Bestway Group Annual Report **2018**

Welcome to the Bestway Group Annual Report 2018

Contents

Bestway Group was founded in 1963 by Sir Anwar Pervez. It is the UK's 18th largest privately-owned company and 7th largest family-owned business. The Group consists of: Bestway Wholesale, the largest independent wholesaler in the UK; Bestway Cement, the largest cement manufacturer in Pakistan; United Bank Limited, the 2nd largest private bank in Pakistan; and Well Pharmacy, the third largest pharmacy business in the UK. Recently, the business acquired Conviviality Retail, now named Bestway Retail, which services approximately 760 retail stores across the UK. We continue to grow from strength to strength in all these areas.

Chairman's statement

On behalf of the Board of Directors, I am pleased to place before you the consolidated financial statements of Bestway Group Limited (the "Company") and its subsidiaries (the "Group") for the period ended 30 June 2018.

BUSINESS OVERVIEW

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

Group revenue for the year ended 30 June 2018 totalled £3.2 billion compared to £3.3 billion in the previous year, a decrease of 3.0%. Profit before tax decreased by 46% to £295.8 million compared to £551.1 million in the previous year. However, underlying profit before taxation before adjusting items decreased by 26% to £331.9 million compared to £448.4 million in the previous year.

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

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

In April 2018, Bestway Wholesale acquired the trade and assets of Conviviality Retail for £7.5 million.

This latest investment in the national retail sector has helped to secure more than 2,300 jobs. It is expected that the c.800 strong retail store portfolio will add close to £0.5 billion to the Group's annual revenue in the future.

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

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

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

KEY HIGHLIGHTS

Group revenue for the year ended 30 June 2018 totalled £3.2 billion compared to £3.3 billion in 2017, a decrease of 3%.

Underlying profit before taxation before adjusting items decreased by 26% to £331.9 million from £448.4 million in 2017.

"It is expected that the c.800 strong retail store portfolio (of Conviviality Retail) will add close to £0.5 billion to the Group's annual revenue in the future."

Bestway Group Chairman, Sir MA Pervez OBE HPK

The new Bestway Foundation School, Pakistan

Chairman's statement
(continued)

SOCIAL RESPONSIBILITY

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

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

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

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

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

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

During the period under review United Bank Limited provided scholarships to over 260 University students, in various programs across the country. UBL also donated £750,000 (2017: £224,000) to education and healthcare causes in Pakistan during the period.

AWARDS AND RECOGNITION

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

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

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

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

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

"This latest capacity expansion takes Bestway Cement's annual production capacity to 10.8 million tonnes and has further enhanced its position as the market leader."

Chairman's statement
(continued)

BOARD APPOINTMENT

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

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

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

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

GROUP REORGANISATION

On 21 March 2018 the Company became the new holding company by acquiring shares in Bestway (Holdings) Limited, the previous holding company, by way of a share for share exchange. As a result, the Company became the ultimate parent company of Bestway (Holdings) Limited and its subsidiaries. The Company was formed as part of the group restructuring of the Group companies with ultimate control of the Group remaining materially the same as the prior year.

OUTLOOK

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

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

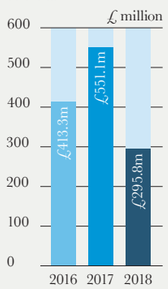
Sir MA Pervez OBE HPK
Chairman

BESTWAY GROUP TURNOVER —BY SECTOR

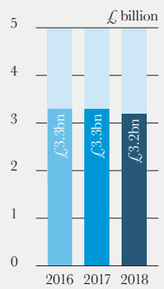
- Well Pharmacy (£775.4m)
- Bestway Cement (£355.5m)
- Bestway Wholesale (£2.08bn)

UBL figure not included as banking group has no turnover

BESTWAY GROUP PROFIT (£ M)
before tax



BESTWAY GROUP TURNOVER (£ Bn)



KEY FIGURES

£3.2bn
Bestway Group turnover

£169.9m
Trading group cash in hand

£295.8m
Profit before tax

£7.5m
Acquisition of Conviviality Retail

Main Atrium of the new UBL office building in Lahore, Pakistan

Group Chief Executive's review

On behalf of the Board of Directors, I am pleased to present the audited financial statements for Bestway Group Limited for the period ended 30 June 2018.

REVIEW OF BUSINESS

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

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

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

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

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

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

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

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

GROUP FINANCIAL PERFORMANCE

During the year ended 30 June 2018 Group revenue was £3.2 billion compared to £3.3 billion in the previous year, a decrease of 3.0%. Despite difficult trading conditions all of our businesses remained profitable, however, overall Group's profit before tax decreased by 46% to £295.8 million compared to £551.1 million in the previous year, whilst Group's underlying profit before taxation before adjusting items decreased by 26% to £331.9 million compared to £448.4 million in the previous year.

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

KEY HIGHLIGHTS

Group revenue was £3.2 billion compared to £3.3 billion in the previous year, a decrease of 3%.

Group's underlying profit before taxation before adjusting items decreased by 26% to £331.9 million (£448.4 million, 2017)

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

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

Group Chief Executive's review
(continued)

REVIEW OF BUSINESS *(CONTINUED)*

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

Tangible fixed assets after depreciation as at 30 June 2018 stood at £1,007.8 million, compared to £948.4 million in the previous year.

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

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

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

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

New Well Pharmacy Northenden store

The new UBL building in Lahore, Pakistan

Bestway Wholesale

'Bestway Wholesale successfully acquired Palmer & Harvey's Vans business as well as two strategically located depots from Blakemore Wholesale.'

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

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

During the year, the business has continued to maintain its focus on the growing volume through its customer channels. The Best-one and Xtra Local retail club membership continues to grow as we ensure greater discipline and compliance among our affiliated stores. During the year, we continued the Great Rebate and MyRewards schemes to help our customers increase their margins and profitability.

Our catering sales grew 7.6% during the year to £158.1 million while our online business now has 62,000 registered users compared to 37,000 in the prior year. Weekly sales grew 12.0% with total app and website sales averaging £26 million a month. The mobile app accounts for nearly 25% of all online transactions, compared to 15% in the prior year.

Revenue in the wholesale business amounted to £2.08 billion, a decrease of 2.3% compared to the corresponding period last year. The decrease was ahead of the market as although tobacco sales declined, Bestway Wholesale was able to increase its customer base and benefit from the turmoil in the sector following the collapse of Palmer & Harvey and Costcutter's supply issues.

Bestway Wholesale (excluding Bestway Retail Limited) profit before tax decreased to £28.3 million in 2018 from £44.0 million in 2017. However, it should be noted that the prior year figures included a significant profit on the disposal of certain non-strategic investment properties of £13.5 million, which for this year amounted to £0.7 million. Taking these into account profit before tax decreased from £30.5 million to £27.6 million.

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

KEY HIGHLIGHTS

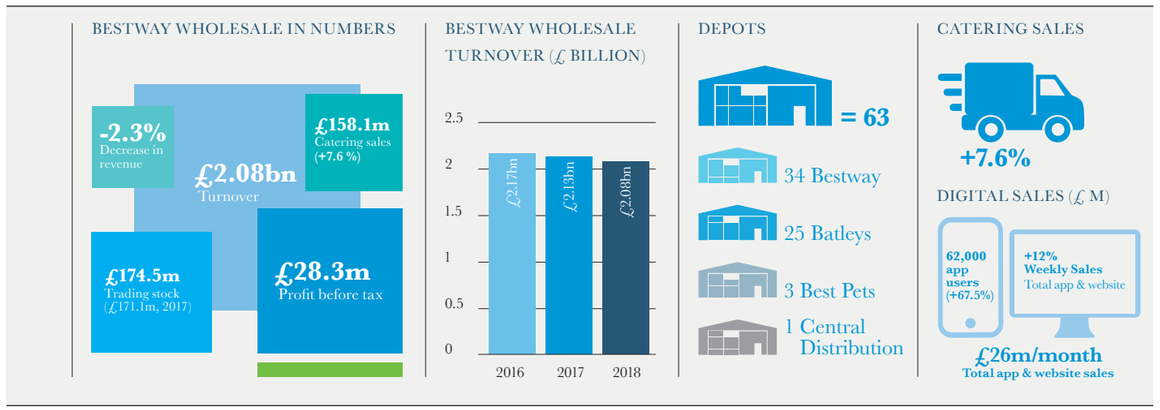
Revenue in our wholesale business amounted to £2.08 billion (2.3% decrease compared to 2017).

Our catering sales grew 7.6% during the year to £158.1 million.

Bestway Wholesale acquired Palmer & Harvey's Vans business as well as two strategically located depots from Blakemore Wholesale.

Opposite page: a newly designed BB Foodservice truck, rebranded and refurbished Best-one stores

'The business has continued to maintain its focus on the growing volume through its customer channels.'



Bestway Retail

'Turnover for the period (under 3 months of trading activity) was £80.4 million and profit before tax for the period was £11.5 million.'

On 7 April 2018, Bestway Retail Limited, which forms part of the wholesale business, purchased the trade and assets of Conviviality Retail for £7.5 million out of administration and the numbers in the accounts reflect a little under 3 months of trading activity.

Turnover for the period was £80.4 million and profit before tax for the period was £11.5 million, bolstered by the recognition of £20.3 million of gain on bargain purchase.

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

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

'Management are confident that the deal will complement the wider Bestway offering and be value accretive in the long-term.'

KEY HIGHLIGHTS

Turnover for the period (under 3 months of trading activity) was £80.4 million

Profit before tax for the period (under 3 months of trading activity) was £11.5 million

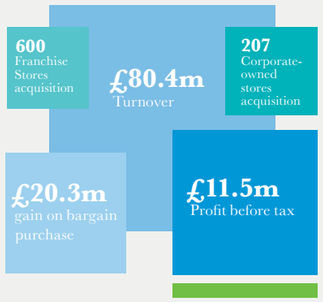
Acquisition of 600 franchisee stores and over 207 corporate owned stores

A Central Convenience fascia

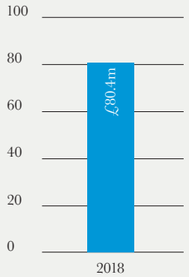

Bargain Booze store interior.

A Select Convenience store and retailer (top row), a Bargain Booze store and retailer (middle row) and a Wine Rack and wine tasting session (bottom row)

BESTWAY RETAIL IN NUMBERS

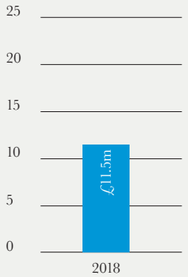


TURNOVER*
(£ MILLION)



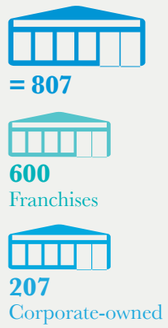
*(under 3 months of trading activity)

PROFIT BEFORE TAX*
(£ MILLION)



*(under 3 months of trading activity)

ACQUIRED STORES



Well Pharmacy

'Well Pharmacy remains well placed to adapt to market conditions and deliver on its strategic plans.'

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

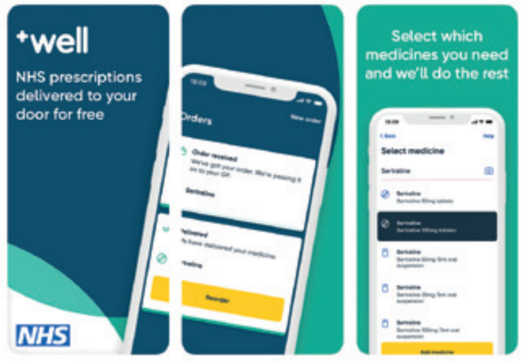
Despite this backdrop, Well Pharmacy has been able to retain its market share of national prescriptions and remains well placed to adapt to market conditions and deliver on its strategic plans. Well Pharmacy has retained its focus on leveraging technology to improve operational efficiency and grow market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

Well has made good progress on the rollout of its new Patient Medical Records system as well as the Central Fulfilment project during the year. Well has also managed to sustain growth in its diversified offering and its B2B leg, Bestway Medhub, has had a strong year of revenue and profit growth and is gaining increasing recognition in the marketplace.

During the year Well has also been working on a digital product offering and its app was formally launched with a limited release in August 2018. To date, the app has c.10,000 customers with a more public launch planner for early 2019. We are confident that this offering will provide customers with increased convenience in managing their medication requirements.

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

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



The new Well Pharmacy prescription ordering app

KEY HIGHLIGHTS

Turnover of the pharmacy business for the year ended 30 June 2018 was £775.4 million. Profit before tax was £8.6 million.

Well's market share of the prescriptions nationally remained broadly at 6.0%.

Launched in August 2018, Well's mobile app has currently c.10,000 customers.

Opposite page: the interior of a Well Pharmacy store

WELL PHARMACY — IN NUMBERS

Turnover 2018
£775.4m
(2017: £779.2m)

773
Branches

7161
Employees

256k
Medications usage

74.7m
Prescriptions volume

TURNOVER (£ MILLION)

PROFIT (BEFORE TAX) (£ MILLION)

KEY FIGURES

£775.4m
Turnover

£8.6m
Profit before tax

6%
Market Share of Prescriptions

138%
Increase in profit

Bestway Cement Limited

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

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

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

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

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

Domestic despatches increased by 16.9% during the period to 7.6 million tonnes from 6.5 million tonnes. Exports grew by 2.2% to 1.0 million tonnes. BCL maintained its position as the largest cement producer and the market leader in the domestic market and the largest exporter to Afghanistan and India.

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

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

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

"BCL's capacity expansion was in line with the rest of the market which has seen several competitors go live with their own enhanced capacity."

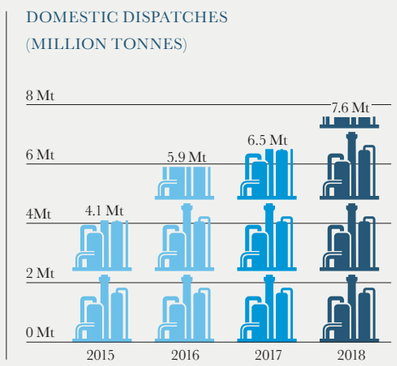
KEY HIGHLIGHTS

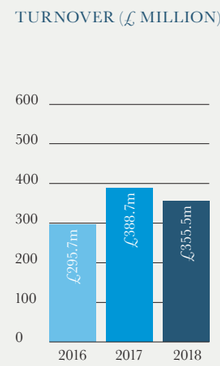
BCL's revenue for the year ended 30 June 2018 was £355.5 million. BCL's profit before tax was £91.5 million.

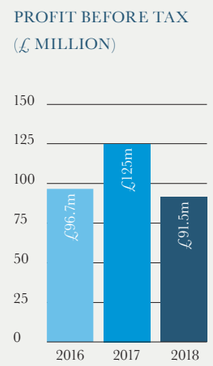
Domestic despatches increased by 16.9% during the period to 7.6 million tonnes (6.5m, 2017).

Exports grew by 2.2% to 1.0 million tonnes

Bestway Cement Farooqia plant







KEY FIGURES

£91.5m
Profit before tax

£355.5m
Revenue

9.0 Mt
Global despatches

+8.3%
Increase in global despatches

United Bank Limited

United Bank Limited ('UBL') is the 2nd largest private bank in Pakistan by asset base and has a branch network of 1,381 branches globally, with presence in four continents and serving over 4 million customers.

The bank's long term strategy is to evolve its leading corporate and consumer lending segments whilst creating opportunities through new digital platforms and product development.

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

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

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

On the domestic front, UBL has successfully continued its focus expanding its low-cost deposit base and improving its non-fund income. The volatile foreign exchange markets have also assisted UBL in growing its non-fund income. UBL continues to invest in its Digital Strategy and its mobile app has grown to become the 3rd largest banking app with 528,000 downloads and 238,000 registered users to date. UBL is committed to investing technology to improve its customer proposition as well as bring efficiency to its operations and several strategic work streams are planned for 2019.

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

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

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

KEY HIGHLIGHTS

UBL's net interest income decreased by 9.2% during the year from £432.3 million in 2017 to £392.7 million in 2018.

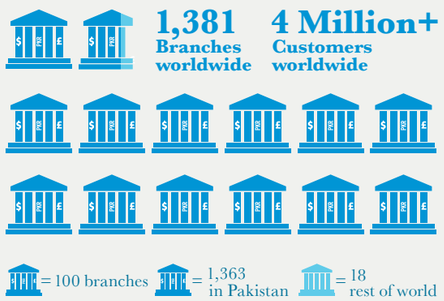
UBL's mobile app has grown to become the 3rd largest banking app with 528,000 downloads and 238,000 registered users to date.

Left: The UBL consumer banking App

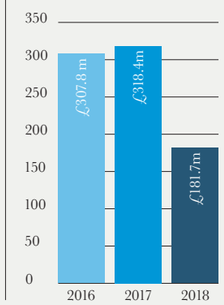
On the domestic front, UBL has successfully continued its focus expanding its low-cost deposit base and improving its non-fund income.

A brand new UBL branch interior

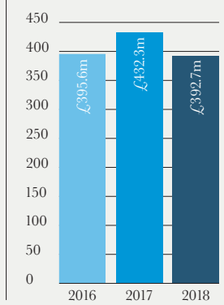
NUMBER OF UBL BRANCHES



PROFIT BEFORE TAX (£ MILLION)



NET INTEREST INCOME (£ MILLION)



KEY FIGURES

£392.7m
Net interest income

£181.7m
Profit before tax

£8.7bn
Deposits

£12.2bn
Total assets

Group Chief Executive's review *(continued)*

PRINCIPAL RISKS & UNCERTAINTIES

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

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

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

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

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

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

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

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

The Group has taken the necessary measures to reduce the key risks in the business.

KEY PERFORMANCE INDICATORS

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

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

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

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

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

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

General non-financial performance indicators are staff turnover, staff, supplier and customer satisfaction and health and safety reports, amongst others.

The Board is of the belief that the monitoring of the aforementioned indicators is an effective aspect of business performance review.

GROUP REORGANISATION

On 21 March 2018 the Company became the new holding company by acquiring shares in Bestway (Holdings) Limited, the previous holding company, by way of a share for share exchange. As a result, the Company became the ultimate parent company of Bestway (Holdings) Limited and its subsidiaries. The Company was formed as part of the group restructuring of the Group companies with ultimate control of the Group remaining materially the same as the prior year.

FUTURE OUTLOOK

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

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

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

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

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

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

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

Z M Choudrey CBE, SI, BA (Hons), FCA
Group Chief Executive
5 December 2018

Directors' Report

The Directors submit their report and the financial statements of Bestway Group Limited for the period ended 30 June 2018.

INCORPORATION AND COMMON CONTROL TRANSACTION

The Company was incorporated on 9 October 2017, in the United Kingdom. Accordingly, the current period Company information represents the 9 month period ended 30 June 2018 and no comparative information is presented.

On 21 March 2018 the Company became the new holding company by acquiring shares in Bestway (Holdings) Limited, the previous holding company, by way of a share for share exchange. As a result, the Company became the ultimate parent company of Bestway (Holdings) Limited and its subsidiaries (the Group). The Company was formed as part of the group restructuring of the Group companies with ultimate control of the Group remaining materially the same as the prior year. By way of a common control transaction, the Group has elected to present the comparative Group figures in its consolidated financial statements as if the Company had historically always been the holding company of the Group. Accordingly, the current period and prior period Group information represent the full financial years of the Group.

The comparative information has been taken from the audited consolidated financial statements of Bestway (Holdings) Limited, on which an unqualified audit report was expressed.

PRINCIPAL ACTIVITIES

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

DIRECTORS

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

- Sir MA Pervez OBE HPk (Group Chairman) *(appointed 9 October 2017)*
- Z M Choudrey CBE, SI, BA (Hons), FCA (Group Chief Executive) *(appointed 9 October 2017)*
- M Y Sheikh *(appointed 9 October 2017)*
- R Pervez, ACA *(appointed 9 October 2017)*
- D Pervez, BA (Hons), MA Oxon, Solicitor *(appointed 9 October 2017)*
- H Z Choudrey, BA (Hons), MA Cantab, ACA *(appointed 21 May 2018)*

INDEMNITY PROVISIONS

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

EMPLOYEE INVOLVEMENT AND EQUAL OPPORTUNITIES

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

(continues overleaf)

Opposite page, top row (left to right):
Sir MA Pervez, OBE HPk *(Group Chairman)*
ZM Choudrey CBE, SI, BA (Hons), FCA *(Group Chief Executive)*

Middle row (right to left):
MY Sheikh *(Chairman of Bestway Wholesale)*
R Pervez, ACA

Bottom row (left to right)):
D Pervez, BA (Hons), MA Oxon, Solicitor
H Z Choudrey, BA (Hons), MA Cantab, ACA

Directors' Report
(continued)

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

FINANCIAL INSTRUMENTS

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

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

POLITICAL DONATIONS

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

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

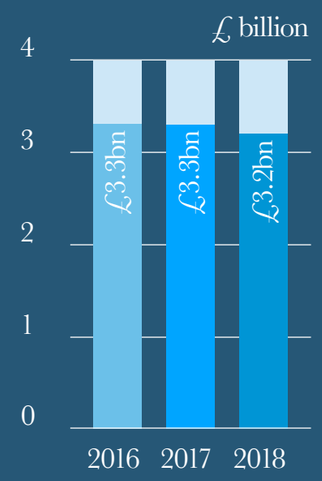
2 Abbey Road, Park Royal, London NW10 7BW

A collection of Best-one own-label products, and Best-one's premium range, Best-one Inspired - sold through Bestway Wholesale

Bestway *in Numbers*

BESTWAY GROUP—TOTAL NO. EMPLOYEES

BESTWAY GROUP TURNOVER



UNITED BANK LIMITED

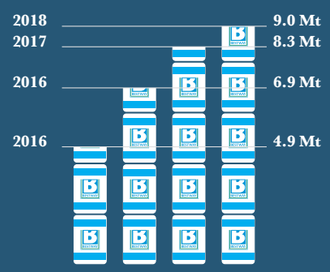
- Bestway Wholesale HQ
- Well Pharmacy HQ
- Bestway Cement HQ
- United Bank Limited HQ
- UBL International branches/offices
- Bestway Wholesale trade
- Well Pharmacy trade
- Bestway Cement trade
- UBL presence

BESTWAY CEMENT LIMITED

10.8Mt

Annual production capacity expansion enhances BCL position as market leader.

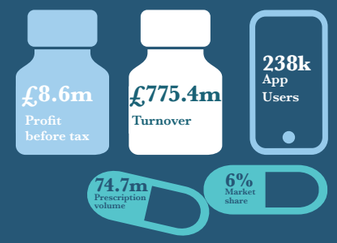
Global despatches (Million tonnes)



BESTWAY WHOLESALE: DEPOTS

- Bestway Wholesale
- BestPets
- Batleys
- Central Distribution

WELL PHARMACY



EMPLOYEES	7161
MEDICATION USAGE	256k
BRANCHES	773

Main Atrium of the new UBL office building in Lahore, Pakistan

Consolidated income statement

for the year ended 30 June 2018

	Trading Group 2018	**Banking Group 2018**	**Total Combined 2018**	Trading Group 2017	Banking Group 2017	Total Combined 2017
	£000	**£000**	**£000**	£000	£000	£000
Revenue	**3,224,375**	**-**	**3,224,375**	3,292,968	-	3,292,968
Cost of sales	**(2,717,961)**	**-**	**(2,717,961)**	(2,777,316)	-	(2,777,316)
	506,414	**-**	**506,414**	515,652	-	515,652
Interest income	**-**	**776,133**	**776,133**	-	766,535	766,535
Interest expense	**-**	**(383,394)**	**(383,394)**	-	(334,235)	(334,235)
Net interest income	**-**	**392,739**	**392,739**	-	432,300	432,300
Gross written premium	**-**	**20,804**	**20,804**	-	17,941	17,941
Premium ceded to reinsurer	**-**	**(11,376)**	**(11,376)**	-	(10,545)	(10,545)
Net written premiums	**-**	**9,428**	**9,428**	-	7,396	7,396
Gross benefits and claims paid	**-**	**(11,613)**	**(11,613)**	-	(10,970)	(10,970)
Claims ceded to reinsurer	**-**	**8,367**	**8,367**	-	7,307	7,307
Movement in technical provisions	**-**	**(716)**	**(716)**	-	46	46
Net benefits and claims	**-**	**(3,962)**	**(3,962)**	-	(3,617)	(3,617)
Net fee, commission and brokerage income	**-**	**104,084**	**104,084**	-	105,495	105,495
Gross profit	**506,414**	**502,289**	**1,008,703**	**515,652**	**541,574**	**1,057,226**
Dividend income on investments	**-**	**11,867**	**11,867**	-	-	-
Gains and losses on investments	**-**	**59,799**	**59,799**	18,451	69,865	88,316
Other operating income	**3,986**	**1,996**	**5,982**	1,744	2,097	3,841
Other gains and losses	**4,358**	**541**	**4,899**	602	-	602
Distribution expenses	**(10,933)**	**-**	**(10,933)**	(12,201)	-	(12,201)
Administrative expenses	**(386,616)**	**(340,936)**	**(727,552)**	(363,293)	(303,349)	(666,642)
Share of profits of equity accounted investees net of tax	**-**	**2,600**	**2,600**	-	8,209	8,209
Other operating expenses	**(1,524)**	**-**	**(1,524)**	(2,962)	-	(2,962)
Total operating profit	**115,685**	**238,156**	**353,841**	**157,993**	**318,396**	**476,389**
Finance income	**34**	**-**	**34**	-	-	-
Finance expense	**(21,948)**	**-**	**(21,948)**	(27,987)	-	(27,987)
Net finance expense	**(21,914)**	**-**	**(21,914)**	(27,987)	-	(27,987)
Underlying profit before taxation	**93,771**	**238,156**	**331,927**	130,006	318,396	448,402

(Continued overleaf)

Consolidated income statement *(continued)*

for the year ended 30 June 2018

	Trading Group 2018 £000	Banking Group 2018 £000	Total Combined 2018 £000	Trading Group 2017 £000	Banking Group 2017 £000	Total Combined 2017 £000
Underlying profit before taxation before adjusting items:	**93,771**	**238,156**	**331,927**	130,006	318,396	448,402
Adjusting items:						
UBL pension provision	**-**	**(56,470)**	**(56,470)**	-	-	-
Gain on group reorganisation	**-**	**-**	**-**	102,702	-	102,702
Gain on acquisition	**20,360**	**-**	**20,360**	-	-	-
	114,131	**181,686**	**295,817**	232,708	318,396	551,104
Taxation for the year	**(28,600)**	**(53,685)**	**(82,285)**	(51,864)	(133,433)	(185,297)
Profit for the year	**85,531**	**128,001**	**213,532**	180,844	184,963	365,807
Attributable to:						
Equity holders of the parent	**50,882**	**72,468**	**123,350**	142,284	102,509	244,793
Non-controlling interests	**34,649**	**55,311**	**89,960**	38,560	80,964	119,524
Investors of UBL funds	**-**	**222**	**222**	-	1,490	1,490
Profit for the year	**85,531**	**128,001**	**213,532**	180,844	184,963	365,807

The results shown above are derived entirely from continuing operations.

Consolidated statement of comprehensive income

for the year ended 30 June 2018

	Trading Group 2018 £000	Banking Group 2018 £000	Total Combined 2018 £000	Trading Group 2017 £000	Banking Group 2017 £000	Total Combined 2017 £000
Profit after taxation	**85,531**	**128,001**	**213,532**	180,844	184,963	365,807
Items that will not be reclassified subsequently to profit or loss:						
Profit attributable to investors of UBL funds	**-**	**(222)**	**(222)**	-	(1,489)	(1,489)
Remeasurement of net defined benefit liability	**2,229**	**(2,588)**	**(359)**	(12,433)	(297)	(12,730)
Tax on remeasurement of net defined benefit liability	**(420)**	**1,055**	**635**	-	-	-
	1,809	**(1,755)**	**54**	(12,433)	(1,786)	(14,219)
Items that are or may be reclassified subsequently to profit or loss when specific conditions have been met:						
Surplus / (loss) arising on revaluation of non-banking fixed assets	**-**	**44,177**	**44,177**	-	-	-
Surplus / (loss) arising on available for sale securities	**551**	**(98,666)**	**(98,115)**	11,745	(64,164)	(52,419)
Related tax	**3,384**	**-**	**3,384**	-	-	-
Other losses	**1**	**-**	**1**	(3)	-	(3)
Exchange (loss) / gain on translation of foreign operations	**(58,020)**	**(145,203)**	**(203,223)**	6,298	17,032	23,330
	(54,084)	**(199,692)**	**(253,776)**	18,040	(47,132)	(29,092)
Other comprehensive (loss) / income for the year	**(52,275)**	**(201,447)**	**(253,722)**	5,607	(48,918)	(43,311)
Total comprehensive income / (loss) for the year	**33,256**	**(73,446)**	**(40,190)**	186,457	136,045	322,496
Total comprehensive income attributable to:						
Equity holders of the parent	**24,479**	**(40,178)**	**(15,699)**	145,639	76,212	221,851
Non-controlling interests	**8,777**	**(33,268)**	**(24,491)**	40,812	59,833	100,645
Total comprehensive income for the year	**33,256**	**(73,446)**	**(40,190)**	186,457	136,045	322,496

Consolidated balance sheet

for the year ended 30 June 2018

	At 30 June 2018 £000	At 30 June 2017 £000
Non-current assets		
Goodwill	**173,487**	263,736
Trading Group		
Other intangible assets	**436,835**	464,443
Property, plant and equipment	**689,445**	636,611
Investment property	**114,612**	114,987
Banking Group		
Other intangible assets	**9,175**	7,494
Property, plant and equipment	**318,390**	311,760
Investment property	**19,454**	19,634
Reinsurance assets	**11,396**	12,877
Investments in associates	**23,693**	50,200
Investments in financial assets	**2,894,350**	4,392,263
Lending to financial institutions and advances	**2,222,911**	1,991,887
Deferred tax asset	**5,866**	-
	6,919,614	8,265,892
Current assets		
Trading Group		
Inventories	**330,330**	298,020
Other financial assets held for sale	**-**	19,262
Tax receivable	**17,030**	10,152
Trade and other receivables	**258,259**	214,201
Cash and cash equivalents	**169,887**	108,973
Banking Group		
Investments in financial assets	**2,390,652**	3,315,760
Lending to financial institutions and advances	**2,647,665**	2,752,614
Tax receivable	**136,590**	96,501
Trade and other receivables (£26.4 million (2017: £12.8 million) due after more than one year)	**299,973**	307,773
Cash and cash equivalents	**1,229,870**	1,354,340
	7,480,256	8,477,596
TOTAL ASSETS	**14,399,870**	16,743,488
Current liabilities		
Trading Group		
Trade and other payables	**582,582**	526,220
Tax payable	**3,555**	2,104
Bank overdraft	**140,649**	38,320
Other interest bearing loans and borrowings	**91,658**	50,965
Provisions	**22,715**	20,694
Banking Group		
Trade and other payables	**384,954**	263,407
Deposits and other accounts	**8,148,034**	9,162,686
Payable to investors of UBL funds	**7,487**	13,016
Bills payable	**96,844**	129,188
Bank overdraft	**6,201**	3,950
Other interest bearing loans and borrowings	**1,693,953**	2,802,778
	11,178,632	13,013,328

Consolidated balance sheet *(continued)*

for the year ended 30 June 2018

	At 30 June 2018 £000	At 30 June 2017 £000
Non-current liabilities		
Trading Group		
Other interest bearing loans and borrowings	**275,141**	408,416
Employee benefits	**9,611**	12,053
Deferred tax liabilities	**131,121**	151,466
Preference shares	**58,178**	58,178
Banking Group		
Other interest bearing loans and borrowings	**165,605**	131,491
Deposits and other accounts	**535,828**	577,074
Employee benefits	**62,043**	6,555
Deferred tax liabilities	**-**	58,024
Provisions	**16,977**	17,091
Other financial liabilities	**26,201**	191,511
	1,280,705	1,611,859
TOTAL LIABILITIES	**12,459,337**	14,625,187
TOTAL NET ASSETS	**1,940,533**	2,118,301
Equity		
Share capital	**10**	171
Share premium	**-**	3,055
Revaluation reserve	**265,196**	285,052
Capital redemption reserve	**-**	39
Merger difference reserve	**3,165**	-
Statutory reserve	**217,273**	205,124
Reserve pertaining to UBL funds	**4,751**	1,178
Translation reserves	**134,002**	225,775
Retained earnings	**674,119**	669,306
Equity attributable to equity holders of the parent	**1,298,516**	1,389,700
Non-controlling interests	**642,017**	728,601
TOTAL EQUITY	**1,940,533**	2,118,301

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

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

M Y Sheikh
Director

Company registered number: 11003305

Consolidated statement of changes in equity

for the year ended 30 June 2018

	Share capital £000	Share premium £000	Revaluation reserve £000	Capital redemption reserve £000	Merger difference reserve £000	Statutory reserve £000
At 1 July 2016	**196**	**3,055**	**316,212**	**14**	**-**	**185,270**
Profit for the period	-	-	-	-	-	-
Other comprehensive income for the period	-	-	(30,788)	-	-	-
Total comprehensive income for the period	-	-	(30,788)	-	-	-
Dividends paid	-	-	-	-	-	-
Repurchase of own shares	-	-	-	-	-	-
Issuance and repurchase of units	-	-	-	-	-	-
Transfers	(25)	-	(372)	25	-	19,854
Other movements	-	-	-	-	-	-
At 30 June 2017	**171**	**3,055**	**285,052**	**39**	**-**	**205,124**
Profit for the period	-	-	-	-	-	-
Other comprehensive (loss) / income for the period	-	-	(5,715)	-	-	-
Total comprehensive (loss) / income for the period	-	-	(5,715)	-	-	-
Issue of ordinary shares	10	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
Issuance and repurchase of units	-	-	-	-	-	-
Acquisition of subsidiaries under common control	(171)	(3,055)	-	(39)	3,165	-
Transfers	-	-	(332)	-	-	12,149
Movements due to business combinations	-	-	(13,809)	-	-	-
At 30 June 2018	**10**	**-**	**265,196**	**-**	**3,165**	**217,273**

Consolidated statement of changes in equity

for the year ended 30 June 2018

	Reserve pertaining to UBL funds £000	Translation reserve £000	Retained earnings £000	Total parent equity £000	Non-controlling interests £000	Total £000
At 1 July 2016	**8,133**	**222,774**	**625,508**	**1,361,162**	**699,677**	**2,060,839**
Profit for the period	-	-	142,090	142,090	119,524	261,614
Other comprehensive income for the period	-	3,001	4,848	(22,939)	(18,879)	(41,818)
Total comprehensive income for the period	-	3,001	146,938	119,151	100,645	219,796
Dividends paid	-	-	-	-	(67,087)	(67,087)
Repurchase of own shares	-	-	(92,933)	(92,933)		(92,933)
Issuance and repurchase of units	(6,955)	-	7,941	986	(3,005)	(2,019)
Transfers	-	-	(19,482)	-	-	-
Other movements	-	-	1,334	1,334	(1,629)	(295)
At 30 June 2017	**1,178**	**225,775**	**669,306**	**1,389,700**	**728,601**	**2,118,301**
Profit for the period	-	-	123,572	123,572	89,960	213,532
Other comprehensive (loss) / income for the period	-	(91,773)	(41,783)	(139,271)	(114,451)	(253,722)
Total comprehensive (loss) / income for the period	-	(91,773)	81,789	(15,699)	(24,491)	(40,190)
Issue of ordinary shares	-	-	-	10	-	10
Dividends paid	-	-	(6,000)	(6,000)	(53,595)	(59,595)
Issuance and repurchase of units	3,573	-	(2,471)	1,102	(10)	1,092
Acquisition of subsidiaries under common control	-	-	90	(10)	-	(10)
Transfers	-	-	(11,817)	-	-	-
Movements due to business combinations	-	-	(56,778)	(70,587)	(8,488)	(79,075)
At 30 June 2018	**4,751**	**134,002**	**674,119**	**1,298,516**	**642,017**	**1,940,533**

Consolidated cash flow statement

for the year ended 30 June 2018

	Trading Group 2018	Banking Group 2018	Total Combined 2018	Trading Group 2017	Banking Group 2017	Total Combined 2017
	£000	£000	£000	£000	£000	£000
Cash flows from operating activities						
Profit for the year	85,531	128,001	213,532	78,141	184,963	263,104
Adjustments for:						
Share of profit of equity accounted investees	-	(2,600)	(2,600)	-	(8,209)	(8,209)
Finance income	(34)	-	(34)	-	-	-
Other gains and losses	(4,358)	(541)	(4,899)	(602)	-	(602)
Other operating income	-	-	-	(1,744)	(269)	(2,013)
Finance costs	21,948	-	21,948	27,987	-	27,987
One off gain	(20,360)	-	(20,360)			
Taxation	28,600	53,685	82,285	51,865	133,433	185,298
Depreciation of property, plant and equipment	43,056	17,117	60,173	40,579	15,902	56,481
Amortisation of intangible assets	39,141	3,805	42,946	37,923	2,941	40,864
Profit on disposal of property, plant and equipment	(1,325)	-	(1,325)	(13,548)	-	(13,548)
Profit on disposal of investment property	(892)	-	(892)	(206)	-	(206)
(Decrease) / increase in provisions	(9,576)	(42,128)	(51,704)	5,625	2,428	8,053
Increase / (decrease) in pension provision	(2,442)	55,488	53,046	902	(1,161)	(259)
Impairment of goodwill	10,055	-	10,055	12,793	-	12,793
Impairment of intangible assets	1,123	-	1,123	-	-	-
Operating cash flows before movements in working capital	190,467	212,827	403,294	239,715	330,028	569,743
(Increase) / decrease in inventories	(3,092)	-	(3,092)	(25,909)	-	(25,909)
(Increase) / decrease in receivables	(36,006)	2,070,819	2,034,813	130,190	(1,019,026)	(888,836)
Increase / (decrease) in payables	32,724	(2,821,678)	(2,788,954)	44,455	1,314,470	1,358,925
(Increase) / decrease in investments	-	2,423,021	2,423,021	449	(1,307,050)	(1,306,601)
	184,093	1,884,989	2,069,082	388,900	(681,578)	(292,678)
Tax paid	(34,027)	(38,874)	(72,901)	(54,273)	(176,478)	(230,751)
Interest paid	(21,948)	-	(21,948)	(27,987)	-	(27,987)
Net cash from / (used in) operating activities	128,118	1,846,115	1,974,233	306,640	(858,056)	(551,416)
Cash flows from investing activities						
Interest received	34	-	34	718	-	718
Proceeds on disposal of property, plant and equipment	4,608	10,622	15,230	4,922	22,737	27,659
Proceeds on disposal of investment property	5,412	2,182	7,594	30,778	6,602	37,380
Purchases of property, plant and equipment	(125,098)	(41,801)	(166,899)	(56,800)	(72,365)	(129,165)
Purchases of investment property	(38)	(3,479)	(3,517)	-	-	-
Proceeds on disposal of intangible assets	-	88	88	2,050	-	2,050
Purchase of intangible assets	(1,830)	(6,886)	(8,716)	(2,385)	(3,089)	(5,474)
Acquisition of subsidiary net of cash	(6,886)	-	(6,886)	2,526	-	2,526
Issue of ordinary shares	-	-	-	-	-	-
Dividends received / (paid)	(55,709	(55,709)	-	69,205	(69,205)	-
Dividends paid to Owners of the Company	(6,000)	-	(6,000)	-	-	-
Dividends paid to non-controlling interest	(17,657)	(35,938)	(53,595)	(32,265)	(44,938)	(77,203)
Net cash (used in) / from investing activities	(91,746)	(130,921)	(222,667)	18,749	(160,258)	(141,509)

Consolidated cash flow statement *(continued)*

for the year ended 30 June 2018

	Trading Group 2018	Banking Group 2018	Total Combined 2018	Trading Group 2017	Banking Group 2017	Total Combined 2017
	£000	£000	£000	£000	£000	£000
Cash flows from financing activities						
Net borrowings (from) / to third parties	(102,785)	(1,582,321)	(1,685,106)	(130,289)	1,415,886	1,285,597
Net borrowings (from) / to related party	46	-	46	(116,509)	-	(116,509)
Repurchase of own shares	-	1,093	1,093	(92,931)	(2,019)	(94,950)
Net cash (used in) / from financing activities	(102,739)	(1,581,228)	(1,683,967)	(339,729)	1,413,867	1,074,138
Net (decrease) / increase in cash and cash equivalents	(66,367)	133,966	67,599	(14,340)	395,553	381,213
Cash and cash equivalents at beginning of year	70,653	1,350,390	1,421,043	84,952	938,405	1,023,357
Effect of foreign exchange rate changes	24,952	(260,687)	(235,735)	41	16,432	16,473
Cash and cash equivalents at end of year	29,238	1,223,669	1,252,907	70,653	1,350,390	1,421,043

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

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

Bestway Cement plant in Kalar Kahar, Pakistan

BESTWAY