

**United Paper Industries BSC (C)**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**31 MARCH 2020**

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 Khalid H Buhindi Shafeek Abdulrasool Ahmed
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
Major bankers	:	BBK BSC HSBC Bank Middle East Limited Bahrain Islamic Bank BSC Ahli United Bank BSC Al Salam Bank, Bahrain BSC National Bank of Bahrain BSC Bank of Jordan Arab Banking Corporation - Jordan
Auditors	:	KPMG Fakhro

**CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 March 2020**

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**DIRECTORS' REPORT**  
**for the year ended 31 March 2020**

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On behalf of the Board of Directors of United Paper Industries BSC (c), it is my pleasure to present the consolidated financial statements of the company for the year ended 31st March, 2020.

The consolidated financial statement comprises of 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 2019-2020 for the Group was BD 1,282,782 as compared to the profits of the previous year of BD 164,478. The improvement happened due to increase of profits in Joba Pack as against large losses of previous year and also the 49% increase in the net profit of Bahrain Pack, the Parent Company as compared to the previous year. The net profit of 2019-2020 for Bahrain Pack was BD 827,756 as against previous year of BD 606,254.

Joba Pack reported a profit of BD 455,626 during the reporting period (previous year loss of BD 441,001).

The Duplex Boxes Company has still not started any operation and does not have any sales to report during the period. Expenses accounted for the audit expense of BD 500 and other minor governmental expense resulting in a loss of BD 600 without any revenue (previous year loss of BD 775). Procedural action to cancel the commercial registration of Bahrain Duplexes Company has started as we have not identified any suitable project for the Company.

Profit attributable to the shareholders is BD 1,282,782. The Directors recommend distribution for the year as follows:

	2019-2020	2018-2019
Cash dividend	20%	10%
Transfer to general reserve	Nil	Nil

The management feels the outlook of the Company for 2020-2021 is going to be very challenging in view of the market conditions existing in the region due to COVID 19, low oil prices and its impact in the region, increased competition and other geo political conditions. The management is trying to stay ahead of the local competition in terms of technology and competitive pricing and is attempting cost reduction and better operating performance to overcome the challenges and is confident about sustaining returns to the shareholders.

Jordan market is also quite challenging, on account of the same factors but the management is confident of sustained growth of Joba Pack once the geo political situation in the region turns stable and markets of Iraq and Syria open up.

**DIRECTORS' REPORT**  
**for the year ended 31 March 2020**

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We would like to put on records that your company has given steady and consistent returns to the shareholders for the last 20 years and the current balance sheet strength is quite positive.

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

Abdulla H Buhindi, Chairman  
10 June, 2020

A handwritten signature in blue ink, appearing to be 'ABDULLA H B', with a long horizontal stroke extending to the right.

**MANAGEMENT REVIEW OF OPERATIONS**  
**for the year ended 31 March 2020**

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The operations from Bahrain showed a net profit of BD 827,756 as against BD 606,254 of the previous year.

The quantitative particulars of the Group during the year compared to the previous year increased as follows:

Production tonnage : (+) 10.29%

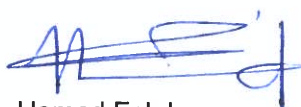
Sales Tonnage : (+) 8.74%

**OUTLOOK FOR 2020-2021**

The Management is looking at the financial year 2020-2021, with confidence although challenging due to expected COVID 19 implications, higher competition and decreased export due to logistical restrictions on account of Governmental regulations across the borders. We estimate a 15% to 20% reduction in sales due to the above factors in a worst case scenario.

**SIGNIFICANT RISKS**

The raw material price may substantially increase, based on the international economic cycle. Shortage in supply of raw material is also a possibility. New corrugating companies have set up shop in Bahrain without any demand studies and at present three Carton manufacturing units are existing in Bahrain, which will create overcapacity for the market in Bahrain. COVID 19 impact could be felt over an extended period of operations even with the possibility of disruption in operations if employees are affected. There is a risk of significant increase in fuel and electricity costs and related costs like transportation and also impact of higher VAT levies and its impact. 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.



Hamed Faleh  
General Manager  
10 June, 2020



## 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 3.

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 skepticism 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 2019 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

- 1) As required by the 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' (or chairman's) report is consistent with the (consolidated) financial statements;
  - b) we are not aware of any violations during the year of the 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
  - c) satisfactory explanations and information have been provided to us by management in response to all our requests.
- 2) As required by the Ministry of Industry, Commerce and Tourism in their letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:
  - a) a corporate governance officer; and
  - b) a Board approved written guidance and procedures for corporate governance.

The engagement partner on the audit resulting in this independent auditors' report is Salman Manjlai.



KPMG Fakhro  
 Partner registration number 213  
 10 June 2020

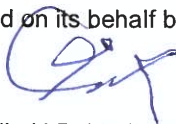


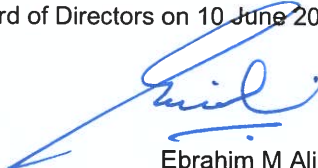
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 31 March 2020**

Bahraini dinars

	Note	31 March 2020	31 March 2019
<b>ASSETS</b>			
Property, plant and equipment	4	6,588,640	5,628,077
Deferred leasehold cost		-	293,649
Investment securities	5	116,081	113,014
<b>Total non-current assets</b>		<b>6,704,721</b>	<b>6,034,740</b>
Cash and bank balances	6	161,122	152,943
Trade receivables	7	5,839,494	5,421,113
Due from related parties	18	118,608	75,814
Prepayments and other receivables	8	358,931	489,318
Inventories	9	3,369,600	3,324,936
<b>Total current assets</b>		<b>9,847,755</b>	<b>9,464,124</b>
<b>Total assets</b>		<b>16,552,476</b>	<b>15,498,864</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	10	1,963,225	1,963,225
Share premium		453,750	453,750
Statutory reserve		1,101,903	1,077,635
Retained earnings		4,335,298	3,273,107
Other reserves (page 9)		641,823	654,257
<b>Total equity (page 9)</b>		<b>8,495,999</b>	<b>7,421,974</b>
<b>LIABILITIES</b>			
Non-current portion of bank borrowings	11	373,032	634,448
Non-current portion of lease liabilities	20	547,168	-
Provision for employees' leaving indemnities	12	222,953	238,534
<b>Total non-current liabilities</b>		<b>1,143,153</b>	<b>872,982</b>
Bank overdrafts	6	711,487	1,478,334
Post shipment bank loan	11	3,120,494	2,999,496
Current portion of bank borrowings	11	165,540	165,540
Trade payables		1,823,248	1,692,621
Due to related parties	18	7,571	9,116
Current portion of lease liabilities	20	107,729	-
Accruals and other payables		977,255	858,801
<b>Total current liabilities</b>		<b>6,913,324</b>	<b>7,203,908</b>
<b>Total liabilities</b>		<b>8,056,477</b>	<b>8,076,890</b>
<b>Total equity and liabilities</b>		<b>16,552,476</b>	<b>15,498,864</b>

The consolidated financial statements were approved by the Board of Directors on 10 June 2020 and signed on its behalf by:

  
 Abdulla H Buhindi  
 Chairman

  
 Ebrahim M Ali Zainal  
 Director

The accompanying notes 1 to 27 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**for the year ended 31 March 2020**

Bahraini dinars

	Note	2020	2019
<b>REVENUE</b>	13	14,418,442	13,515,491
Cost of sales	14	(10,989,863)	(11,475,618)
<b>Gross profit</b>		<b>3,428,579</b>	2,039,873
Other income	15	78,064	64,911
Selling and distribution expenses	16	(935,091)	(868,547)
Administrative expenses	17	(832,776)	(675,855)
Interest expense		(357,584)	(353,483)
Trade receivables impairment loss	7	(98,410)	(42,421)
<b>Profit for the year</b>		<b>1,282,782</b>	164,478
<b>Other comprehensive income</b>			
<i>Items that are, or may be, reclassified to profit or loss:</i>			
Foreign currency translation differences on foreign operations		(7,501)	253
<i>Items that will not be reclassified to profit or loss:</i>			
Equity investment at FVTOCI – net change in fair value		3,067	11,902
<b>Total other comprehensive income</b>		<b>(4,434)</b>	12,155
<b>Total comprehensive income for the year</b>		<b>1,278,348</b>	176,633
<b>Earnings per share (in fils)</b>	21	<b>65.34</b>	8.38

  
 Abdullah H Buhindi  
 Chairman

  
 Ebrahim M Ali Zainal  
 Director

The accompanying notes 1 to 27 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 March 2020

Bahraini dinars

2020	Share capital	Share premium	Statutory reserve	Retained earnings	Other reserves				Total	
					Investment fair value reserve	Foreign currency translation reserve	General reserve	Charity reserve		
As at 31 March 2019	1,963,225	453,750	1,077,635	3,273,107	(61,500)	7,757	700,000	8,000	654,257	7,421,974
Comprehensive income										
Profit for the year (page 8)	-	-	-	1,282,782	-	-	-	-	-	1,282,782
Other comprehensive income										
Foreign currency translation differences on foreign operations	-	-	-	-	-	(7,501)	-	-	(7,501)	(7,501)
Equity investment at FVTOCI – net change in fair value	-	-	-	-	3,067	-	-	-	3,067	3,067
Total comprehensive income for the year	-	-	-	1,282,782	3,067	(7,501)	-	-	(4,434)	1,278,348
Dividend declared for 2019	-	-	-	(196,323)	-	-	-	-	-	(196,323)
Payment to charity	-	-	-	-	-	-	-	(8,000)	(8,000)	(8,000)
Transfer to statutory reserve	-	-	24,268	(24,268)	-	-	-	-	-	-
At 31 March 2020	1,963,225	453,750	1,101,903	4,335,298	(58,433)	256	700,000	-	641,823	8,495,999

The accompanying notes 1 to 27 are an integral part of these consolidated financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 March 2020

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	
2019									
As at 31 March 2018 (as previously reported)	1,963,225	453,750	1,077,635	3,652,554	21,491	7,504	700,000	-	7,876,159
Impact of adopting IFRS 9 as on 1 April 2018	-	-	-	(45,119)	(94,893)	-	-	-	(140,012)
Restated balance as at 1 April 2018	1,963,225	453,750	1,077,635	3,607,435	(73,402)	7,504	700,000	-	7,736,147
Comprehensive income									
Profit for the year (page 8)	-	-	-	164,478	-	-	-	-	164,478
Other comprehensive income									
Foreign currency translation differences on foreign operations	-	-	-	-	-	253	-	-	253
Equity investment at FVTOCI – net change in fair value	-	-	-	-	11,902	-	-	-	11,902
Total comprehensive income for the year	-	-	-	164,478	11,902	253	-	-	176,633
Dividend declared for 2018	-	-	-	(490,806)	-	-	-	-	(490,806)
Payment to charity	-	-	-	(8,000)	-	-	-	8,000	-
At 31 March 2019	1,963,225	453,750	1,077,635	3,273,107	(61,500)	7,757	700,000	8,000	7,421,974

The accompanying notes 1 to 27 are an integral part of these consolidated financial statements .

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the year ended 31 March 2020**

Bahraini dinars

	Note	2020	2019
<b>OPERATING ACTIVITIES</b>			
Receipts from customers		13,957,267	13,095,765
Payments to suppliers		(8,248,182)	(9,090,111)
Operating expenses		(3,362,358)	(3,530,611)
Other receipts		70,844	57,101
Directors' remuneration paid		(13,900)	(54,650)
<b>Net cash generated from operating activities</b>		<b>2,403,671</b>	<b>477,494</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(933,540)	(727,983)
Dividend received		7,219	7,810
<b>Net cash used in investing activities</b>		<b>(926,321)</b>	<b>(720,173)</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of bank borrowings	11	(261,416)	(400,112)
Proceeds from bank borrowings	11	-	455,183
Repayments of post shipment bank loan	11	(8,124,818)	(9,241,380)
Proceeds from post shipment bank loan	11	8,245,816	10,225,343
Finance charges paid		(357,583)	(348,710)
Dividends paid		(196,323)	(490,806)
Charity paid		(8,000)	-
<b>Net cash (used in)/ generated from financing activities</b>		<b>(702,324)</b>	<b>199,518</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>775,026</b>	<b>(43,161)</b>
Cash and cash equivalents at 1 April		(1,325,391)	(1,282,230)
<b>Cash and cash equivalents at 31 March</b>	6	<b>(550,365)</b>	<b>(1,325,391)</b>

The accompanying notes 1 to 27 are an integral part of these consolidated financial statements .

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 March 2020**

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 (CR) 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 earned for this entity during the current year. The commercial registration is not renewed due to non-starting of any activity and necessary procedures to cancel the CR is under process.

**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 Commercial Companies Law.

**b) Basis of measurement**

The consolidated financial statements are prepared on the historical cost basis except for investment securities which are measured at fair value.

**c) Functional and presentation currency**

The consolidated financial statements are presented in Bahraini Dinars (BD) which is also the principal currency of the Group's operations. Items included in the consolidated financial statements of Group are measured using the currency of the primary economic environment in which the Group operates (the "functional" currency).

**d) New standards, amendments and interpretations effective from 1 April 2019**

The following standards, amendments and interpretations, which became effective as of 1 January 2019, are relevant to the Group:

**(i) 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. The standard is effective for annual periods beginning on or after 1 January 2019.

The Group initially applied IFRS 16 Leases from 1 April 2019. The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****for the year ended 31 March 2020**

Bahraini dinars

**2. BASIS OF PREPARATION (CONTINUED)*****d) New standards, amendments and interpretations effective from 1 April 2019 (continued)***

The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

**Change in accounting policy**

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 April 2019.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****for the year ended 31 March 2020**

Bahraini dinars

**2. BASIS OF PREPARATION (CONTINUED)****d) New standards, amendments and interpretations effective from 1 April 2019 (continued)**

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

**Short-term leases and leases of low-value assets**

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**Impact of adopting IFRS 16**

The impact from the adoption of IFRS 16 as at 1 April 2019 has resulted in an increase in property, plant and equipment by BD 1,050,655 and an increase current portion of lease liabilities and non-current lease liabilities by BD 102,802 and BD 654,204 respectively. The impact on transition is summarised below.

	<b>Property, plant and equipment</b>	<b>Deferred leasehold cost*</b>	<b>Current portion of lease liabilities</b>	<b>Non-current portion of lease liabilities</b>
Closing balance under IAS 17 (31 March 2019)	5,628,077	293,649	-	-
<i>Impact of remeasurement:</i>				
Right-of-use assets	1,050,655	(293,649)	-	-
Lease liabilities	-	-	102,802	654,204
	1,050,655	(293,649)	102,802	654,204
<b>Opening balance under IFRS 16 on date of initial application of 1 April 2019</b>	<b>6,678,732</b>	<b>-</b>	<b>102,802</b>	<b>654,204</b>

\*This represents amount paid in previous years to previous tenant to vacate a plot of land for 23,149 sq.mt in an adjacent plot no NS112 for allotment on lease to the Group from the Government. On adoption of IFRS 16 this amount was reclassified to right-of-use assets.

**(ii) Annual Improvements to IFRSs 2015-2017 Cycles- various standards**

As part of its process to make non-urgent but necessary amendments to IFRS, the IASB has issued the Annual Improvements to IFRS Standards 2015–2017 Cycle.

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****for the year ended 31 March 2020**

Bahraini dinars

**2. BASIS OF PREPARATION (CONTINUED)****e) New standards, amendments and interpretations issued but not yet effective**

A number of new standards and amendments to standards have been issued but are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopting the following new or amended standards in preparing these consolidated financial statements.

These new or amended standards and amendments are not expected to have significant impact on these consolidated financial statements.

**f) 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.

**g) 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****for the year ended 31 March 2020**

Bahraini dinars

**2. BASIS OF PREPARATION (CONTINUED)***g) Critical accounting estimates and judgements in applying accounting policies (continued)**(ii) Impairment of receivables*

The Company measures expected credit loss for trade receivables using a 'roll rate' (net flow) method based on the probability of a receivable progressing through successive stages of delinquency to the loss bucket. The Company estimates the loss rates based on historical loss experience, which are adjusted to reflect future economic and business conditions. Detailed of impairment on financial assets are included in note 3(b) and note 7.

*(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 are estimated based on the similar assets of the industry, and future economic benefit expectations of the management.

*(iv) Lease*

For estimation uncertainties and judgements made in relation to lease accounting refer to Note 3 (d) (i) and Note 20.

**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 instruments**

The non-derivative financial assets at amortised cost consist of trade receivables, due from related parties, other receivables and cash at bank). Non-derivative financial liabilities at amortised cost consist of bank term loans, due to related parties, trade and other payables.

*(i) Recognition and initial measurement*

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****for the year ended 31 March 2020**

Bahraini dinars

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***b) Financial instruments (continued)**(ii) Classification and subsequent measurement*

On initial recognition, a financial asset is classified as measured at amortised cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The following accounting policies apply to the subsequent measurement of financial assets;

<i>Financial assets at amortised cost</i>	<i>These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.</i>
<i>Equity investments at fair value through other comprehensive income (FVTOCI)</i>	<i>These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.</i>

Financial liabilities are classified as measured at amortised cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

*(iii) Derecognition**Financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

*Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****for the year ended 31 March 2020**

Bahraini dinars

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***b) Financial instruments (continued)**(iv) Offsetting*

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expense are presented on a net basis only when permitted by accounting standards, or for gains and losses arising from a group of similar transactions.

This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statement of financial position.

*(v) Impairment**Non-derivative Financial assets***Measurement of ECLs - Trade receivables (simplified approach):**

Loss rates are calculated using a 'roll rate (Net-flow)' method based on the probability of a receivable progressing through successive stages of delinquency to the loss bucket. Recovery from the loss bucket is also considered for computing the historical loss rates. Roll rates are calculated separately for exposures based on the customer's common credit risk characteristics.

Loss rates are based on actual credit loss experience over the past two years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. The forward looking adjustment of the loss rates is based on a qualitative score card which factors the management's view on the future economic and business conditions.

*Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is considered 'credit-impaired' when one or more events, that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

*Presentation of allowance for ECL in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

**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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****for the year ended 31 March 2020**

Bahraini dinars

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****c) Property, plant and equipment (continued)**

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.

**(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
Right of use assets	Lease period
Furniture, fixtures and equipment	5
Motor vehicles	5
Machinery spare parts	2 - 5

**d) Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****for the year ended 31 March 2020**

Bahraini dinars

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****e) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for goods supplied and services rendered in the ordinary course of the Group's activities. The Group recognises revenue when it transfers control over a good or service to a customer, and when specific criteria have been met for each of the Group's activities, as described below:

- (i) Revenue from sale of corrugated boxes and packaging materials is recognised at a point in time when customer obtains control over goods. Customer obtains control when the goods are delivered and have been accepted by customers at their premises.
- (ii) Interest income is recognised as it accrues using the effective interest rate method.
- (iii) 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.

Revenue is recognised over time based on progress made to satisfy performance obligations which is determined based on surveys of work performed and completion of physical proportion of the contract work. The related costs are recognised in profit or loss when they are incurred.

**f) Cash and cash equivalents**

Cash and bank balances are recorded at amortized cost in the financial statements less expected credit loss. Cash and cash equivalents comprise cash in hand, balances, net of with banks and bank overdrafts, which are effective part of the cash management process.

**g) 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. 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) Post employment benefits***(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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****for the year ended 31 March 2020**

Bahraini dinars

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****i) Post employment benefits (continued)**

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 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.

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal obligation to pay this amount as a result of a past service provided by the employee and the obligation can be estimated reliably.

**j) 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.

**k) Statutory reserve**

The Commercial Companies Law 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.

**l) 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.

**m) 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.

**n) Operating leases****Accounting policy from 1 April 2019**

For details accounting policy of lease, refer to note 2 (d).

**Accounting policy before 1 April 2019**

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term.

**o) Earnings per share**

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 March 2020

Bahraini dinars

**4 PROPERTY, PLANT AND EQUIPMENT**

**2020**

**Cost**

At 31 March 2019

Initial impact of IFRS 16 - Note 2 (d) (i)

At 1 April 2019 (restated)

Additions

Disposal

Transfer

**At 31 March 2020**

**Depreciation**

At April 2019

Charge for the year:

Cost of sales

Disposal

Operating expenses\*\*

**At 31 March 2020**

**Net book value**

**At 31 March 2020**

Land*	Buildings	Plant and machinery	Right-of-use assets	Furniture, fixtures and equipment	Motor Vehicles	Capital work-in-progress	Total
138,241	3,124,279	7,202,356	-	1,213,719	228,117	81,520	11,988,232
			1,050,655	-	-	-	1,050,655
138,241	3,124,279	7,202,356	1,050,655	1,213,719	228,117	81,520	13,038,887
-	29,314	81,945	-	125,302	73,889	432,015	742,465
-	-	(289,087)	-	-	(41,500)	-	(330,587)
-	-	98,557	-	-	-	(98,557)	-
<b>138,241</b>	<b>3,153,593</b>	<b>7,093,771</b>	<b>1,050,655</b>	<b>1,339,021</b>	<b>260,506</b>	<b>414,978</b>	<b>13,450,765</b>
-	1,310,247	3,867,115	-	997,329	185,464	-	6,360,155
-	-	-	-	-	-	-	-
-	100,299	415,555	131,498	104,202	12,371	-	763,925
-	-	(258,882)	-	-	(40,643)	-	(299,525)
-	12,296	-	-	18,403	6,871	-	37,570
-	<b>1,422,842</b>	<b>4,023,788</b>	131,498	<b>1,119,934</b>	<b>164,063</b>	-	6,862,125
<b>138,241</b>	<b>1,730,751</b>	<b>3,069,983</b>	<b>919,157</b>	<b>219,087</b>	<b>96,443</b>	<b>414,978</b>	<b>6,588,640</b>

Cost of fully depreciated assets still in use

-	42,165	1,208,776	-	918,327	122,284	-	2,291,552
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\* Owned by the subsidiary, Jordan Bahrain Paper Industries Private Limited.

\*\* Depreciation charged to selling and distribution expenses was BD 6,551 (2019: BD 8,101) and administrative expenses was BD 31,019 (2019: BD 31,944).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 March 2020**

Bahraini dinars

**4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

2019

Cost

At 1 April 2018

Additions

Disposal

Transfer

At 31 March 2019

Depreciation

At April 2018

Charge for the year:

Cost of sales

Disposal

Operating expenses\*\*

At 31 March 2019

Net book value

At 31 March 2019

Cost of fully depreciated assets still in use

Land*	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Capital work-in-progress	Total
138,241	3,102,465	6,657,473	1,074,246	224,857	62,967	11,260,249
-	21,814	306,160	139,473	3,260	307,592	778,299
-	-	(50,316)	-	-	-	(50,316)
-	-	289,039	-	-	(289,039)	-
138,241	3,124,279	7,202,356	1,213,719	228,117	81,520	11,988,232
-	1202,859	3,524,969	878,436	161,618	-	5,767,882
-	97,190	392,462	103,155	9,697	-	602,504
-	-	(50,316)	-	-	-	(50,316)
-	10,198	-	15,738	14,149	-	40,085
-	1,310,247	3,867,115	997,329	185,464	-	6,360,155
138,241	1,814,032	3,335,241	216,390	42,653	81,520	5,628,077
-	42,165	1,108,726	300,242	573,016	-	2,024,149

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****for the year ended 31 March 2020**

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**4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

The buildings and plant and machinery of the Parent are located on land leased from the Government for a period of 25 years under two leases, the first lease commenced on 21 November 1993 for 15,968 square metres. This lease has been renewed in 1 December 2018 (the expiry of the current lease) for a further period of 25 years at an increased lease rental of BD 1/- per square metre from the current 500 fils per square metre. The second lease is from 1 February 2000 for additional 4,040 square metres. for a period of 25 years. A new land of 23,148 square metres is under a lease agreement of 25 years commencing on 19 July 2018 at a lease rental of BD 1/- per square meter. Factory construction has started on the lease land and expected to complete in mid of 2020.

**5 INVESTMENT SECURITIES**

Investment securities represents investments in local listed equities.

	<b>31 March 2020</b>	<b>31 March 2019</b>
Quoted equity securities – at FVTOCI	116,081	113,014
<b>At end of the year</b>	<b>116,081</b>	<b>113,014</b>

Movement on equity investment securities during the year as follows:

	<b>31 March 2020</b>	<b>31 March 2019</b>
At beginning of the year	113,014	101,112
Fair value changes	3,067	11,902
<b>At end of the year</b>	<b>116,081</b>	<b>113,014</b>

**6 CASH AND CASH EQUIVALENTS**

	<b>31 March 2020</b>	<b>31 March 2019</b>
Cash and bank balances	161,122	152,943
Bank overdrafts	(711,487)	(1,478,334)
	<b>(550,365)</b>	<b>(1,325,391)</b>

During the year, bank overdraft facilities had an average interest rate of 7.16% per annum (2019: 7.25% per annum). The facilities were unsecured and were used to finance the working capital requirements of the Group.

**7 TRADE RECEIVABLES**

	<b>31 March 2020</b>	<b>31 March 2019</b>
Trade receivables	6,430,261	5,913,470
Less: impairment allowances for receivables	(590,767)	(492,357)
	<b>5,839,494</b>	<b>5,421,113</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****for the year ended 31 March 2020**

Bahraini dinars

**7 TRADE RECEIVABLES (CONTINUED)**

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

	<b>2020</b>	<b>2019</b>
As at the beginning of the year under IAS 39	492,357	309,924
Impact of adopting IFRS 9 as at 1 April 2018	-	140,012
<b>Balance as at beginning of the year under IFRS 9</b>	<b>492,357</b>	<b>449,936</b>
Charge for the year	127,267	98,671
Written back during the year	(28,857)	(56,250)
<b>At end of the year</b>	<b>590,767</b>	<b>492,357</b>

**8 PREPAYMENTS AND OTHER RECEIVABLES**

	<b>31 March 2020</b>	<b>31 March 2019</b>
Advance to employees	18,972	28,804
Advance to suppliers	42,898	60,510
Prepayments and other receivables	297,061	400,004
	<b>358,931</b>	<b>489,318</b>

**9 INVENTORIES**

	<b>31 March 2020</b>	<b>31 March 2019</b>
Raw materials	2,418,634	2,402,768
Work-in-progress	49,409	21,844
Finished goods	354,536	389,245
Spare parts, consumables and other items	557,645	537,283
Goods in transit	3,225	1,414
Less: impairment allowances for inventories	(13,849)	(27,618)
	<b>3,369,600</b>	<b>3,324,936</b>

Movement on impairment allowance is as follows:

	<b>2020</b>	<b>2019</b>
At beginning of the year	27,618	23,249
(Reversal)/ charge for the year	(13,769)	4,369
<b>At end of the years</b>	<b>13,849</b>	<b>27,618</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 March 2020**

Bahraini dinars

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

30,000,000 (2019: 30,000,000) shares of 100 fils each

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

19,632,250 (2019: 19,632,250) shares of 100 fils each

<b>31 March 2020</b>	<b>31 March 2019</b>
<b>3,000,000</b>	3,000,000
<b>1,963,225</b>	1,963,225

Major shareholders as at 31 March are as follows:

<b>Name of the shareholder</b>	<b>Nationality</b>	<b>31 March 2020</b>		<b>31 March 2019</b>	
		<b>No. of Shares</b>	<b>% of total share capital</b>	<b>No. of shares</b>	<b>% of total share capital</b>
• Al Maskati Investment S.P.C	Bahraini	3,636,275	18.52	3,636,275	18.52
• BANZ Gruoup B.S.C ©	Bahraini	3,998,810	20.37	3,119,206	15.89
• Mohamed Ali Zainal Abdulla – (MAZA)	Bahraini	2,454,757	12.50	2,454,757	12.50
• Buhindi Group	Bahraini	2,364,756	12.05	2,364,756	12.05
• Khalid Hassan Abdulla Buhindi	Bahraini	1,970,629	10.04	1,970,629	10.04
• Husain Mahdi Maskati & Sons	Bahraini	1,846,049	9.40	1,746,049	8.89
• Waleed Hassan Abdulla Buhindi	Bahraini	1,260,629	6.42	1,510,629	7.69
• Others	Various	2,100,345	10.70	2,829,949	14.42
<b>Total</b>		<b>19,632,250</b>	<b>100</b>	19,632,250	100

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**10 SHARE CAPITAL (CONTINUED)**

Distribution of shareholding as at 31 March is as follows:

Categories	2020			2019		
	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 %	1,368,053	3	6.97	2,097,657	5	10.68
• Up to 5 % less than 10 %	3,106,678	2	15.82	3,256,678	2	16.59
• Up to 10 % less than 20 %	10,426,417	4	53.11	13,545,623	5	69.00
• Up to 20 % less than 50 %	3,998,810	1	20.37			
<b>Total</b>	<b>19,632,250</b>	<b>20</b>	<b>100</b>	<b>19,632,250</b>	<b>22</b>	<b>100</b>

Total number of shares owned by directors of the Company as at 31 March 2020 is 2,244,240 shares (2019: 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 22.

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.

**Term Loan**

At beginning of the year  
Loans availed during the year  
Loans repaid during the year

**At end of the year**

2020	2019
799,988	744,917
-	455,183
(261,416)	(400,112)
<b>538,572</b>	<b>799,988</b>

Non-current portion – more than one year  
Current portion – less than one year

2020	2019
373,032	634,448
165,540	165,540
<b>538,572</b>	<b>799,988</b>

The effective interest rate on term loans is 5.85% to 8.375% (2019: 6.58 % to 8.625%).

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**11 BANK BORROWINGS (CONTINUED)**

The movement of post shipment loan is as follows:

	<b>2020</b>	<b>2019</b>
At beginning of the year	2,999,496	2,015,533
Loans obtained during the year	8,245,816	10,225,343
Loans repaid during the year	(8,124,818)	(9,241,380)
<b>At end of the year</b>	<b>3,120,494</b>	<b>2,999,496</b>

The effective interest rate on clean import loan is from 5.85% to 9% (2019: 6.25% to 9.0%).

Bank facilities amount of BD 3,467,794 (2019: BD3,467,794) of the subsidiary (Jordan Bahrain Paper Industries Private Limited) are covered under corporate guarantee from the Company.

**12 PROVISION FOR EMPLOYEES' LEAVING INDEMNITIES**

	<b>2020</b>	<b>2019</b>
At beginning of the year	238,534	236,549
Charge for the year	23,896	35,517
Indemnities paid in the year	(39,477)	(33,532)
<b>At end of the year</b>	<b>222,953</b>	<b>238,534</b>

**13 REVENUE**

	<b>2020</b>	<b>2019</b>
Domestic sales		
- in Bahrain	6,414,626	6,358,182
- in Jordan	5,891,518	4,891,590
Export sales		
- from Bahrain	1,787,829	1,763,372
- from Jordan	324,469	502,347
	<b>14,418,442</b>	<b>13,515,491</b>

**14 COST OF SALES**

	<b>2020</b>	<b>2019</b>
Raw materials	8,004,065	8,572,273
Salaries and related expenses	1,112,058	1,107,970
Depreciation	763,925	602,559
Electricity, water and power	674,836	635,590
Stores and spares	328,535	300,794
Other expenses	106,444	256,432
	<b>10,989,863</b>	<b>11,475,618</b>

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**15 OTHER INCOME**

	<b>2020</b>	<b>2019</b>
Subsidy from Tamkeen	33,590	47,494
Government subsidy – support for salaries of Bahraini	19,305	-
Dividend income	7,219	7,810
Others	17,950	9,607
	<b>78,064</b>	<b>64,911</b>

**16 SELLING AND DISTRIBUTION EXPENSES**

	<b>2020</b>	<b>2019</b>
Freight	491,215	438,413
Staff costs	221,826	206,441
Pallets	99,978	89,133
Export duty and other fees	40,059	37,761
Sales promotion	18,590	32,145
Transportation and fuel expenses	10,048	26,929
Depreciation	6,551	8,101
Sale incentive	850	750
Others	45,974	28,874
	<b>935,091</b>	<b>868,547</b>

**17 ADMINISTRATIVE EXPENSES**

	<b>2020</b>	<b>2019</b>
Staff costs	453,705	393,773
Board remuneration	77,500	7,000
Transportation and vehicles expenses	35,494	30,430
Legal and professional charges	32,027	24,176
Depreciation	31,019	31,944
Government fees and taxes	18,114	17,710
Foreign exchange rate loss	15,791	10,466
Telephone and communication	13,900	14,627
Factory and management medical insurance	13,824	15,933
Travel expenses	11,543	10,728
Printing and stationary	8,193	6,377
Directors sitting fees	6,900	6,150
Other expenses	114,766	106,541
	<b>832,776</b>	<b>675,855</b>

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**17 ADMINISTRATIVE EXPENSES (CONTINUED)**

**STAFF COST**

	<b>2020</b>	<b>2019</b>
Salaries and wages	1,554,781	1,384,036
Annual leave and air tickets	97,416	83,839
Short-term benefits	57,913	55,470
Employee end of services benefits	23,896	35,517
Bonus provision	26,966	74,976
Other staff cost	26,617	74,346
	<b>1,787,589</b>	<b>1,708,184</b>

Staff cost is allocated between each type of expense as follow:

	<b>2020</b>	<b>2019</b>
Cost of sales	1,112,058	1,107,970
Selling and distribution expenses	221,826	206,441
Administrative expenses	453,705	393,773
	<b>1,787,589</b>	<b>1,708,184</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 2020</b>	<b>31 March 2019</b>
<b>a) Due from related parties (shareholders)</b>	<b>118,608</b>	75,814
<b>b) Due to related parties (shareholders)</b>	<b>7,571</b>	9,116

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

**c) Related party transactions**

	<b>2020</b>	<b>2019</b>
Sales to related parties (shareholders)	<b>216,916</b>	317,270
Purchases from related parties (shareholders)	<b>313,743</b>	30,738

Certain transactions were approved by the Board of Directors under Article 189(b) of the Commercial Companies Law in the financial year ended 31 March 2020 where the chairman, directors or managers had a direct or indirect interest in the contracts or transactions which have been approved by the board.



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**18 RELATED PARTY TRANSACTIONS (CONTINUED)****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.

Transactions with key management personnel are as follows:

	<b>2020</b>	<b>2019</b>
Salaries and other short term benefits	213,349	177,677
Board remuneration including sitting fees paid	13,900	54,650
Board remuneration accrued	77,500	7,000
	<b>304,749</b>	<b>239,327</b>

**19 COMMITMENTS AND CONTINGENT LIABILITIES**

	<b>31 March 2020</b>	<b>31 March 2019</b>
Acceptances and guarantees	67,161	143,074
Capital commitments	-	54,690
	<b>67,161</b>	<b>197,764</b>

The Company has issued undated cheques for BD 435,346 to Labour Fund EDSA as guarantee for fulfilment of the terms of the contract of capital assistance.

**20 LEASES**

Lease liabilities relate to the right-of-use of leased property. The maturity analysis of its contractual undiscounted cash flows are as follows:

	<b>31 March 2020</b>
Less than one year	152,691
1 to 3 years	242,082
3 to 5 years	129,483
More than 5 years	763,535
<b>Total undiscounted lease liabilities</b>	<b>1,287,791</b>
Lease liabilities included in the statement of financial position:	
Current portion of lease liabilities	107,729
Non-current portion of lease liabilities	547,168
<b>Total lease liabilities in the statement of financial position</b>	<b>654,897</b>

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**21 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:

	2020	2019
Profit attributable to shareholders of the parent	1,282,782	164,478
Weighted average number of shares outstanding during the year	19,632,250	19,632,250
Basic earnings per share (in fils)	<b>65.34</b>	<b>8.38</b>

The Company does not have any potentially dilutive shares.

**22 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 to 120 days and largely comprises amounts receivable from business customers.

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**22 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 2020</b>	<b>31 March 2019</b>
Cash and bank balances	161,122	152,943
Trade receivables	5,839,494	5,421,113
Due from related parties	118,608	75,814
Advance to employees	18,972	28,804
	<b>6,138,196</b>	<b>5,678,674</b>

*(iii) Customers' accounts*

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

	<b>2020</b>	<b>2019</b>
Bahrain	2,415,253	2,142,150
Other middle east markets	3,424,241	3,278,963
	<b>5,839,494</b>	<b>5,421,113</b>

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

**31 March 2020**

	<b>Gross</b>	<b>Impairment</b>	<b>Total carrying amount</b>
Below 90 days	4,394,724	(45,214)	4,349,510
91 to 180 days	1,208,357	(50,259)	1,158,098
181 to 360 days	346,367	(136,868)	209,499
Above 360 days	480,814	(358,427)	122,387
	<b>6,430,262</b>	<b>(590,768)</b>	<b>5,839,494</b>

**31 March 2019**

	<b>Gross</b>	<b>Impairment</b>	<b>Total carrying amount</b>
Below 90 days	4,205,763	(40,127)	4,165,636
91 to 180 days	1,026,373	(42,874)	983,499
181 to 360 days	241,496	(67,857)	173,639
Above 360 days	439,838	(341,499)	98,339
	<b>5,913,470</b>	<b>(492,357)</b>	<b>5,421,113</b>

*(iv) Impairment allowance*

Movement on the provision is disclosed in note 7.

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**22 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)****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 2020</b>	<b>Carrying amount</b>	<b>Contractual undiscounted cash flows</b>	<b>6 months or less</b>	<b>6 - 12 months</b>	<b>1 – 5 Years</b>
Bank borrowings	538,572	587,561	103,445	94,219	389,897
Post shipment bank Loan	3,120,494	3,243,882	3,243,882	-	-
Bank overdraft	711,487	740,435	740,435	-	-
Due to related parties	7,571	7,571	7,571	-	-
Trade payables	1,823,248	1,823,248	1,823,248	-	-
Current portion of lease liabilities	107,729	152,691	76,345	76,346	-
Non-current portion of lease liabilities	547,168	1,135,100	-	-	1,135,100
	<b>6,856,269</b>	<b>7,690,488</b>	<b>5,994,926</b>	<b>170,565</b>	<b>1,524,997</b>

<b>Non-derivative financial liabilities at 31 March 2019</b>	<b>Carrying amount</b>	<b>Contractual undiscounted cash flows</b>	<b>6 months or less</b>	<b>6 - 12 months</b>	<b>1 – 5 Years</b>
Bank borrowings	799,988	900,659	215,037	100,245	585,377
Post shipment bank loan	2,999,496	3,436,805	3,436,805	-	-
Bank overdraft	1,478,334	1,532,195	1,532,195	-	-
Due to related parties	9,116	9,116	9,116	-	-
Trade payables	1,692,621	1,692,621	1,692,621	-	-
	<b>6,979,555</b>	<b>7,571,396</b>	<b>6,885,774</b>	<b>100,245</b>	<b>585,377</b>

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

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**22 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)****c) 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 2020 was 6.81% p.a. (2019: 7.45% p.a.)

	<b>31 March 2020</b>	<b>31 March 2019</b>
Bank borrowings	538,572	799,988
Post shipment bank loan	3,120,494	2,999,496
Bank overdrafts	711,487	1,478,334
Current portion of lease liabilities	107,729	-
Non-current portion of lease liabilities	547,168	-
	<b>5,025,450</b>	<b>5,277,818</b>

**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 4,371 (2019: BD 5,278). 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.

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**22 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)****d) 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 2020****Financial assets**

Trade receivables  
Cash and bank balances  
Due from related parties  
Investment securities  
Advance to employees

At amortised cost	At FVTOCI	Total carrying Amount
5,839,494	-	5,839,494
161,122	-	161,122
118,608	-	118,608
-	116,081	116,081
18,972	-	18,972
<b>6,138,196</b>	<b>116,081</b>	<b>6,254,277</b>

**Financial liabilities**

Bank borrowings  
Post shipment bank loan  
Bank overdrafts  
Due to related parties  
Trade payables

538,572	-	538,572
3,120,494	-	3,120,494
711,487	-	711,487
7,571	-	7,571
1,823,248	-	1,823,248
<b>6,201,372</b>	<b>-</b>	<b>6,201,372</b>

**31 March 2019****Financial assets**

Trade receivables  
Cash and bank balances  
Due from related parties  
Investment securities  
Advance to employees

At amortised cost	At FVTOCI	Total carrying Amount
5,421,113	-	5,421,113
152,943	-	152,943
75,814	-	75,814
-	113,014	113,014
28,804	-	28,804
<b>5,678,674</b>	<b>113,014</b>	<b>5,791,688</b>

**Financial liabilities**

Bank borrowings  
Post shipment bank loan  
Bank overdrafts  
Due to related parties  
Trade payables

799,988	-	799,988
2,999,496	-	2,999,496
1,478,334	-	1,478,334
9,116	-	9,116
1,692,621	-	1,692,621
<b>6,979,555</b>	<b>-</b>	<b>6,979,555</b>

**e) 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.

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**22 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

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.

<b>31 March 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity investment securities	<b>116,081</b>			<b>116,081</b>
<b>31 March 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity investment securities	113,014	-	-	113,014

There were no transfers between the levels during the year.

All financial assets and liabilities are measured at amortized cost except of investment securities and the fair values are a reasonable approximation of its carrying value.

**f) 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.

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**23 PROPOSED APPROPRIATIONS AND RESERVES**

The Board of Directors propose a cash dividend of 20% (2019: 10%) of the paid-up capital and other appropriations as follows:

	2020	2019
Cash dividend	392,645	196,323
Directors remuneration	77,500	7,000
Charity contributions	8,000	-
	<b>478,145</b>	<b>203,323</b>

The Board of Directors proposed to increase the capital from BD 1,963,225 to BD 2,100,000 by issue of bonus shares of BD 136,775 to the existing shareholders as at 31 March 2020.

**24 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.

**25 COVID-19**

During Q1 2020, the outbreak of the Coronavirus (COVID-19) rapidly evolved across the region and globally. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures. These measures and policies have significantly disrupted the activities of many entities, including the Group. Also anticipated indirect and knock on effects are yet to be determined fully. To counter these impacts, many governments are announcing various form of financial packages to assist corporates and individuals in these challenging times. As the outbreak continues to evolve, it is challenging at this juncture, to predict the full extent and duration of its business and economic impact. The Board of Directors continues to monitor the situation and its impact on the Group's operation and financial position. As at the reporting date, the Board and management has assessed that the Group will continue to operate as a going concern for the next 12 months from the date of these consolidated financial statements.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2020

Bahraini dinars

### 26 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 2020 is as follows:

	Year ended 31 March 2020			
	Bahrain	Jordan	Bahrain Duplex	Inter - segment elimination
<b>Segment revenue &amp; profit</b>				
Revenue (external customers)	8,202,456	6,215,986	-	-
Other income	67,054	11,010	-	-
Depreciation and amortisation	443,811	357,684	-	-
Interest expense	35,656	321,928	-	-
Profit / (loss)	827,756	455,626	(600)	-
				<b>1,282,782</b>
				<b>14,418,442</b>
				<b>78,064</b>
				<b>801,495</b>
				<b>357,584</b>
				<b>1,282,782</b>

	Year ended 31 March 2019			
	Bahrain	Jordan	Bahrain Duplex	Inter -segment elimination
	8,121,554	5,393,937	-	-
	64,599	312	-	-
	296,847	345,757	-	-
	89,123	264,360	-	-
	606,254	(441,001)	(775)	-
				<b>13,515,491</b>
				<b>64,911</b>
				<b>642,604</b>
				<b>353,483</b>
				<b>164,478</b>

	Year ended 31 March 2020			
	Bahrain	Jordan	Bahrain Duplex	Inter - segment elimination
<b>Segment assets &amp; liabilities</b>				
Non-current assets	7,223,674	2,854,921	-	(3,373,874)
Current assets	5,131,599	4,714,588	84,332	(82,764)
<b>Total assets</b>	<b>12,355,273</b>	<b>7,569,509</b>	<b>84,332</b>	<b>(3,456,638)</b>
Current liabilities	2,641,739	4,353,848	500	(82,763)
Non-current liabilities	1,136,486	619,435	-	(612,768)
<b>Total liabilities</b>	<b>3,778,225</b>	<b>4,973,283</b>	<b>500</b>	<b>(695,531)</b>
				<b>8,056,477</b>
				<b>6,704,721</b>
				<b>9,847,755</b>
				<b>16,552,476</b>

	Year ended 31 March 2019			
	Bahrain	Jordan	Bahrain Duplex	Inter -segment elimination
	6,465,140	2,925,697	-	(3,356,097)
	5,132,356	4,329,699	84,432	(82,363)
	11,597,496	7,255,396	84,432	(3,438,460)
	2,881,638	4,404,633	-	(82,363)
	765,310	702,662	-	(594,990)
	3,646,948	5,107,295	-	(677,353)
				<b>6,034,740</b>
				<b>9,464,124</b>
				<b>15,498,864</b>
				<b>7,203,908</b>
				<b>872,982</b>
				<b>8,076,890</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 March 2020**

Bahraini dinars

**27 RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES**

	Liabilities						Equity					
	Bank borrowings	Employees' leaving indemnity provision	Bank overdrafts	Clean import loan	Trade payables and other payables	Due to related parties	Share capital	Share premiums	Statutory reserve	Other Reserve	Retained earnings	Total
Balance at 1 April 2019	799,988	238,534	1,478,334	2,999,496	2,551,422	9,116	1,963,225	453,750	1,077,635	654,257	3,273,107	15,498,864
Repayment of bank borrowings	(261,416)	-	-	-	-	-	-	-	-	-	-	(261,416)
Proceeds from bank borrowings	-	-	-	-	-	-	-	-	-	-	-	-
Repayments of post shipment bank loan	-	-	-	(8,124,818)	-	-	-	-	-	-	-	(8,124,818)
Proceeds from post shipment bank loan	-	-	-	8,245,816	(357,583)	-	-	-	-	-	-	8,245,816
Finance charges paid	-	-	-	-	-	-	-	-	-	-	(196,323)	(357,583)
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(196,323)
Charity paid	-	-	-	-	-	-	-	-	-	(8,000)	-	(8,000)
Net cash generated from / (used in) financing activities	(261,416)	-	-	120,998	(357,583)	-	-	-	-	(8,000)	(196,323)	(702,324)
Liability-related other changes	-	(15,581)	(766,847)	-	1,261,561	(1,545)	-	-	24,268	-	-	501,856
Equity-related other changes	-	-	-	-	-	-	-	-	-	(4,434)	1,258,514	1,254,080
Balance at 31 March 2020	538,572	222,953	711,487	3,120,494	3,455,400	7,571	1,963,225	453,750	1,101,903	641,823	4,335,298	16,552,476

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

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

<b>ASSETS</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
<b>Non-current assets</b>		
Property, plant and equipment	3,733,719	2,702,380
Deferred leasehold cost	-	293,649
Investment in subsidiary, at cost	2,761,107	2,761,107
Investment securities	116,081	113,014
Dues from related party (loan to subsidiary)	612,767	594,990
<b>Total non-current assets</b>	<b>7,223,674</b>	<b>6,465,140</b>
<b>Current assets</b>		
Cash and bank balances	9,226	3,670
Trade receivables	2,970,944	2,926,982
Due from related parties	118,607	75,814
Prepayments and other receivables	126,142	163,085
Vat Receivable	125	
Inventories	1,906,553	1,962,805
<b>Total current assets</b>	<b>5,131,597</b>	<b>5,132,356</b>
<b>Total assets</b>	<b>12,355,271</b>	<b>11,597,496</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	981,613
Fair value reserve	(58,433)	(61,500)
Charity reserve	-	8,000
General reserve	700,000	700,000
Retained earnings	4,536,893	3,905,460
<b>Total equity</b>	<b>8,577,048</b>	<b>7,950,548</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Non-current portion of bank loans	366,364	526,776
Non-current portion of lease liabilities	547,168	
Provision for employees' leaving indemnities	222,953	238,534
<b>Total non-current liabilities</b>	<b>1,136,485</b>	<b>765,310</b>

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

**Summarised financial statements of the Parent Company, United Paper Industries BSC (c)***STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020 (continued)*

	<b>31 March 2020</b>	<b>31 March 2019</b>
<b>Current liabilities</b>		
Bank overdrafts	69,779	660,540
Post shipment bank loan	301,076	394,176
Current portion of bank borrowings	165,540	165,540
Trade payables	1,095,822	952,714
Due to related parties	7,571	9,116
Due to subsidiary	82,763	82,363
Current portion of lease liabilities	107,729	-
Accrued expenses	811,458	581,553
Vat payable	-	35,636
<b>Total current liabilities</b>	<b>2,641,738</b>	<b>2,881,638</b>
<b>Total liabilities</b>	<b>3,778,223</b>	<b>3,646,948</b>
<b>Total equity and liabilities</b>	<b>12,355,271</b>	<b>11,597,496</b>

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

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

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019
<b>REVENUE</b>	8,202,456	8,121,554
Cost of sales	(6,323,428)	(6,675,664)
<b>Gross profit</b>	<b>1,879,028</b>	1,445,890
Other income	67,054	64,599
Selling and distribution expenses	(515,003)	(383,139)
Administrative expenses	(567,668)	(431,973)
Financing costs	(35,655)	(89,123)
<b>Profit for the year</b>	<b>827,756</b>	606,254
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Equity investment at FVTOCI – net change in fair value	3,068	11,902
<b>Total other comprehensive income</b>	<b>3,068</b>	11,902
<b>Total comprehensive income for the year</b>	<b>830,824</b>	618,156

*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 2020**

	<b>2020</b>	<b>2019</b>
<b>OPERATING ACTIVITIES</b>		
Receipts from customers	8,097,924	8,269,882
Payments to suppliers	(4,607,515)	(5,495,311)
Operating expenses	(2,029,260)	(1,965,231)
Directors' remuneration paid	(13,900)	(54,650)
Other receipts	59,835	56,789
<b>Net cash from operating activities</b>	<b>1,507,084</b>	<b>811,479</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(424,495)	(543,611)
Dividend received	7,219	7,810
<b>Net cash used in investing activities</b>	<b>(417,276)</b>	<b>(535,801)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of bank borrowings	(160,412)	(254,504)
Proceeds from bank borrowings	-	455,184
Repayment of post shipment bank loan	(906,773)	(3,385,191)
Proceeds from post shipment bank loan	813,672	3,068,458
Finance charges paid	(35,655)	(89,123)
Dividend paid	(196,323)	(490,806)
Charity paid	(8,000)	-
<b>Net cash used in financing activities</b>	<b>(493,491)</b>	<b>(695,982)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>596,317</b>	<b>(420,304)</b>
Cash and cash equivalents at the beginning of the year	(656,870)	(236,566)
<b>Cash and cash equivalents at the end of the year</b>	<b>(60,553)</b>	<b>(656,870)</b>

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