notes to the financial statements (continued)

22. Operating lease arrangements (continued)

The Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016	2015
	£000	£000
Less than one year	**353**	353
Between one and five years	**-**	353
	353	706

Operating lease payments represent rentals payable by the group for certain of its office properties. Leases are negotiated for an average term of 10 years and rentals are fixed for an average of 5 years.

23. 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.

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

Aggregate directors' remuneration

	2016	2015
	£000	£000
Salaries, fees, bonuses and benefits in kind	**2,295**	1,764
Money purchase pension contributions	**87**	67
	2,382	1,831

The costs relating to the directors remuneration are wholly incurred by Bestway Wholesale Limited for the wider group. The amount attributable to services provided to the Company was £1.1 million (*2015: £0.6 million*).

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £400k (*2015: £533k*).

	Number of directors	
	2016	2015
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**8**	8

Notes to the financial statements (continued)

24. Transactions with Directors

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

The total value of the sales to those retail shops was £720k (*2015: £2.5 million*). Certain of the retail shops have common directors. As required by the Companies Act 2006, the total transaction value, by director, is set out below:

	2016	2015
	£000	£000
MA Pervez	396	1,497
ZM Choudrey	396	1,497
AK Bhatti	129	303
AK Chaudhary	195	693
AM Chaudhary	195	693
R Pervez	396	1,497
D Pervez	-	110

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

	2016	2015
	£000	£000
MA Pervez	69	59
ZM Choudrey	69	59
AK Bhatti	31	45
AK Chaudhary	1	0
AM Chaudhary	1	0
R Pervez	69	59
D Pervez	-	(7)

25. Transactions with related parties

The Company's disclosable related parties, as defined by IAS 24, the nature of the relationship and the amount of transactions with them during the year were as follows:

		2016	2015
	Sub notes	£000	£000
Sales to Bestway Northern Limited	1	33,507	26,989
Purchases from Bestway Northern Limited	1	347	353
Management fee charged to Bestway Northern Limited	1	5,573	2,216
Year-end balance due from/(to) Bestway Northern Limited	1	(100,163)	(48,293)
Interest due from/(to) Bestway Northern Limited	1	(2,739)	(673)
Sales to Bestway Stores	2	396	1,387
Year-end balance due from Bestway Stores	2	69	67
Sales to Peppermill Supermarkets Limited	1	-	110
Year-end balance due from Peppermill Supermarkets Limited	1	-	(2)
Sales to London Food & Wine	2	129	303
Year-end balance due from London Food & Wine	2	31	45
Sales to Food Corner/Russell Supermarket	2	195	693
Year-end balance due from Food Corner/Russell Supermarket	2	1	0

Sub notes

1. Certain directors of Bestway Wholesale Limited are also directors of Bestway Northern Limited and Peppermill Supermarkets Limited.

   Certain directors of Bestway Wholesale Limited are partners in Bestway Stores, Food Corner/Russell Supermarket and London Food and Wine.

Notes to the financial statements (continued)

26. Events after the balance sheet date

There have been no subsequent events which are would have a material effect on the consolidated entity's financial statements at 30 June 2016.

27. Ultimate parent company and parent part of larger group

The company's immediate parent undertaking is Bestway Holdco Limited, incorporated in the United Kingdom.

The company's ultimate parent undertaking is Bestway (Holdings) Limited, incorporated in the United Kingdom. There is no ultimate controlling party.

The parent undertaking of the largest group which includes the Company and for which group accounts are prepared is Bestway (Holdings) Limited. The smallest group in which they are consolidated is within Bestway Securities Limited. The consolidated financial statements of these groups are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

28. Group simplification

During the year, the Company's ultimate parent undertaking, Bestway (Holdings) Limited performed a group reorganisation to simplify the group structure with the intention of reducing the number of entities within the group. The impact of the reorganisation on this company is at 31 October 2015 the company acquired the trade and assets of Batleys Limited, Bestway Direct Limited, Bellevue Cash and Carry Limited and Batleys Glasgow Limited. This acquisition happened at book value and was for consideration satisfied by an intercompany loan. This transaction was with a wholly owned group company and therefore falls within the disclosure exemptions permitted under FRS 101:8(k) and as such further details of the transaction have not been disclosed.

As part of this reorganisation the company waived an intercompany payable of £16.4 million. This waiver was recorded directly in equity as a capital contribution from owners. The company also waived an intercompany receivable of £6.02 million as part of this group reorganisation. This waiver was recorded directly in equity as a distribution to parent undertakings.