

**United Paper Industries BSC (C)**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**31 MARCH 2017**

Commercial registration	:	29242-01
Directors	:	Abdulla H Buhindi - <i>Chairman</i> Ebrahim M Ali Zainal - <i>Deputy Chairman</i> Adel H Maskati Sami Mohammed Jalal Abdulla E Jamsheer Waleed H Buhindi
Company Secretary	:	Ahmed Al Hujairi
General Manager	:	Hamed Faleh
Office	:	P.O. Box 2004, Manama Kingdom of Bahrain Telephone: 17732626 Telefax: 17735995 Building 280, Road 105, Area 601 North Sitra Industrial Area- Kingdom of Bahrain
Bankers	:	BBK BSC HSBC Bank Middle East Limited BMI Bank BSC (c) Bahrain Islamic Bank BSC Ahli United Bank BSC Al Salam Bank, Bahrain BSC National Bank of Bahrain BSC
Auditors	:	KPMG Fakhro

**CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 March 2017**

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**DIRECTORS' REPORT**  
**for the year ended 31 March 2017**

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On behalf of the Board of Directors of United Paper Industries BSC (c), it is my pleasure to present the financial statements of the company for the year ended 31<sup>st</sup> March, 2017.

The financial statement comprises the consolidated figures for the operations of United Paper Industries BSC (c) (Bahrain Pack), Jordan Bahrain Paper Industries (P) Ltd, (JOBA PACK), the subsidiary in Jordan and Bahrain Duplex Boxes Company SPC, a 100% subsidiary company of Bahrain Pack. The consolidated profit reported in 2016-2017 for the Group was BD 1,245,943 as compared to the profits of the previous year of BD 1,255,112. The net profit of 2016-2017 for BAHRAIN PACK alone was BD 1,219,817 as against previous year BD 1,008,715. The current year bettered the previous year record for the highest profitability in the company's history. This was possible due to lower raw material cost and betterment of selling prices.

JOBA PACK reported a profit of BD 171,398 during the reporting period (Previous year BD 246,396), which is mainly due to the instability of borders and inability to export to Iraq, which is an important market for Jordan producers. The competition in the Jordan market also has increased because of excess capacity available from the Jordan corrugators due to lack of export.

The share holders at the Extra ordinary General Meeting dated 15<sup>th</sup> June, 2016 approved the increase of capital to BD 3,000,000 from the current BD 1,963,225 by a rights issue of 10,367,750 numbers of share to the existing shareholders at an issue price of 200 fils per share (premium 100 fils per share). However the increase has not been effected as the Board decided not to implement the Duplexes boxes project due to the delay in handing over of the land by the Bahrain International Investment Park (Hidd) and the changed market demand scenario in the region.

The Basic Earnings per share for the Group, as consolidated is 63.46 fils in 2016-2017 (Previous year 63.93 fils ). The book value of the shares of the Group is 400 fils as at 31<sup>st</sup> March, 2017 as against 362 fils as at 31<sup>st</sup> March, 2016.

The Debt to Equity ratio for the group as at the end of the current year is 0.73 : 1 as compared to 0.94: 1, as at the end of the previous year. (BAHRAIN PACK alone is 0.43 : 1 as compared to 0.59: 1 for previous year). The gearing ratio of loans to equity is 0.47 : 1 as at the end of the current year as compared to previous year of 0.57 : 1 ( BAHRAIN PACK alone is 0.22:1 and for previous year 0.31 : 1 ).

The management feels the outlook of the company is very positive and growth of the company is expected to be sustained in the long term, even though yearly fluctuations may be experienced in the bottom line due to raw material price spurts and dips. The order book position of BAHRAIN PACK is almost up to its 90% capacity. The group has added new Flexo Printing machines at both its production facilities in Bahrain and Jordan that will increase its capacity and generate higher growth and profits in the coming years. We would like to put on records that your company has given steady and consistent returns to the shareholders for the last 17 years.

Details of properties of the parent company

The address of the properties of the company is

United Paper Industries BSC (c)

Building 280, Road 105, Block 601, Industrial Area, Kingdom of Bahrain.

The properties are briefly described as below.

**DIRECTORS' REPORT**  
**for the year ended 31 March 2017**

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Land in North Sitra industrial area bearing plot no 46010195 (NS-62B) measuring 15,968 sq meters is under lease for 25 years commencing from 1993 and plot no 4600010(NS-108) measuring 4,040 sq meters held under 25 years lease, commencing from 2000 with the Ministry of Industry. Buildings are comprised of factory sheds with a total covered area of about 13,428 sq meters and an Administrative building in the same area for 468 sq meters.

The approximate age of the building is 24 years, a ware house about 13 years, a factory shed of 11 years and another newer warehouse of 6 years.

The company has maintained proper and complete accounting records and these together with all information and clarification have been made available, to the auditors, KPMG who are willing to continue in office, for the next accounting period.

Finally the Board of Directors of the Company express their deep gratitude and appreciation to the Government of the Kingdom of Bahrain, the company's Bankers, TAMKEEN, the customers, suppliers and last but not the least it's employees for their continued support and co-operation .

For and on behalf of the Board of Directors



Ebrahim M Ali Zainal, Director

25 May, 2017

## MANAGEMENT REVIEW OF OPERATIONS for the year ended 31 March 2017

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The operations from Bahrain showed a net profit of BD.1,219,817 as against BD.1,008,715 of the previous year. The current year profit of Bahrain Pack includes BD.131,495/- received as dividend from the subsidiary in Jordan (JOBAPACK). As for Bahrain operations, the Cash profit for the year was BD.1,522,681 before depreciation expense as against BD 1,309,191 for the previous year.

The quantitative particulars during the year as compared to the previous year increased as follows,

Production tonnage : (-) 8.73%

Sales Tonnage : (-) 8.43%

### FINANCE:

The financing cost as a percentage of sales for current year was 1.16% as compared to 1.47% for previous year (Bahrain operations).

The current ratio of the group (current assets to current liabilities) as at the end of the current year is 1.65 : 1 as against 1.36 : 1 of the previous year (Bahrain Pack alone is 2.11 : 1 for the current year, against 1.59: 1 for the previous year).

### OUTLOOK FOR 2016-2017

The Management is looking at the financial year 2017-2018, with optimism. BAHRAIN PACK is working at almost 90% capacity for order book position. A new Flexo printing machine has been added. This is to replace an old printing machine of 22 years in use. BAHRAIN PACK is further intending to upgrade its machine in the next few years under Tamkeen support program if approved by the Government. If the upgradation is implemented the management aims to increase its production capacity by 20%. JOBA PACK has also added a new flexo printer machine during the year. The outlook for JOBA PACK is expected to improve once the political situation in the region stabilizes and the borders of neighbouring countries are opened. However it is cautioned that the raw material prices has risen by around 30% in the last three months and this will have a very adverse impact in the bottom line of the coming year for the Group as the selling price cannot be in any corresponding manner be increased due to competition from other GCC countries and Jordan.

### SIGNIFICANT RISKS

The raw material price may substantially increase, based on the international economic cycle. Further there is shortage of raw materials especially the virgin papers due to shutting down of a large mill by fire accident in USA. Further many Chinese mills also have shut down due to environmental controls and this has led to shortage even in the recycled paper segment. The selling price and demand of the company's products in the GCC region, depends on competition, and the economic outlook of the region, which to a major extent is affected by variation of the crude oil prices. As previously experienced the adverse situation of logistics through the Bahrain – Saudi causeway may resurface and export sales may be affected. The operational cost of doing business also may substantially increase if subsidies and other incentives of cost are curtailed. There is already a significant increase in fuel and electricity costs and related cost like transportation. As for JOBA PACK, substantial sales are made in Jordan, which ultimately are exported to Iraq. Trade barriers, liquidity issues etc. or cash flow delay from Iraq may affect local sales demand in Jordan. There is also the risk of geopolitical turmoil and instability continuing in the surrounding region. Profitability of the company is very much dependant on the raw material prices and any increase in the International price of raw material will adversely reflect on the profits, if the increase cannot be passed to the customers because of factors of competition.

**MANAGEMENT REVIEW OF OPERATIONS**  
**for the year ended 31 March 2017** *(continued)*

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**BAHRAINISATION**

The Company maintained an average Bahrainisation level of 30 % during the year and continuing to improve this percentage through new recruitment, training programs and coordination with TAMKEEN. Effort was directed to improve the skills of the Bahraini work force by providing adequate training programs on matters of production, management, safety and general skills.

The Management acknowledges it's sincere gratitude to the Board of Directors of the Company, for their valued guidance to direct the company to achieve its goals. The management also express their gratitude to the customers for their support. The company acknowledges with gratitude the support of the Banks, Tamkeen, Suppliers and foremost the employees of the company for their hard work and dedication.



**Hamed Faleh**  
General Manager  
25 May 2017



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CR No. 6220

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

United Paper Industries BSC (c)  
Sitra, Kingdom of Bahrain

### Report on the audit of the consolidated financial statements

#### Opinion

We have audited the accompanying consolidated financial statements of United Paper Industries BSC (c) (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 March 2017, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 March 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**The recoverability of trade receivables and adequacy of bad debt provision** (*refer to the use of estimate and management judgement in note 2(f), impairment policy in note 3(i)(i) and 21 on disclosure of credit risk in the consolidated financial statements*)

#### Description

Trade receivables make up 35% of the Group's total assets.

Significant judgment is required by the Group in assessing the adequacy of the trade receivables provision through considering the expected recoverability of the year end trade receivables.

#### How the matter was addressed in our audit

Our procedures included:

- testing the design and operating effectiveness of the Group's relevant credit controls and collection procedures;
- challenging the Group's assumptions in calculating the bad debt provision. This includes assessing the aging of trade receivables in comparison to previous years and testing the integrity of aging;
- assessing the recoverability of outstanding trade receivables through the examination of subsequent cash receipts; and
- assessing the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the provision by reference to the requirement of relevant accounting standards.

*INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)**Other information*

The board of directors is responsible for the other information. The other information obtained at the date of this auditors' report is Directors' report and Management review of operations report set out on pages 1 to 4.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the board of directors for the consolidated financial statements*

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

*Auditors' responsibilities for the audit of the consolidated financial statements*

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.



*INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended 31 March 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other regulatory requirements**

As required by the Bahrain Commercial Companies Law, we report that:

- a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- b) the financial information contained in the directors' report is consistent with the consolidated financial statements;
- c) we are not aware of any violations during the year of the Bahrain Commercial Companies Law or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
- d) Satisfactory explanations and information have been provided to us by management in response to all our requests.

The engagement partner on the audit resulting in this independent auditors' report is Mahesh Balasubramanian.



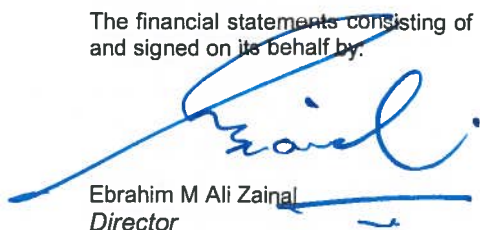
KPMG Fakhro  
Partner registration number 137  
25 May 2017

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 31 March 2017**

Bahraini dinars

	Note	31 March 2017	31 March 2016
<b>ASSETS</b>			
Property, plant and equipment	4	5,783,379	5,419,821
Available-for-sale investments	5	109,473	116,160
<b>Total non-current assets</b>		<b>5,892,852</b>	<b>5,535,981</b>
Cash and bank balances	6	115,022	107,426
Trade receivables	7	4,778,961	4,989,211
Due from related parties	18	145,301	333,044
Prepayments and other receivables	8	261,388	226,390
Inventories	9	2,403,395	2,581,437
<b>Total current assets</b>		<b>7,704,067</b>	<b>8,237,508</b>
<b>Total assets</b>		<b>13,596,919</b>	<b>13,773,489</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	10	1,963,225	1,963,225
Share premium		453,750	453,750
Statutory reserve		1,077,635	967,392
Retained earnings		3,674,291	3,086,897
Other reserves		678,027	631,407
<b>Total equity (page 10)</b>		<b>7,846,928</b>	<b>7,102,671</b>
<b>LIABILITIES</b>			
Non-current portion of bank borrowings	11	856,006	399,970
Provision for employees' leaving indemnities	12	211,698	205,188
<b>Total non-current liabilities</b>		<b>1,067,704</b>	<b>605,158</b>
Bank overdrafts	6	491,147	600,813
Post shipment bank loan	11	2,158,583	2,797,791
Current portion of bank borrowings	11	219,876	317,627
Trade payables		1,269,927	1,783,911
Due to related parties	18	11,186	6,296
Accruals and other payables		531,568	559,222
<b>Total current liabilities</b>		<b>4,682,287</b>	<b>6,065,660</b>
<b>Total liabilities</b>		<b>5,749,991</b>	<b>6,670,818</b>
<b>Total equity and liabilities</b>		<b>13,596,919</b>	<b>13,773,489</b>

The financial statements consisting of pages 8 to 38 were approved by the Board of directors' on 25 May 2017 and signed on its behalf by:

  
Ebrahim M Ali Zainal  
Director

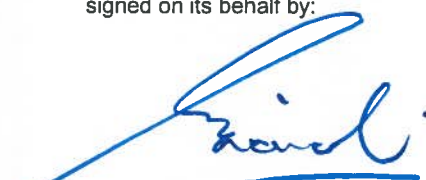
  
Adel H Maskati  
Director

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**for the year ended 31 March 2017**

Bahraini dinars

	Note	2017	2016
<b>REVENUE</b>	13	<b>13,271,723</b>	14,565,085
Cost of sales	14	(9,996,596)	(11,300,540)
<b>Gross profit</b>		<b>3,275,127</b>	3,264,545
Other income	15	18,765	28,492
Selling and distribution expenses	16	(961,459)	(949,869)
Administrative expenses	17	(858,147)	(803,523)
Interest expense		(228,343)	(284,533)
<b>Profit for the year</b>		<b>1,245,943</b>	1,255,112
<b>Other comprehensive income</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation differences on foreign operations		(324)	(439)
Change in the fair value of available-for-sale investments		(6,687)	(572)
Transferred to profit or loss on impairment of available-for-sale investments		3,631	3,565
<b>Total other comprehensive income</b>		<b>(3,380)</b>	2,554
<b>Total comprehensive income for the year</b>		<b>1,242,563</b>	1,257,666
<b>Earnings per share (in fils)</b>	20	<b>63.46</b>	63.93

The financial statements consisting of pages 8 to 38 were approved by the Board of directors' on 25 May 2017 and signed on its behalf by:



Ebrahim M Ali Zainal  
Director



Adel H Maskati  
Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 March 2017

Bahraini dinars

	Other reserves								Total	
	Investment fair value reserve	Foreign currency translation reserve	General reserve	Charity reserve						
Share capital	Share premium	Statutory reserve	Retained earnings						Total	Total
1,963,225	453,750	967,392	3,086,897	23,723	7,684	600,000	-	631,407	7,102,671	
-	-	-	1,245,943	-	-	-	-	-	1,245,943	
-	-	-	-	-	(324)	-	-	(324)	(324)	
-	-	-	-	(6,687)	-	-	-	(6,687)	(6,687)	
-	-	-	-	3,631	-	-	-	3,631	3,631	
Total comprehensive income for the year										
-	-	-	1,245,943	(3,056)	(324)	-	-	(3,380)	1,242,563	
-	-	-	(490,806)	-	-	-	-	-	(490,806)	
-	-	-	(7,500)	-	-	-	7,500	7,500	-	
-	-	-	-	-	-	-	(7,500)	(7,500)	(7,500)	
-	-	-	(50,000)	-	-	50,000	-	50,000	-	
-	-	110,243	(110,243)	-	-	-	-	-	-	
1,963,225	453,750	1,077,635	3,674,291	20,667	7,360	650,000	-	678,027	7,846,928	
At 31 March 2017										

The notes on pages 13 to 38 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 March 2017

Bahraini dinars

	Share capital	Share premium	Statutory reserve	Retained earnings	Other reserves				Total
					Investment fair value reserve	Foreign currency translation reserve	General reserve	Charity reserve	
2016									
At 1 April 2015	1,963,225	453,750	839,146	2,382,676	20,730	8,123	575,000	1,030	6,243,680
Profit for the year (page 7)	-	-	-	1,255,112	-	-	-	-	1,255,112
Other comprehensive income									
Foreign currency translation differences on foreign operations	-	-	-	-	-	(439)	-	-	(439)
Change in the fair value of available-for-sale investments	-	-	-	-	(572)	-	-	-	(572)
Transferred to profit or loss on impairment of available-for-sale investments	-	-	-	-	3,565	-	-	-	3,565
Total comprehensive income for the year	-	-	-	1,255,112	2,993	(439)	-	-	1,257,666
Dividend declared for 2015	-	-	-	(392,645)	-	-	-	-	(392,645)
Transfer to charity reserve	-	-	-	(5,000)	-	-	-	5,000	-
Charity	-	-	-	-	-	-	-	(6,030)	(6,030)
Transfer to general reserve	-	-	-	(25,000)	-	-	25,000	-	-
Transfer to statutory reserve	-	-	128,246	(128,246)	-	-	-	-	-
At 31 March 2016	1,963,225	453,750	967,392	3,086,897	23,723	7,684	600,000	-	7,102,671

The notes on pages 13 to 38 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the year ended 31 March 2017**

Bahraini dinars

	Note	2017	2016
<b>OPERATING ACTIVITIES</b>			
Receipts from customers		13,669,716	14,042,966
Payments to suppliers		(7,977,530)	(8,761,267)
Operating expenses		(3,510,802)	(3,145,657)
Other receipts		56,203	21,408
Directors' remuneration paid		(77,350)	(61,386)
<b>Net cash generated from operating activities</b>		<b>2,160,237</b>	<b>2,096,064</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(997,964)	(386,552)
Dividend received		6762	7,084
<b>Net cash used in investing activities</b>		<b>(991,202)</b>	<b>(379,468)</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of bank borrowings	11	(408,798)	(499,243)
Proceeds from bank borrowings	11	767,083	-
Repayments of post shipment bank loan	11	(8,100,417)	(9,719,607)
Proceeds from post shipment bank loan	11	7,461,209	9,806,350
Finance charges paid		(272,544)	(284,533)
Dividends paid		(490,806)	(392,645)
Charity paid		(7,500)	(6,030)
<b>Net cash used in financing activities</b>		<b>(1,051,773)</b>	<b>(1,095,708)</b>
<b>Net increase in cash and cash equivalents</b>		<b>117,262</b>	<b>620,888</b>
Cash and cash equivalents at 1 April		(493,387)	(1,114,275)
<b>Cash and cash equivalents at 31 March</b>	6	<b>(376,125)</b>	<b>(493,387)</b>

The notes on pages 13 to 38 are an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 March 2017**

Bahraini dinars

**1 REPORTING ENTITY**

United Paper Industries BSC(c) ("the Company") is a Bahraini Closed Public Shareholding Company incorporated on 2 March 1993 under Commercial Registration No. 29242-01. The Company commenced commercial operations on 1 October 1994 and was closely listed on the Bahrain Stock Exchange in September 2003.

The Group consists of the Company and its 100% owned subsidiary Jordan Bahrain Paper Industries Private Limited, a company incorporated in the Kingdom of Jordan and 100% Bahrain Duplex Boxes Company SPC, a company incorporated on 13 April 2016 in Bahrain. The Group is engaged in manufacturing and marketing of corrugated boxes and other packaging materials.

Bahrain Duplex Boxes Company SPC has not commenced any commercial activity. There were no revenue or expenses incurred for the company during the current year.

The fiscal year end of Jordan Bahrain Paper Industries Private Limited is 31 December 2016 which is different from the reporting date of the Group due to local regulatory requirements. The consolidated financial statements have been prepared using the subsidiary's 2016 financial statements adjusted for material transactions, if any, for the period from 1<sup>st</sup> January 2017 till 31 March 2017 to the Group reporting date.

**2 BASIS OF PREPARATION****a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of the Bahrain Commercial Companies Law 2001.

**b) Basis of measurement**

The consolidated financial statements are prepared on the historical cost basis except for the measurement at fair value of available-for-sale investments.

The Group classifies its expenses in the income statement by function.

**c) New Standards, amendments and interpretations effective on or after 1 January 2016**

The following standards, amendments and interpretations, which became effective as of 1 January 2016, are relevant to the Group:

**I. Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).**

The amendments to IAS 16 prohibits entities from using a revenue based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted if the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

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**2 BASIS OF PREPARATION (continued)**

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

The adoption of this amendment had no significant impact on the consolidated financial statements.

**II. Annual Improvements to IFRSs 2012–2014 Cycle – various standards.**

The annual improvements to IFRSs to 2012-2014 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 January 2016; earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The adoption of these amendments had no significant impact on the consolidated financial statements.

**III. Disclosure Initiative (Amendments to IAS 1).**

The amendments to IAS 1 *Presentation of Financial Statements* are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

The adoption of this amendment had no significant impact on the consolidated financial statements.

**d) New Standards, amendments and interpretations issued but not yet adopted**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these consolidated financial statements.

**I. Disclosure Initiative (Amendments to IAS 7)**

The amendments require disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.



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**2 BASIS OF PREPARATION (continued)**

To satisfy the new disclosure requirements, the Group intends to present reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

The Group has not early adopted Disclosure Initiative (Amendments to IAS 7) in its consolidated financial statements for the year ended 31 December 2016.

**II. IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is currently performing an initial assessment of the potential impact of the adoption of IFRS 15 on its (consolidated) financial statements.

**I. Transition**

The Group plans to adopt IFRS 15 in its consolidated financial statements for the year ending 31 December 2018, using the retrospective approach. As a result, the Group will apply all of the requirements of IFRS 15 to each comparative period presented and adjust its consolidated financial statements.

**III. IFRS 9 Financial Instruments**

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 *Financial Instruments*.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Company/ Group currently plans to apply IFRS 9 initially on 1 January 2018.

The impact of adopting IFRS 9 is not expected to be significant.

**IV. IFRS 16 Leases**

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

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**2 BASIS OF PREPARATION (continued)**

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The Group does not expect to have a significant impact on its consolidated financial statements.

**e) Foreign currency transactions***(i) Functional and presentation currency*

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates, ("the functional currency"). The consolidated financial statements are presented in Bahraini Dinars ("BHD"), which is the Company's functional and presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items carried at their fair value, such as available-for-sale investments, are included in investments fair value reserve.

*(iii) Group Company*

The other Group Company's functional currency is denominated in Jordanian Dinar (JD). The assets and liabilities of the Group's subsidiary based outside the Kingdom of Bahrain ("foreign operations") are translated into Bahraini Dinars at the exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated into Bahraini Dinars at average exchange rates prevailing during the year. Exchange differences arising on translation of foreign operations are recognized in the other comprehensive income and presented in equity as a foreign currency translation reserve.

**f) Critical accounting estimates and judgements in applying accounting policies**

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Management believes that the underlying assumptions are appropriate and the Group's consolidated financial statements therefore present the financial position and results fairly.

The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements include the following:

*(i) Impairment of inventories*

The Group reviews the carrying amounts of the inventories at each reporting date to determine whether the inventories have been impaired. The Group identifies the inventories, which have been impaired based on the physical condition and obsolescence of the inventory and their estimate of the future demand for the inventory. If any impairment indication exists, the inventories recoverable amount is estimated based on past experience relating to disposal of such inventory.

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**2 BASIS OF PREPARATION (continued)***(ii) Impairment of receivables*

The Group reviews the carrying amounts of the receivables at each reporting date to determine whether the receivables have been impaired. The Group identifies the receivables, which have been impaired based on the age of the receivables, the financial condition of the counterparty and estimated future cash flows. If any impairment exists, the recoverable amount of the impaired receivable is estimated based on the future cash flows estimated.

*(iii) Useful life and residual value of property, plant and equipment*

The Group reviews the useful life and residual value of the property, plant and equipment at each reporting date to determine whether an adjustment to the useful life and residual value is required. The useful life and residual value is estimated based on the similar assets of the industry, and future economic benefit expectations of the management.

*(iv) Impairment on available-for-sale-investments*

The Group determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment and is assessed for each investment separately. Significant or prolonged as per Company's policy is 20% decline in the fair value below cost or decline below cost that persist for a period of 9 months.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

**a) Basis of consolidation***(i) Subsidiary*

Subsidiary is investee controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiary is included in the consolidated financial statements from the date that control commences until the date that control effectively ceases.

*(ii) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions with subsidiary are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

**b) Financial assets and liabilities**

Financial assets of the Group comprise bank balances, available-for-sale investments, due from related parties, trade receivables and other receivable balances. Financial liabilities of the Group comprise bank overdrafts, post shipment bank loan, bank borrowings, trade payables and other payable balances.

*(i) Recognition and de-recognition*

All financial assets (except available-for-sale investments) and liabilities are recognised on the date at which they are originated. Available-for-sale investments are recognised at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

A financial asset or liability is initially measured at fair value which is the value of the consideration given (in the case of an asset) or received (in the case of a liability). In case of available-for-sale, transaction costs are included as part of initial recognition.

The Group derecognises a financial asset when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership. The Group writes off certain financial assets when they are determined uncollectible. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

*(ii) Classification of financial assets and liabilities*

The Group allocates financial assets to the following IAS 39 categories: loans and receivables and available-for-sale investments. Except for available-for-sale investments, the Group classifies all other financial assets as loans and receivables. All of the financial liabilities of the Group are classified at amortised cost. Management determines the classification of its financial instruments at initial recognition.

*(iii) Measurement principles*

Financial assets and liabilities are measured either at fair value, amortised cost or in certain cases carried at cost.

- *Fair value measurement*

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

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

- *Amortised cost measurement*

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate.

*(iv) Subsequent measurement principles*

For available-for-sale investments, subsequent to its initial recognition, they are measured at its fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented within equity in the fair value reserve. All other financial assets and liabilities are subsequently carried at amortised cost.

**c) Property, plant and equipment***(i) Owned assets*

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment allowances, if any. The cost of the assets includes the cost of bringing the asset to its present location and condition and the consideration paid for acquiring the assets. The cost of self-constructed assets includes the cost of materials, direct labour and any costs that are directly attributable to bringing an asset to its working condition for its intended use. Capital work-in-progress comprises outstanding advances paid to acquire fixed assets, and the cost of fixed assets that are not yet ready for their intended use before the reporting date. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net as "other income" in the consolidated income statement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(ii) Subsequent measurement*

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

*(iii) Depreciation*

Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of each part of a property, plant and equipment. Assets are depreciated from the date of acquisition, or in respect of self constructed assets, from the time an asset is completed and ready for service. Freehold land, capital work-in-progress and inventories held for capital projects are not depreciated. Depreciation methods and useful lives, as well as residual values, are reassessed annually.

The estimated useful lives for the current and comparative periods are as follows:

Asset Category	Useful life in years
Buildings	35
Plant and machinery	15
Furniture, fixtures and equipment	5
Motor vehicles	5
Machinery spare parts	2 - 5

**d) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the group.

*(i) Sale of goods*

Revenue from sale of corrugated boxes and Paul aging materials is recognised when goods are delivered to customers and customers has accepted the products in accordance with the sales agreement.

*(ii) Interest income*

Interest income is recognised as it accrues using the effective interest rate method.

*(iii) Dividend income*

Dividend income is recognised on the date that the Group's right to receive payment is established, which in case of equity investments is the date of declaration.

**e) Cash and cash equivalents**

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise cash, balances with banks and bank overdrafts, which are effective part of the cash management process.

**f) Borrowings**

Borrowings are recognised initially at fair value of the amounts borrowed, less related transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost using the effective interest method, with any differences between the cost and final settlement values being recognised in the income statement over the period of borrowings.

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**g) Borrowings costs**

Borrowings costs include interests and commitment charges on bank borrowings and other short-term and long-term borrowings. All borrowing costs are charged to the profit or loss.

**h) Inventories**

Inventories represent raw materials, work-in-progress, finished goods, spare parts and consumables. Raw materials, work-in-progress, spare parts and consumables which are not intended for resale, are carried at cost less allowances for any obsolete or slow moving items. Work-in-progress and finished goods are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

Cost includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition and has been determined on the following basis:

Raw materials, spare parts and consumables	First-in-first-out (FIFO) basis
Work-in-progress and finished goods	Cost of raw materials, direct labour costs and attributable direct expenses

**i) Impairment of assets**

The Company assesses at each reporting date whether there is objective evidence that an asset is impaired. Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the Group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

*(i) Financial assets carried at amortised cost*

For financial assets carried at amortised cost impairment is measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective profit rate. Losses are recognised in the profit or loss and reflected in an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the profit or loss.

*(ii) Available-for-sale investments*

In the case of available-for-sale equity securities carried at fair value, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in recognition of an impairment loss. In case of equity securities quoted in active markets, the Group considers a decline in value of 20% below cost or a decline in value that persists for more than 6 months as an indicator of impairment. If any such evidence exists for available-for-sale investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the profit or loss. Impairment losses recognised in the income statement on equity instruments are not subsequently reversed through the profit or loss.

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)****(iii) Non-financial assets**

The carrying amount of the Group's other non-financial assets (except inventories) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use or fair value less costs to sell. An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount.

Impairment losses are recognised in the income statement. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

**j) Post employment benefits**

All short-term employee benefits are charged to the profit or loss when incurred.

**(i) Bahraini employees**

Pensions and other social benefits for Bahraini employees are covered by the General Organisation for Social Insurance scheme to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's contribution to this scheme, which represents a defined contribution scheme under International Accounting Standards 19 - Employee Benefits, is expensed as incurred.

**(ii) Expatriate employees**

Expatriate employees are entitled to leaving indemnities payable under the Bahrain Labour Law for the Private Sector- Law no.(36) of 2012, based on length of service and final remuneration. Provision for this unfunded commitment which represents a defined benefit plan under International Accounting Standard 19 - Employee Benefits, has been made by calculating the notional liability had all employees left at the reporting date.

**k) Provisions**

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**l) Lease payments**

Payments made under operating leases are recognised in the consolidated profit or loss on a straight-line basis over the term of the lease.

**m) Statutory reserve**

The Bahrain Commercial Companies Law 2001 requires that 10 % of the annual net profit be appropriated to a statutory reserve which is normally distributable only on dissolution. Appropriations may cease when the reserve reaches 50 % of the paid up share capital.

**n) General reserve**

Transfers made to the general reserve are in accordance with Article 64 of the Articles of Association and is subject shareholders approval in the Annual General Meeting. The general reserve is set aside for future utilisation at the discretion of the directors and shareholders, and is distributable.

**o) Charity reserve**

Charity reserve represents a voluntary reserve created from the profits of the Company upon approval of the shareholders. This reserve is used for donations and charitable purposes as part of fulfilling the Company's corporate social responsibility.

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**4 PROPERTY, PLANT AND EQUIPMENT**

**Cost**

At 1 April 2016

Additions

Transfer

**At 31 March 2017**

**Depreciation**

At April 2016

Charge for the year:

Cost of sales

Operating expenses

**At 31 March 2017**

**Net book value**

**At 31 March 2017**

Cost of fully depreciated assets

Land*	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Capital work-in-progress	Total
138,241	3,047,435	5,689,185	808,399	217,681	15,676	9,916,617
-	1,003	446,214	138,951	-	472,208	1,058,376
-	-	-	-	-	(8,315)	(8,315)
<b>138,241</b>	<b>3,048,438</b>	<b>6,135,399</b>	<b>947,350</b>	<b>217,681</b>	<b>479,569</b>	<b>10,966,678</b>
-	1,001,176	2,792,757	583,993	118,870	-	4,496,796
-	93,892	358,519	128,340	10,607	-	591,358
-	1,404	52,098	33,999	7,644	-	95,145
-	<b>1,096,472</b>	<b>3,203,374</b>	<b>746,332</b>	<b>137,121</b>	-	<b>5,183,299</b>
<b>138,241</b>	<b>1,951,966</b>	<b>2,932,025</b>	<b>201,018</b>	<b>80,560</b>	<b>479,569</b>	<b>5,783,379</b>
-	37,468	910,251	198,383	3,300	-	1,149,402



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**4 PROPERTY, PLANT AND EQUIPMENT**

	Land*	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Capital work-in-progress	Total
Cost							
At 1 April 2015	138,241	2,884,702	5,460,238	638,539	217,681	15,634	9,355,035
Additions	-	162,733	228,947	169,860	-	5,174	566,714
Transfer	-	-	-	-	-	(5,132)	(5,132)
At 31 March 2016	138,241	3,047,435	5,689,185	808,399	217,681	15,676	9,916,617
Depreciation							
At 1 April 2015	-	899,008	2,382,779	465,660	85,011	-	3,832,458
Charge for the year	-	-	-	-	-	-	-
Cost of sales	-	91,715	349,097	114,256	2,084	-	557,152
Operating expenses	-	10,453	60,881	4,077	31,775	-	107,186
At 31 March 2016	-	1,001,176	2,792,757	583,993	118,870	-	4,496,796
Net book value							
At 31 March 2016	138,241	2,046,259	2,896,428	224,406	98,811	15,676	5,419,821
Cost of fully depreciated assets	-	22,406	973,709	190,326	8,600	-	1,195,041

\*Owned by the subsidiary, Jordan Bahrain Paper Industries Private Limited.

The buildings and plant and machinery of the Parent in Bahrain are located on land leased from the Government for a period of 25 years, which commenced on 21 November 1993 for 15,968 sq. mtrs and from 1 February 2000 for additional 4,040 sq. mtrs.

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**5 AVAILABLE-FOR-SALE INVESTMENTS**

Available-for-sale investments represents investments in local listed equities. The movement in available-for-sale investments is given below:

	<b>31 March 2017</b>	<b>31 March 2016</b>
At beginning of the year	116,160	116,732
Changes in fair value during the year	(6,687)	(572)
<b>At end of the year</b>	<b>109,473</b>	<b>116,160</b>

**6 CASH AND CASH EQUIVALENTS**

	<b>31 March 2017</b>	<b>31 March 2016</b>
Cash and bank balances	115,022	107,426
Bank overdrafts	(491,147)	(600,813)
	<b>(376,125)</b>	<b>(493,387)</b>

During the year, bank overdraft facilities had an average interest rate of 6.71% per annum (2016: 6.21 % per annum). The facilities were unsecured, and were used to finance the working capital requirements of the Group.

**7 TRADE RECEIVABLES**

	<b>31 March 2017</b>	<b>31 March 2016</b>
Trade receivables	4,925,413	5,080,815
Less Impairment allowances for receivables	(146,452)	(91,604)
	<b>4,778,961</b>	<b>4,989,211</b>

Movement on the provision is disclosed in note 21(b).

**8 PREPAYMENTS AND OTHER RECEIVABLES**

	<b>31 March 2017</b>	<b>31 March 2016</b>
Advance to employees	28,905	4,827
Advance to suppliers	30,242	6,296
Prepayments and other receivables	202,241	215,267
	<b>261,388</b>	<b>226,390</b>

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**9 INVENTORIES**

Raw materials
Work-in-progress
Finished goods
Spare parts, consumables and other items
Goods in transit
Less Impairment allowances for inventories

31 March 2017	31 March 2016
1,665,546	1,844,012
16,797	23,190
214,747	234,857
526,609	491,282
927	2,430
(21,231)	(14,334)
<b>2,403,395</b>	<b>2,581,437</b>

**10 SHARE CAPITAL****a) Authorised**

30,000,000 (2016: 30,000,000) shares of 100 fils each

**b) Issued and fully paid up share capital**

19,632,250 (2016 : 19,632,250) shares of 100 fils each

31 March 2017	31 March 2016
<b>3,000,000</b>	<b>3,000,000</b>
<b>1,963,225</b>	<b>1,963,225</b>

Major shareholders as at 31 March 2017 are as follows:

Name of the shareholder	Nationality	31 March 2017		31 March 2016	
		No. of Shares	% of total share capital	No. of shares	% of total share capital
• Buhindi Group	Bahraini	2,364,756	12.05	2,364,756	12.05
• Mohamed Hassan Abdulla Buhendi	Bahraini	1,291,486	6.58	1,291,486	6.58
• Khalid Hassan Abdulla Buhendi	Bahraini	1,970,629	10.04	1,970,629	10.04
• Waleed Hassan Abdulla Buhendi	Bahraini	1,970,629	10.04	1,970,629	10.04
• Maskati Commercial Services WLL	Bahraini	3,537,194	18.02	3,132,694	15.96
• Mohamed Ali Zainal Abdulla Co.	Bahraini	2,065,675	10.52	1,661,675	8.46
• Ahmad Hamad AlGosaibi & Bros. Co.	Saudi			1,497,387	7.63
• Husain Mahdi Maskati & Sons	Bahraini	1,736,049	8.84	1,736,049	8.84
• Others		4,695,832	23.91	4,006,945	20.40
<b>Total</b>		<b>19,632,250</b>	<b>100</b>	<b>19,632,250</b>	<b>100</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**10 SHARE CAPITAL (continued)**

Distribution of shareholding as at 31 March 2017 is as follows:

Categories	2017			2016		
	No. of Shares	No. of share holders	% of total share capital	No. of Shares	No. of share holders	% of total share capital
• Less than 1 %	732,292	10	3.73	732,292	10	3.73
• Up to 1 % less than 5 %	2,394,901	6	12.20	3,274,653	7	16.68
• Up to 5 % less than 10 %	4,596,174	3	23.41	6,186,597	4	31.51
• Up to 10 % less than 20 %	11,908,883	6	60.66	9,438,708	4	48.08
• Up to 20 % less than 50 %	-	-	-	-	-	-
<b>Total</b>	<b>19,632,250</b>	<b>25</b>	<b>100</b>	<b>19,632,250</b>	<b>25</b>	<b>100</b>

Total number of shares owned by directors of the Company as at 31 March 2017 was 2,244,240 shares (2016: 2,244,240 shares).

## 11 BANK BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing borrowings, which are measured at amortized cost. The Group's exposure to interest rate and liquidity risk is discussed in note 21.

Short-term borrowings are rolled over on a regular basis on maturity, which is normally two months. Both short-term loans and overdraft are unsecured.

	2017	2016
At beginning of the year	717,597	1,216,840
Loans availed during the year	767,083	-
Loans repaid during the year	(408,798)	(499,243)
<b>At end of the year</b>	<b>1,075,882</b>	<b>717,597</b>

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**11 BANK BORROWINGS (continued)**

	<b>2017</b>	<b>2016</b>
Non-current portion – more than one year	856,006	399,970
Current portion – less than one year (effective interest rate 4.25% to 7.5% (2016: 3.75 % to 8.%))	219,876	317,627
	<b>1,075,882</b>	<b>717,597</b>

The movement on the short term import bank loan as follow:

	<b>2017</b>	<b>2016</b>
At beginning of the year	2,797,791	2,711,048
Loans obtained during the year	7,461,209	9,806,350
Loans repaid during the year	(8,100,417)	(9,719,607)
<b>At end of the year</b>	<b>2,158,583</b>	<b>2,797,791</b>

The terms and conditions of the outstanding loans are as follows:

	Currency	Nominal interest rate	Year to maturity	31 March 2017		31 March 2016	
				Face value	Carrying value	Face value	Carrying value
Term Loan	JOD	7.50% - 7.75%	2017 - 2020	718,764	364,370	351,624	83,330
Bank Overdrafts	JOD	7.5% - 7.75%	2017	313,439	313,439	478,466	478,466
Clean Import loan	JOD	7.5% - 7.75%	2017	1,349,961	1,349,961	1,416,313	1,416,313
Term Loan	BHD	4.00% - 4.85%	2019 - 2023	1,350,000	711,512	2,150,000	634,267
Bank Overdrafts	BHD	4% - 6%	2016	808,622	808,622	122,347	122,347
Clean Import loan	BHD	4.75% - 6%	2016	177,708	177,708	1,381,478	1,381,478
				<b>4,718,494</b>	<b>3,725,612</b>	5,900,228	4,116,201

The bank facilities of the subsidiary (Jordan Bahrain Paper Industries Private Limited) are covered under corporate guarantee from the Company.

**12 PROVISION FOR EMPLOYEES' LEAVING INDEMNITIES**

	<b>2017</b>	<b>2016</b>
At beginning of the year	205,188	179,286
Charge for the year	34,314	37,314
Indemnities paid in the year	(27,804)	(11,412)
<b>At end of the year</b>	<b>211,698</b>	<b>205,188</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**13 REVENUE**

## Domestic sales

- in Bahrain
- in Jordan

## Export sales

- from Bahrain

2017	2016
5,415,142	5,595,972
4,526,168	5,072,852
3,330,413	3,896,261
<b>13,271,723</b>	<b>14,565,085</b>

**14 COST OF SALES**

## Raw materials

## Salaries and related expenses

## Depreciation

## Electricity, water and power

## Stores and spares

## Other expenses

2017	2016
7,266,770	8,750,607
1,023,557	957,546
591,358	557,152
436,820	315,614
379,708	414,032
298,383	305,589
<b>9,996,596</b>	<b>11,300,540</b>

**15 OTHER INCOME**

## Dividend income

## Subsidy from Tamkeen

## Others

2017	2016
6,762	7,084
9,996	9,996
2,007	11,412
<b>18,765</b>	<b>28,492</b>

**16 SELLING AND DISTRIBUTION EXPENSES**

## Freight

## Staff costs

## Export duty and other fees

## Sales promotion

## Depreciation

## Sale incentive

## Transportation and fuel expenses

## Pallets

## Others

2017	2016
521,725	549,952
177,629	153,528
48,435	53,562
18,338	66,765
8,799	9,398
13,136	15,961
12,899	12,272
67,319	66,347
93,179	22,084
<b>961,459</b>	<b>949,869</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**17 ADMINISTRATIVE EXPENSES**

	<b>2017</b>	<b>2016</b>
Staff costs	435,185	418,077
Board remuneration	81,238	67,986
Depreciation	86,346	97,788
Rent	22,630	20,810
Telephone and communication	17,764	17,742
Legal and professional charges	25,766	24,560
Directors sitting fees	5,200	5,400
Factory and management medical insurance	17,480	18,204
Government fees and taxes	16,992	18,783
Printing and stationary	10,275	9,230
Travel expenses	20,832	10,960
Foreign exchange rate loss	6,204	8,579
Transportation and vehicles expenses	13,688	18,563
Other expenses	98,547	66,841
	<b>858,147</b>	<b>803,523</b>

**18 RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party, directly or indirectly through one or more intermediaries, has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Group exercises significant influence, major shareholders, directors and key management personnel of the Group. Transactions with related parties are conducted at normal commercial terms.

	<b>31 March 2017</b>	<b>31 March 2016</b>
<b>a) Due from related parties (shareholders)</b>	<b>145,301</b>	<b>333,044</b>
<b>b) Due to related parties (shareholders)</b>	<b>11,186</b>	<b>6,296</b>

This relates to goods sold to / purchased from shareholders during the year.

**c) Related party transactions**

	<b>2017</b>	<b>2016</b>
Sales to related parties (shareholders)	<b>402,953</b>	<b>806,048</b>

**d) Transactions with key management personnel**

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**18 RELATED PARTY TRANSACTIONS (continued)**

Transactions with key management personnel are as follows:

	<b>2017</b>	<b>2016</b>
Salaries and other short term benefits	184,360	170,898
Board remuneration including sitting fees paid	77,350	61,386
	<b>261,710</b>	<b>232,284</b>

**19 COMMITMENTS AND CONTINGENT LIABILITIES**

	<b>31 March 2017</b>	<b>31 March 2016</b>
Acceptances and guarantees	616,846	589,164
Capital Commitments	-	3,071
	<b>616,846</b>	<b>592,235</b>

The Company has issued undated cheques for BD 226,976 to LABOUR FUND EDSA as guarantee for fulfilment of the terms of the contract of capital assistance.

	<b>31 March 2017</b>	<b>31 March 2016</b>
Operating lease rentals		
Future minimum lease payments		
Less than one year	10,610	10,639
Between one and five years	15,827	23,875
More than five years	7,878	10,532

**20 EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year, as follows:

	<b>2017</b>	<b>2016</b>
Profit attributable to shareholders of the parent	1,245,943	1,255,112
Weighted average number of shares outstanding during the year	19,632,250	19,632,250
Basic earnings per share (in fils)	<b>63.46</b>	<b>63.93</b>

The Company does not have any potentially dilutive shares.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT****a) Overview**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group has established risk management practices and processes approved by the Board of Directors to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management practices and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

There has been no significant change during the financial year, or since the end of the year, to the types of financial risks faced by the Group or the Group's approach to the management of those risks.

**b) Credit risk**

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

*(i) Trade and other receivables*

The Group has an established credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms are offered. Credit limits are established for each customer, which represents the maximum open amount without requiring approval. Strict credit control is maintained for both credit period and credit limits, both of which are monitored continuously by management. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis. Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated.

The majority of the Group's trade receivables is due for payment within 90 days and largely comprises amounts receivable from business customers.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

*(ii) Exposure to credit risk*

The carrying amount of financial assets (excluding equity investments) represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<b>31 March 2017</b>	<b>31 March 2016</b>
Cash and bank balances	115,022	107,426
Trade receivables	4,778,961	4,989,211
Due from related parties	145,301	333,044
Advance to employees	28,905	4,827
	<b>5,068,189</b>	<b>5,434,508</b>

*(iii) Customers' accounts*

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	<b>2017</b>	<b>2016</b>
Bahrain	1,575,192	1,623,486
Other middle east markets	3,203,769	3,365,725
	<b>4,778,961</b>	<b>4,989,211</b>

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures. Management believes there is no further credit risk provision required in excess of the normal provision for bad and doubtful receivables.

The ageing of the trade receivables at the reporting date was:

**31 March 2017**

	<b>Gross</b>	<b>Impairment</b>	<b>Total carrying amount</b>
Neither past due nor impaired	3,499,674	-	3,499,674
Past due, but not impaired	1,279,287	-	1,279,287
Past due, and impaired	146,453	(146,453)	-
	<b>4,925,414</b>	<b>(146,453)</b>	<b>4,778,961</b>

**31 March 2016**

	<b>Gross</b>	<b>Impairment</b>	<b>Total carrying amount</b>
Neither past due nor impaired	3,775,529	-	3,775,529
Past due, but not impaired	1,213,682	-	1,213,682
Past due, and impaired	91,604	(91,604)	-
	<b>5,080,815</b>	<b>(91,604)</b>	<b>4,989,211</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****for the year ended 31 March 2017**

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**21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

Based on past experience, the management believes that no impairment allowance is necessary in respect of trade receivables not past due and past due, more than 90 days. All confirmed, accepted and negotiated Letters of Credit ("LCs") are considered as not past due.

*(iv) Impairment allowance*

The movement in allowance for impairment allowances in respect of financial instruments during the year was as follows:

	2017	2016
At beginning of the year	91,604	91,632
Add Impairment allowance for the year	75,753	26,126
Less Reversal of impairment allowance recognised in the earlier years	(20,905)	(26,154)
<b>At end of the year</b>	<b>146,452</b>	<b>91,604</b>

**c) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group borrows funds from banks to meet its liquidity requirements in the normal course of business. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Financial liabilities of the Group consist of bank overdrafts, bank loans, trade and other accounts payable and advances from customers.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements:

<b>Non-derivative financial liabilities at 31 March 2017</b>	<b>Carrying amount</b>	<b>Contractual undiscounted cash flows</b>	<b>6 months or less</b>	<b>6 - 12 months</b>	<b>2 – 5 years</b>
Bank borrowings	1,075,882	1,177,868	504,770	286,443	386,655
Post shipment bank loan	2,158,583	2,229,268	2,229,268	-	-
Bank overdraft	491,147	508,379	508,379	-	-
Due to related parties	11,186	11,186	11,186	-	-
Trade payables	1,269,927	1,269,927	1,269,927	-	-
	<b>5,006,725</b>	<b>5,196,628</b>	<b>4,523,530</b>	<b>286,443</b>	<b>386,655</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****for the year ended 31 March 2017**

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**21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

Non-derivative financial liabilities at 31 March 2016	Carrying amount	Contractual undiscounted cash flows	6 months or less	6 - 12 months	2 – 5 years
Bank borrowings	717,597	754,104	295,006	128,607	330,491
Post shipment bank loan	2,797,791	2,865,168	2,865,168	-	-
Bank overdraft	600,813	624,601	624,601	-	-
Due to related parties	6,296	6,296	6,296	-	-
Trade payables	1,783,911	1,783,911	1,783,911	-	-
	5,906,408	6,034,080	5,574,982	128,607	330,491

The above amounts represent undiscounted cash flows and thus might not match the carrying amounts of the financial liabilities at the reporting date.

**d) Market risk**

Market risk is the risk that changes in market prices, such as equity prices, interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

**(i) Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has substantial purchases from foreign suppliers. The Group's currency risk is related to changes in exchange rates applicable to the settlements in foreign currencies. Majority of the Group's purchase, sale, and trade payables are either in US or currencies that are pegged to the US such as Bahraini Dinar, Saudi Riyal, UAE Dirhams. Consequently, the currency risk of the Group is limited.

The Group's investment in its subsidiary is not hedged as those currency positions are considered to be long-term in nature. In respect of other monetary assets and liabilities denominated in foreign currencies, considering the nature of its financial instruments, the Group currently is not engaged in hedging of foreign currency risk. The currency risk arising from structural positions of net assets in foreign operation is reflected in the transaction reserve in equity and currently is not significant.

**(ii) Interest rate risk**

Interest rate risk is the risk that the Group's earnings will be affected as a result of fluctuations in the value of financial instruments due to changes in market interest rates. The Group's interest rate risk is limited to its interest bearing borrowings and interest earned on its bank balances which are all at floating rate of interest.

The effective average interest rate for bank overdrafts, post shipment bank loan and borrowings at 31 March 2017 was 5.81 % p.a. (2016: 4.99 % p.a.)

	31 March 2017	31 March 2016
Bank borrowings	1,075,882	717,597
Post shipment bank loan	2,158,583	2,797,791
Bank overdrafts	491,147	600,813
	<b>3,725,612</b>	<b>4,116,201</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****for the year ended 31 March 2017**

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**21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)***Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates at the reporting date would have (increased) decreased equity and profit or loss by BD 3,726 (2016: BD 4,116). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

*Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through the income statement. Therefore a change in interest rates at the reporting date would not affect the income statement. Increase or decrease in equity resulting from variation in interest rates will be insignificant.

**e) Accounting classification of financial instruments**

Classification of financial assets and financial liabilities, together with the carrying amounts as disclosed in the statement of financial position.

**31 March 2017**

	<b>Loans and receivables</b>	<b>Available-for-sale</b>	<b>Others at amortised cost</b>	<b>Total carrying Amount</b>
<b>Financial assets</b>				
Trade receivables	4,778,961	-	-	4,778,961
Cash and bank balances	115,022	-	-	115,022
Due from related parties	145,301	-	-	145,301
Available-for-sale investments	-	109,473	-	109,473
Advance to employees	28,905	-	-	28,905
	<b>5,068,189</b>	<b>109,473</b>	<b>-</b>	<b>5,177,662</b>

**Financial liabilities**

Bank borrowings	-	-	1,075,882	1,075,882
Post shipment bank loan	-	-	2,158,583	2,158,583
Bank overdrafts	-	-	491,147	491,147
Due to related parties	-	-	11,186	11,186
Trade payables	-	-	1,269,927	1,269,927
	<b>-</b>	<b>-</b>	<b>5,006,725</b>	<b>5,006,725</b>

**31 March 2016**

	<b>Loans and receivables</b>	<b>Available-for-sale</b>	<b>Others at amortised cost</b>	<b>Total carrying Amount</b>
<b>Financial assets</b>				
Trade receivables	4,989,211	-	-	4,989,211
Cash and bank balances	107,426	-	-	107,426
Due from related parties	333,044	-	-	333,044
Available-for-sale investments	-	116,160	-	116,160
Advance to employees	4,827	-	-	4,827
	<b>5,434,508</b>	<b>116,160</b>	<b>-</b>	<b>5,550,668</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****for the year ended 31 March 2017**

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**21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)****Financial liabilities**

Bank borrowings	-	-	717,597	717,597
Post shipment bank loan	-	-	2,797,791	2,797,791
Bank overdrafts	-	-	600,813	600,813
Due to related parties	-	-	6,296	6,296
Trade payables	-	-	1,783,911	1,783,911
	-	-	5,906,408	5,906,408

**f) Fair value**

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

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

*Fair value hierarchy*

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measures:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using; quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

**31 March 2017**

	Level 1	Level 2	Level 3	Total
Available-for-sale investments	109,473	-	-	109,473
	<b>109,473</b>	<b>-</b>	<b>-</b>	<b>109,473</b>

There were no transfers between the levels during the year.

**Financial instruments amortised cost**

Bank borrowings, overdrafts and post shipment bank loans are repriced at frequent intervals and hence the carrying value is a reasonable approximation of its fair value. The fair value of financial instruments such as short term trade and other receivables, trade and other payables, due to and from related parties, cash and bank balances approximate their carrying amounts due to their short term nature

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****for the year ended 31 March 2017**

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**21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)****g) Capital Management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Group. The Board seeks to maintain a balance between the higher returns and growth that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Board of Directors monitors the return on capital, which the Group defines as total shareholders' equity and the level of dividends to shareholders. The Group's objectives for managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

**22 PROPOSED APPROPRIATIONS AND RESERVES**

The Board of Directors propose a cash dividend of 27.5 % (2016: 25 %) of the paid-up capital and other appropriations as follows:

	2017	2016
Cash dividend	539,887	490,806
Statutory reserve	110,243	128,246
Transfer to general reserve	50,000	50,000
Directors remuneration	70,000	60,000
Charity contributions	8,000	7,500
	<b>778,130</b>	<b>736,552</b>

**23 COMPARATIVES**

Certain prior year amounts have been regrouped to conform to the current year's presentation. Such regrouping did not affect previously reported total comprehensive income for the year or total equity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2017

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### 24 SEGMENT INFORMATION

Segment results that are reported to the Board of Directors, (the Chief Operating Decision Maker) include items directly attributable to segment.

The Group's operations are segregated between Bahrain and Jordan. Segment information disclosed for the year ended 31 March 2017 is as follows:

	Year ended 31 March 2017					Year ended 31 March 2016				
	Bahrain	Jordan	Bahrain Duplex	Inter - segment elimination	Total	Bahrain	Jordan	Inter - segment elimination	Total	
Segment revenue & profit										
Revenue (external customers)	8,745,555	4,526,168	-	-	13,271,723	9,492,233	5,072,852	-	14,565,085	
Other income	62,965	-	-	(44,200)	18,765	57,492	10,006	(39,006)	28,492	
Depreciation and amortisation	354,962	331,541	-	-	686,503	300,476	302,980	-	603,456	
Interest expense	101,784	170,759	-	(44,200)	228,343	139,363	184,176	(39,006)	284,533	
Profit / (loss)	1,219,817	171,398	(13,777)	(131,495)	1,245,943	1,008,715	246,397	-	1,255,112	

	Year ended 31 March 2017				
	Bahrain	Jordan	Bahrain Duplex	Inter - segment elimination	
Segment assets & liabilities					
Non-current assets	5,463,900	3,190,059		(2,761,107)	5,892,852
Current assets	5,430,137	2,892,836	86,223	(705,129)	7,704,067
Total assets	10,894,037	6,082,895	86,223	(3,466,236)	13,596,919
Current liabilities	2,569,400	2,337,916	-	(225,029)	4,682,287
Non-current liabilities	703,334	844,470	-	(480,100)	1,067,704
Total liabilities	3,272,734	3,182,386	-	(705,129)	5,749,991

	Year ended 31 March 2016				
	Bahrain	Jordan	Inter - segment elimination	Total	
	5,307,182	2,889,906	(2,661,107)	5,535,981	
	5,689,740	3,101,352	(553,584)	8,237,508	
	10,996,922	5,991,258	(3,214,691)	13,773,489	
	3,572,245	2,566,898	(73,483)	6,065,660	
	521,828	557,054	(473,724)	605,158	
	4,094,073	3,123,952	(547,207)	6,670,818	



## Summarised financial statements of the Parent Company, United Paper Industries BSC (c)

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

<b>ASSETS</b>	<b>31 March 2017</b>	<b>31 March 2016</b>
<b>Non-current assets</b>		
Property, plant and equipment	2,593,320	2,529,915
Investment in subsidiary, at cost	2,761,107	2,661,107
Available-for-sale investments	109,473	116,160
<b>Total non-current assets</b>	<b>5,463,900</b>	<b>5,307,182</b>
<b>Current assets</b>		
Cash and bank balances	3,516	5,481
Trade receivables	3,026,615	3,022,611
Due from related parties	172,611	333,044
Prepayments and other receivables	238,489	110,371
Loan to subsidiary	480,100	553,584
Inventories	1,508,805	1,664,649
<b>Total current assets</b>	<b>5,430,136</b>	<b>5,689,740</b>
<b>Total assets</b>	<b>10,894,036</b>	<b>10,996,922</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	1,963,225	1,963,225
Share premium	453,750	453,750
Statutory reserve	981,613	897,652
Fair value reserve	20,667	23,723
Charity reserve	-	-
General reserve	650,000	600,000
Retained earnings	3,552,048	2,964,499
<b>Total equity</b>	<b>7,621,303</b>	<b>6,902,849</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Non-current portion of bank loans	491,636	316,640
Provision for employees' leaving indemnities	211,698	205,188
<b>Total non-current liabilities</b>	<b>703,334</b>	<b>521,828</b>

Additional information - not part of the audited financial statements

Summarised financial statements of the Parent Company, United Paper Industries BSC (c)**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017** *(continued)*

	<b>31 March 2017</b>	<b>31 March 2016</b>
<b>Current liabilities</b>		
Bank overdrafts	177,708	122,347
Post shipment bank loan	808,622	1,381,478
Current portion of bank borrowings	219,876	317,627
Trade payables	908,202	1,360,875
Due to related parties	11,186	6,296
Due to subsidiary	66,223	-
Accrued expenses	377,582	383,622
<b>Total current liabilities</b>	<b>2,569,399</b>	<b>3,572,245</b>
<b>Total liabilities</b>	<b>3,272,733</b>	<b>4,094,073</b>
<b>Total equity and liabilities</b>	<b>10,894,036</b>	<b>10,996,922</b>

*Additional information - not part of the audited financial statements.*

**Summarised financial statements of the Parent Company, United Paper Industries BSC (c)**

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017**

	2017	2016
<b>REVENUE</b>	8,745,555	9,492,233
Cost of sales	(6,475,776)	(7,338,968)
<b>Gross profit</b>	<b>2,269,779</b>	2,153,265
Other income	194,460	57,492
Selling and distribution expenses	(581,566)	(530,444)
Administrative expenses	(561,072)	(532,235)
Financing costs	(101,784)	(139,363)
<b>Profit for the year</b>	<b>1,219,817</b>	1,008,715
<b>Other comprehensive income</b>		
Change in the fair value of available-for-sale investments	(6,687)	(572)
Transferred to profit or loss on impairment of available-for-sale investments	3,631	3,565
<b>Total other comprehensive income</b>	<b>(3,056)</b>	2,993
<b>Total comprehensive income for the year</b>	<b>1,216,761</b>	1,011,708

*Additional information - not part of the audited financial statements.*

## Summarised financial statements of the Parent Company, United Paper Industries BSC (c)

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	2017	2016
<b>OPERATING ACTIVITIES</b>		
Receipts from customers	8,975,468	9,026,087
Payments to suppliers	(5,228,897)	(5,468,916)
Operating expenses	(2,371,031)	(2,149,536)
Directors' remuneration paid	56,203	(53,400)
Other receipts	(65,200)	50,408
<b>Net cash from operating activities</b>	<b>1,366,543</b>	<b>1,404,643</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(366,425)	(41,715)
Acquisition of available for sale investment	(100,000)	
Dividend Received	138,257	7,084
<b>Net cash used in investing activities</b>	<b>(328,168)</b>	<b>(34,631)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of bank borrowings	(322,755)	(403,665)
Proceeds from bank borrowings	400,000	
Repayment of Post Shipment bank loan	(3,641,643)	(4,409,147)
Proceeds from Post Shipment bank loan	3,068,787	4,349,672
Finance charges paid	(101,784)	(139,363)
Dividend paid	(490,806)	(392,645)
Charity paid	(7,500)	(6,030)
<b>Net cash generated from / (used in) financing activities</b>	<b>(1,095,701)</b>	<b>(1,001,178)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(57,326)</b>	<b>368,834</b>
Cash and cash equivalents at the beginning of the year	(116,866)	(485,700)
<b>Cash and cash equivalents at the end of the year</b>	<b>(174,192)</b>	<b>(116,866)</b>

*Additional information - not part of the audited financial statements.*