

**Mezzan Holding Company K.S.C.P and subsidiaries
State of Kuwait**

**Independent auditor's review report and condensed
consolidated interim financial information
for the six months ended 30 June 2019**

**Mezzan Holding Company K.S.C.P. (Closed) and subsidiaries
State of Kuwait**

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Independent auditor's report on review of condensed consolidated interim financial information

The Board of Directors
Mezzan Holding Company K.S.C.P.
State of Kuwait

Introduction

We have reviewed the accompanying 30 June 2019 condensed consolidated interim financial information of Mezzan Holding Company K.S.C.P. ("the Company") and its subsidiaries (together referred to as "the Group"), which comprises the condensed consolidated statement of financial position as at 30 June 2019, the condensed consolidated statements of profit or loss and comprehensive income for the three and six month periods ended 30 June 2019, the condensed consolidated statements of changes in equity and cash flows for the six month period then ended, and notes to the condensed consolidated interim financial information. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2019 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Other matters

The consolidated financial statements of the Group for the year ended 31 December 2018 and the condensed consolidated interim financial information for the six month period ended 30 June 2018 were audited and reviewed, respectively, by another auditor who expressed an unmodified opinion and conclusion on those statements on 24 March 2019 and 9 August 2018, respectively.

Report on review of other legal and regulatory requirements

Furthermore, based on our review, the condensed consolidated interim financial information is in agreement with the books of account of the Company. We further report that, nothing has come to our attention that causes us to believe that there were any violations of the provisions of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations, or of the Company's Memorandum and Articles of Association, as amended, during the six month period ended 30 June 2019 that might have had material effect on the business of the Group or on its consolidated financial position.



Safi A. Al-Mutawa
License No 138 "A"
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

Kuwait: 6 August 2019

Mezzan Holding Company K.S.C.P. and subsidiaries
State of Kuwait

Condensed consolidated statement of financial position
as at 30 June 2019

		30 June 2019 KD	31 December 2018 KD (Audited)	30 June 2018 KD
Assets	Notes			
Property, plant and equipment		79,503,150	80,209,212	81,333,670
Right of use assets	4	1,928,196	-	-
Intangible assets		13,527,687	13,528,571	13,574,043
Investment in associates		1,162,385	1,241,225	1,208,791
Investment properties	5	4,042,242	4,095,856	4,140,661
Biological assets		701,625	585,810	619,689
Investments at fair value through other comprehensive income	16	<u>1,891,522</u>	<u>1,692,239</u>	<u>1,733,785</u>
Non-current assets		<u>102,756,807</u>	<u>101,352,913</u>	<u>102,610,639</u>
Inventories	6	35,509,152	40,971,215	33,655,267
Trade and other receivables	7	73,827,183	58,897,761	69,205,745
Cash and cash equivalents	9	<u>10,557,976</u>	<u>16,677,660</u>	<u>14,754,804</u>
Current assets		<u>119,894,311</u>	<u>116,546,636</u>	<u>117,615,816</u>
Total assets		<u>222,651,118</u>	<u>217,899,549</u>	<u>220,226,455</u>
Equity				
Share capital		31,132,500	31,132,500	31,132,500
Treasury shares	10	(4,563,800)	(4,463,160)	(2,035,325)
Statutory reserve		16,601,335	16,601,335	16,601,335
Voluntary reserve		16,601,335	16,601,335	16,601,335
Fair value reserve		1,078,307	975,219	46,403
Foreign currency translation reserve		(433,009)	(468,207)	(465,033)
Other reserve		(1,210,669)	(1,210,669)	-
Retained earnings		<u>49,330,651</u>	<u>46,891,407</u>	<u>47,004,259</u>
Equity attributable to shareholders of the Company		<u>108,536,650</u>	<u>106,059,760</u>	<u>108,885,474</u>
Non-controlling interests		<u>4,161,399</u>	<u>4,489,938</u>	<u>4,788,290</u>
Total equity		<u>112,698,049</u>	<u>110,549,698</u>	<u>113,673,764</u>
Liabilities				
Loans and borrowings	11	1,822,050	2,552,760	3,276,855
Lease liabilities	4	1,205,118	-	-
Employee's end of service indemnity		<u>6,002,643</u>	<u>5,845,501</u>	<u>4,560,007</u>
Non-current liabilities		<u>9,029,811</u>	<u>8,398,261</u>	<u>7,836,862</u>
Loans and borrowings	11	52,327,640	50,702,971	49,019,982
Bank overdrafts	9	9,503,968	8,906,974	8,362,208
Lease liabilities	4	705,654	-	-
Trade and other payables	12	<u>38,385,996</u>	<u>39,341,645</u>	<u>41,333,639</u>
Current liabilities		<u>100,923,258</u>	<u>98,951,590</u>	<u>98,715,829</u>
Total liabilities		<u>109,953,069</u>	<u>107,349,851</u>	<u>106,552,691</u>
Total equity and liabilities		<u>222,651,118</u>	<u>217,899,549</u>	<u>220,226,455</u>

The accompanying notes form an integral part of the condensed consolidated interim financial information.

Mohammed Jassim Al Wazzan
Vice Chairman

Garrett Walsh
Chief Executive Officer

Mezzan Holding Company K.S.C.P. and subsidiaries
State of Kuwait

Condensed consolidated statement of profit or loss
for the three and six month periods ended 30 June 2019

	Notes	Three month period ended		Six month period ended	
		30 June		30 June	
		2019	2018	2019	2018
		KD	KD	KD	KD
Revenues		52,389,143	50,605,104	115,035,383	109,436,596
Cost of revenue		(40,594,887)	(39,303,770)	(88,748,726)	(84,767,452)
Gross profit		11,794,256	11,301,334	26,286,657	24,669,144
Selling and distribution expenses		(4,493,197)	(4,436,480)	(9,292,748)	(8,338,679)
General and administrative expenses		(4,556,745)	(4,431,332)	(8,414,395)	(8,432,736)
Other income	13	363,205	168,448	594,958	495,842
Results from operating activities		3,107,519	2,601,970	9,174,472	8,393,571
Finance costs		(778,685)	(693,673)	(1,606,749)	(1,292,922)
Share of results of associates		(25,820)	-	(5,820)	84,484
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”), National Labour Support Tax (“NLST”), Zakat and board of directors’ remuneration		2,303,014	1,908,297	7,561,903	7,185,133
KFAS		(23,779)	(17,617)	(76,887)	(64,835)
NLST		(67,450)	(50,100)	(187,835)	(184,010)
Zakat		(26,328)	(19,225)	(74,482)	(72,788)
Board of directors’ remuneration	8	(18,750)	(25,000)	(37,500)	(50,000)
Profit for the period		2,166,707	1,796,355	7,185,199	6,813,500
Profit attributable to:					
Shareholders of the Company		2,241,566	1,845,480	7,311,964	6,832,264
Non-controlling interests		(74,859)	(49,125)	(126,765)	(18,764)
		2,166,707	1,796,355	7,185,199	6,813,500
Earnings per share (basic and diluted) (fils)	14	7.36	5.97	24.01	22.02

The accompanying notes form an integral part of the condensed consolidated interim financial information.

Mezzan Holding Company K.S.C.P. and subsidiaries
State of Kuwait

Condensed consolidated statement of comprehensive income
for the three and six month periods ended 30 June 2019

	Three month period ended		Six month period ended	
	30 June		30 June	
	2019	2018	2019	2018
	KD	KD	KD	KD
Profit for the period	2,166,707	1,796,355	7,185,199	6,813,500
<i>Other comprehensive (loss) / income</i>				
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences on foreign operations	(126,737)	379,248	8,064	201,713
Net investment hedge- net gain / (loss)	85,413	(214,472)	44,450	(106,022)
	<u>(41,324)</u>	<u>164,776</u>	<u>52,514</u>	<u>95,691</u>
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Change in fair value of investment at fair value through other comprehensive income	103,088	-	103,088	-
	<u>103,088</u>	<u>-</u>	<u>103,088</u>	<u>-</u>
<i>Other comprehensive income</i>	61,764	164,776	155,602	95,691
Total comprehensive income for the period	<u>2,228,471</u>	<u>1,961,131</u>	<u>7,340,801</u>	<u>6,909,191</u>
Total comprehensive income attributable to:				
Shareholders of the Company	2,307,111	1,990,831	7,450,250	6,922,198
Non-controlling interests	(78,640)	(29,700)	(109,449)	(13,007)
Total comprehensive income for the period	<u>2,228,471</u>	<u>1,961,131</u>	<u>7,340,801</u>	<u>6,909,191</u>

The accompanying notes form an integral part of the condensed consolidated interim financial information.

Mezzan Holding Company K.S.C.P. and subsidiaries
State of Kuwait

Condensed consolidated statement of changes in equity
for the six month period ended 30 June 2019

	Attributable to shareholders of the Company								Total KD	Non- controlling interests KD	Total equity KD
	Share capital KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Other reserve KD	Retained earnings KD			
Balance at 1 January 2018	31,132,500	(37,500)	16,601,335	16,601,335	46,403	(554,967)	-	46,296,483	110,085,589	5,000,029	115,085,618
Adjustment on initial application of IFRS 9	-	-	-	-	-	-	-	723,562	723,562	-	723,562
Adjusted balance at 1 January 2018	31,132,500	(37,500)	16,601,335	16,601,335	46,403	(554,967)	-	47,020,045	110,809,151	5,000,029	115,809,180
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	6,832,264	6,832,264	(18,764)	6,813,500
<i>Other comprehensive income</i>											
Foreign currency translation	-	-	-	-	-	89,934	-	-	89,934	5,757	95,691
Total comprehensive income for the period	-	-	-	-	-	89,934	-	6,832,264	6,922,198	(13,007)	6,909,191
Purchase of treasury shares	-	(1,997,825)	-	-	-	-	-	-	(1,997,825)	-	(1,997,825)
Dividend paid to the shareholders of the Company (Note 19)	-	-	-	-	-	-	-	(6,848,050)	(6,848,050)	-	(6,848,050)
Dividend paid to non- controlling interests	-	-	-	-	-	-	-	-	-	(198,732)	(198,732)
Balance at 30 June 2018	<u>31,132,500</u>	<u>(2,035,325)</u>	<u>16,601,335</u>	<u>16,601,335</u>	<u>46,403</u>	<u>(465,033)</u>	<u>-</u>	<u>47,004,259</u>	<u>108,885,474</u>	<u>4,788,290</u>	<u>113,673,764</u>

The accompanying notes form an integral part of the condensed consolidated interim financial information.

Mezzan Holding Company K.S.C.P. and subsidiaries
State of Kuwait

Condensed consolidated statement of changes in equity
for the six month period ended 30 June 2019

	Attributable to shareholders of the Company								Total KD	Non- controlling interests KD	Total equity KD
	Share capital KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Other reserve KD	Retained earnings KD			
Balance at 1 January 2019	31,132,500	(4,463,160)	16,601,335	16,601,335	975,219	(468,207)	(1,210,669)	46,891,407	106,059,760	4,489,938	110,549,698
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	7,311,964	7,311,964	(126,765)	7,185,199
<i>Other comprehensive income</i>											
Change in fair value of investments at fair value through other comprehensive income (Note 16)	-	-	-	-	103,088	-	-	-	103,088	-	103,088
Foreign currency translation	-	-	-	-	-	35,198	-	-	35,198	17,316	52,514
Total comprehensive income for the period	-	-	-	-	103,088	35,198	-	7,311,964	7,450,250	(109,449)	7,340,801
Purchase of treasury shares	-	(100,640)	-	-	-	-	-	-	(100,640)	-	(100,640)
Dividend paid to the shareholders of the Company (Note 19)	-	-	-	-	-	-	-	(4,872,720)	(4,872,720)	-	(4,872,720)
Dividend paid to non- controlling interests	-	-	-	-	-	-	-	-	-	(219,090)	(219,090)
Balance at 30 June 2019	<u>31,132,500</u>	<u>(4,563,800)</u>	<u>16,601,335</u>	<u>16,601,335</u>	<u>1,078,307</u>	<u>(433,009)</u>	<u>(1,210,669)</u>	<u>49,330,651</u>	<u>108,536,650</u>	<u>4,161,399</u>	<u>112,698,049</u>

The accompanying notes form an integral part of the condensed consolidated interim financial information.

**Mezzan Holding Company K.S.C.P and subsidiaries
State of Kuwait**

**Condensed consolidated statement of cash flows
for the six month period ended 30 June 2019**

	Notes	2019 KD	2018 KD
Cash flows from operating activities			
Profit for the period before contribution to KFAS, NLST, Zakat and board of directors' remuneration		7,561,903	7,185,133
<i>Adjustment for:</i>			
Depreciation		3,463,020	2,520,025
Amortisation of intangible assets		155,063	171,870
Share of results of associates		5,820	(84,484)
Provision for employees' end of service benefits		727,256	629,603
Provision for obsolete and slow moving inventories	6	27,361	15,817
(Reversal of) / provision of expected credit losses		(247,065)	181,605
Gain on disposal of property, plant and equipment	13	(37,781)	(18,350)
Gain on revaluation of biological assets		(41,660)	(29,891)
Gain / (loss) on disposal of biological assets		(10,680)	23,861
Write-off of biological assets		7,375	24,767
Finance costs		1,606,749	1,292,922
Dividend income	13	(65,250)	(81,563)
Foreign currency exchange gain	13	(141,871)	(11,971)
		<u>13,010,240</u>	<u>11,819,344</u>
<i>Changes in:</i>			
- inventories		5,434,849	3,842,486
- trade and other receivables		(14,667,722)	(9,442,312)
- changes in related parties balances- net		258,202	163,285
- trade and other payables		(1,459,499)	(341,434)
Employee end of service benefits paid		(571,045)	(529,903)
<i>Net cash from operating activities</i>		<u>2,005,025</u>	<u>5,511,466</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,512,769)	(6,581,364)
Proceeds from disposal of property, plant and equipment		240,481	96,298
Purchase of intangible assets		(90,154)	(150,143)
Purchase of investments at fair value through other comprehensive income	16	(96,195)	-
Proceeds from disposal of intangible assets		182	16,797
Purchase of biological assets		(108,420)	-
Proceeds from disposal of biological assets		37,570	74,272
Dividend received		138,270	81,563
<i>Net cash used in investing activities</i>		<u>(2,391,035)</u>	<u>(6,462,577)</u>
Cash flows from financing activities			
Proceeds from loans and borrowings		2,500,000	12,240,500
Repayment of loans and borrowings		(1,588,476)	(3,586,488)
Payment of lease liability	4	(528,246)	-
Purchase of treasury shares		(100,640)	(1,997,825)
Finance costs paid		(1,576,852)	(1,292,922)
Dividend paid to shareholders of the Company	19	(4,872,720)	(6,848,050)
Dividend paid to non-controlling interests		(219,090)	(198,732)
<i>Net cash used in financing activities</i>		<u>(6,386,024)</u>	<u>(1,683,517)</u>
Effect of foreign exchange differences		55,356	(143,166)
Net decrease in cash and cash equivalents		<u>(6,716,678)</u>	<u>(2,777,794)</u>
Cash and cash equivalents at the beginning of the period	9	<u>7,770,686</u>	<u>9,170,390</u>
Cash and cash equivalents at the end of the period	9	<u>1,054,008</u>	<u>6,392,596</u>

The accompanying notes form an integral part of the condensed consolidated interim financial information.

**Mezzan Holding Company K.S.C.P and subsidiaries
State of Kuwait**

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2019**

1. Reporting entity

Mezzan Holding Company K.S.C.P (“the Company”) is a shareholding company registered and incorporated as a holding company in Kuwait on 3 August 1999. The shares of the Company were listed on Kuwait Stock Exchange (“Boursa Kuwait”) on 11 June 2015.

The principal activities of the Company as per the articles of association are as follows:

- a) Holding shares of Kuwaiti or foreign stock companies as well as holding shares or units in limited liability companies whether Kuwaiti or foreign, or participating in establishing these companies, managing them and sponsoring them on behalf of others.
- b) Providing loans to companies in which the Company holds shares or sponsors. In such cases, it is necessary that the participation ratio of the Company in the share capital of the borrowing company not to be less than 20%.
- c) Owning intellectual property including patents, trademarks, industrial fees or any other related rights and leasing them to other companies to make use of them inside Kuwait and abroad.
- d) Holding movable or real estate assets necessary to carry out its activities within the limits allowed by law.

The Company is allowed to conduct the above-mentioned operations in the State of Kuwait or abroad by its own or as an agent on behalf of other parties. The Company may have an interest or in any way be associated with entities engaged on activities similar to its own or which may assist the Group companies in achieving its objectives in Kuwait or abroad, or may establish, participate in or acquire these entities or affiliate itself to it.

The registered office of the Company is Building no. 287, Block 1, Aradiya, Kuwait.

The condensed consolidated interim financial information as at and for the six month period ended 30 June 2019 comprise of the Company and its subsidiaries (together referred to as “the Group”).

This condensed consolidated interim financial information were authorised for issue by the Company’s board of directors on 6 August 2019.

2. Basis of accounting

These condensed consolidated interim financial information have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2018 (‘last annual consolidated financial statements’). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s consolidated financial position and performance since the last consolidated financial statements. Operating results for the six month period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the year ending 31 December 2019.

This is the first set of the Group’s financial information where IFRS 16 have been applied. Changes to significant accounting policies are described in Note 4.

3. Judgments and estimates

The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the last annual consolidated financial statements as at and for the year ended 31 December 2018, except for the new significant judgements and key sources of estimation uncertainty related to the application of IFRS 16 *Leases*, which are disclosed in Note 4.

4. Significant accounting policies

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018, except for the change in accounting policy detailed below which are arising from the adoption of IFRS 16 – Leases effective from 1 January 2019. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

Changes in significant accounting policies

IFRS 16 -Leases

IFRS 16 supersedes 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 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Lease liabilities and right of use of assets were both recorded at the present value of future lease payments, thus no impact was recorded on the opening retained earnings. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The Group has lease contracts for various items of warehouses, distribution centers, storage facilities, and offices and other facilities, including fleet. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease

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**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2019**

at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under trade and other receivables and trade and other payables, respectively. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

In measuring the present value of the lease liability under IFRS 16, the standard requires that the lessee's incremental borrowing rate be used as discount factor if the rate implicit in the lease cannot be readily determined. In establishing the Group's lease liabilities, the incremental borrowing rates used as discount factors in discounting payments are established based on a consistent approach reflecting the Group's borrowing rate i.e. 4% per annum, the currency of the obligation and the duration of the lease term.

The effect of adoption of IFRS 16 as at 1 January 2019 is as follows:

	KD
Assets	
Right of use assets	2,412,288
Non-current assets	<u>2,412,288</u>
Liabilities	
Lease liabilities	1,449,359
Non-current liabilities	<u>1,449,359</u>
Lease liabilities	962,929
Current liabilities	<u>962,929</u>
Total liabilities	<u>2,412,288</u>

Accounting policy of IFRS 16- Leases

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2019**

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office equipment, shops etc. (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below \$ 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period ended 30 June 2019:

	Right of use assets				Lease liabilities
	Land KD	Building KD	Vehicle/ others KD	Total KD	KD
As at 1 January 2019	580,344	1,416,612	415,332	2,412,288	2,412,288
Depreciation expense	(87,553)	(324,048)	(69,324)	(480,925)	
Interest expense	-	-	-	-	29,897
Payments of lease liability	-	-	-	-	(528,246)
Net foreign currency differences	(650)	(2,346)	(171)	(3,167)	(3,167)
As at 30 June 2019	<u>492,141</u>	<u>1,090,218</u>	<u>345,837</u>	<u>1,928,196</u>	<u>1,910,772</u>

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5. Investment properties

	30 June 2019 KD	31 December 2018 KD (Audited)	30 June 2018 KD
Balance at 1 January	4,095,856	4,176,695	4,176,695
Depreciation	(50,669)	(101,687)	(50,219)
Net foreign exchange differences	(2,945)	20,848	14,185
	<u>4,042,242</u>	<u>4,095,856</u>	<u>4,140,661</u>

As at 31 December 2018, the valuation of investment properties were conducted by independent valuers with a recognized and relevant professional qualification and recent experience of the location and category of investment properties being valued. Market comparable approach were used to determine the fair value of investment properties and was estimated KD 7,742,164.

As at 30 June 2019, the management does not anticipate any significant change in fair value of investment properties. The fair value of investment properties is categorised as Level 3 under fair value hierarchy.

Investment properties include land of KD 1,618,588 (31 December 2018: KD 1,619,787 and 30 June 2018: KD 1,617,189) that has an indefinite economic life and is therefore not depreciated.

Management has estimated the economic useful life of the buildings to be 5-30 years.

6. Inventories

	30 June 2019 KD	31 December 2018 KD (Audited)	30 June 2018 KD
Goods for resale	22,320,459	28,357,400	20,691,672
Raw materials and consumables	10,378,594	9,709,988	9,846,690
Finished goods and work in progress	1,966,954	2,034,215	1,653,582
Goods in transit	1,658,768	1,754,750	2,348,083
	<u>36,324,775</u>	<u>41,856,353</u>	<u>34,540,027</u>
Provision for obsolete and slow moving inventories	(815,623)	(885,138)	(884,760)
	<u>35,509,152</u>	<u>40,971,215</u>	<u>33,655,267</u>

The net provision for obsolete and slow moving inventories of KD 27,361 (30 June 2018: KD 15,817) is included in cost of revenue in the consolidated statements of profit or loss.

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7. Trade and other receivables

	30 June 2019 KD	31 December 2018 KD (Audited)	30 June 2018 KD
Trade receivables	58,152,086	47,510,505	50,298,843
Provision for expected credit losses	<u>(5,113,084)</u>	<u>(5,379,015)</u>	<u>(4,573,545)</u>
	53,039,002	42,131,490	45,725,298
Advances to suppliers	13,587,054	11,366,086	17,456,376
Prepaid expenses	2,265,823	1,528,200	1,990,099
Refundable deposits	776,789	837,394	751,577
Due from related parties (Note 8)	45,339	34,524	35,820
Other receivables	<u>4,113,176</u>	<u>3,000,067</u>	<u>3,246,575</u>
	<u>73,827,183</u>	<u>58,897,761</u>	<u>69,205,745</u>

8. Related party transactions

Related parties represent shareholders who have representation in the Company's board of directors and their close relatives, key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. All related party transactions are carried out on terms approved by the Group's management.

Key management personnel

Key management personnel 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.

Details of significant related parties balances and transactions are disclosed below:

	30 June 2019 KD	31 December 2018 KD (Audited)	30 June 2018 KD
Balances with related parties			
<i>Due from related parties</i>			
Other related parties (Note 7)	45,339	34,524	35,820
<i>Due to related parties (Note 12)</i>			
Shareholders	74,377	74,376	73,666
Associates	2,952	1,719	8,686
Other related parties	<u>1,195,676</u>	<u>927,893</u>	<u>543,840</u>
	<u>1,273,005</u>	<u>1,003,988</u>	<u>626,192</u>

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	Three month period ended 30 June		Six month period ended 30 June	
	2019 KD	2018 KD	2019 KD	2018 KD
Transactions with related parties				
<i>Sales</i>				
Shareholders	6,491	4,895	10,900	8,088
Other related parties	9,975	47,756	17,377	88,270
<i>Cost of revenue</i>				
Other related parties	1,342,873	940,023	2,801,719	1,955,869
<i>General and administrative expenses</i>				
Other related parties	120,979	115,760	237,300	230,964
Key management compensation				
Salaries and other short-term benefits				
	498,005	425,574	947,543	826,984
Employees' end of service benefits	27,263	21,434	49,157	42,524
	<u>525,268</u>	<u>447,008</u>	<u>996,700</u>	<u>869,508</u>
Board of directors' remuneration	18,750	25,000	37,500	50,000

9. Cash and cash equivalents

	30 June 2019 KD	31 December 2018 KD (Audited)	30 June 2018 KD
Bank balances and cash	10,557,976	16,677,660	14,754,804
Bank overdrafts	<u>(9,503,968)</u>	<u>(8,906,974)</u>	<u>(8,362,208)</u>
Cash and cash equivalents in the condensed consolidated statement of cash flows	<u>1,054,008</u>	<u>7,770,686</u>	<u>6,392,596</u>

Bank overdrafts are repayable on demand and carry an average effective interest rate of 4% (31 December 2018: 4% and 30 June 2018: 4%) per annum.

10. Treasury shares

	30 June 2019	31 December 2018 (Audited)	30 June 2018
Number of shares	6,780,000	6,578,950	2,796,212
Percentage of share capital	2.18%	2.11%	0.898%
Cost ("KD")	4,563,800	4,463,160	2,035,325
Market value ("KD")	4,203,600	3,342,107	1,996,495

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11. Loans and borrowings

	30 June 2019 KD	31 December 2018 KD (Audited)	30 June 2018 KD
<i>Current portion denominated in:</i>			
Kuwaiti Dinars	20,505,000	18,864,251	17,233,602
US Dollars	30,365,000	30,380,000	30,330,000
Saudi Riyal	1,457,640	1,458,720	1,456,380
	<u>52,327,640</u>	<u>50,702,971</u>	<u>49,019,982</u>
<i>Non-Current portion denominated in:</i>			
Saudi Riyal	1,822,050	2,552,760	3,276,855

12. Trade and other payables

	30 June 2019 KD	31 December 2018 KD (Audited)	30 June 2018 KD
Trade payables	26,156,687	27,275,915	30,601,406
Accrued expenses	7,683,118	8,155,728	7,951,202
Advances from customers	14,389	15,710	19,985
Payables to related parties (Note 8)	1,273,005	1,003,988	626,192
Other payables	3,258,797	2,890,304	2,134,854
	<u>38,385,996</u>	<u>39,341,645</u>	<u>41,333,639</u>

13. Other income

	Three month period ended 30 June		Six month period ended 30 June	
	2019 KD	2018 KD	2019 KD	2018 KD
Gain on disposal of property, plant and equipment	20,268	37,907	37,781	18,350
Foreign currency exchange gain	102,873	8,655	141,871	11,971
Dividend income	65,250	81,563	65,250	81,563
Other income	174,814	40,323	350,056	383,958
	<u>363,205</u>	<u>168,448</u>	<u>594,958</u>	<u>495,842</u>

14. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period less treasury shares.

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Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no outstanding dilutive instruments, the basic and diluted earnings per share are identical.

	Three month period ended		Six month period ended	
	30 June		30 June	
	2019	2018	2019	2018
Profit for the period (KD)	2,241,566	1,845,480	7,311,964	6,832,264
Weighted average number of ordinary shares outstanding during the period (after excluding treasury shares)	<u>304,545,000</u>	<u>309,352,956</u>	<u>304,553,465</u>	<u>310,308,669</u>
	<u>7.36</u>	<u>5.97</u>	<u>24.01</u>	<u>22.02</u>

15. Segment information

For management reporting purposes, the Group is organised into five major operating segments and a corporate segment based on internal reporting provided to the chief operating decision maker. The chief operating decision maker, is the person responsible for allocating resources to and assessing the performance of the operating segments. The Group does not have material inter-segment transactions.

The principal activities and services under these segments are as follows:

Food segment

Food	Food comprises all the businesses that relate to the food industry including food and beverages, wholesale trading, manufacturing and retail. The segment deals in a variety of products mainly meat products, cakes, biscuits, potato chips, snacks, canned food products, dairy products and water.
Catering	Catering comprises of food services for short term and long-term delivery of cooked food as well as on site operation of food facilities and catering for one off events.
Services	Services includes provision/sale of a variety of services/goods respectively to major customers predominantly including sales and delivery of foods as well as ancillary storage, logistics, repairs and maintenance services and sale of non-food items.

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Non-food segment

Fast Moving Consumer Goods (“FMCG”)	FMCG mainly comprises of distribution of health and beauty products, medicines, medical products and household products.
Industrial	Industrial comprises of the manufacturing of goods including plastic materials, lube oil and cartons used for packaging.
Corporate segment	Corporate comprises of central assets, liabilities and support functions for the entire Group. The corporate provides management, information systems and technology, human resource, procurement and finance support to other segments. The Group maintains a central treasury function and manages the cash and borrowing position centrally.

The Group’s chief executive officer reviews the internal management reports of each reportable segment at least quarterly. Segment performance is evaluated based on segmental return on investments. Statutory contributions and Board of Directors’ remuneration are managed on an overall basis and are not allocated to the operating segments.

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i. The following tables present information for the Group's operating segments:

	30 June 2019								
	Food				Non-food			Corporate	Total KD
	Food KD	Catering KD	Services KD	Sub-total KD	FMCG KD	Industrial KD	Sub-total KD	KD	
Revenues	56,128,602	17,826,211	8,153,755	82,108,568	30,315,208	2,611,607	32,926,815	-	115,035,383
Segment profit/ (loss)	3,681,851	978,228	1,916,552	6,576,631	2,820,685	219,225	3,039,910	(2,054,638)	7,561,903
Total Assets	117,392,696	29,334,297	10,674,514	157,401,507	44,738,382	9,059,893	53,798,275	11,451,336	222,651,118
Total Liabilities	18,729,843	10,051,967	2,010,686	30,792,496	9,134,539	2,341,345	11,475,884	67,684,689	109,953,069
	30 June 2018								
	Food				Non-food			Corporate	Total KD
	Food KD	Catering KD	Services KD	Sub-total KD	FMCG KD	Industrial KD	Sub-total KD	KD	
Revenues	53,125,598	18,075,966	7,031,894	78,233,458	28,513,428	2,639,030	31,152,458	50,680	109,436,596
Segment profit/ (loss)	4,120,792	473,696	1,640,926	6,235,414	2,406,464	191,982	2,598,446	(1,648,727)	7,185,133
Total assets	116,122,812	25,345,553	10,419,401	151,887,766	47,081,658	9,138,125	56,219,783	12,118,906	220,226,455
Total liabilities	20,669,509	8,335,825	2,264,907	31,270,241	7,659,801	1,972,059	9,631,860	65,650,590	106,552,691

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31 December 2018 (Audited)									
	Food				Non-food			Corporate	Total KD
	<i>Food KD</i>	<i>Catering KD</i>	<i>Services KD</i>	<i>Sub-total KD</i>	<i>FMCG KD</i>	<i>Industrial KD</i>	<i>Sub-total KD</i>	KD	
Revenues	101,730,416	37,878,424	15,585,073	155,193,913	46,729,166	5,449,013	52,178,179	98,956	207,471,048
Segment profit/ (loss)	5,130,757	555,823	3,340,816	9,027,396	2,713,956	421,896	3,135,852	(4,300,284)	7,862,964
Total assets	113,768,394	27,493,841	10,347,805	151,610,040	43,573,499	10,544,280	54,117,779	12,171,730	217,899,549
Total liabilities	16,646,212	9,714,485	2,129,157	28,489,854	10,062,255	1,808,338	11,870,593	66,989,404	107,349,851

ii. The following table present information regarding the Group's geographical area of operation:

	<i>Kuwait KD</i>	<i>Kingdom of Saudi Arabia KD</i>	<i>United Arab Emirates KD</i>	<i>Qatar KD</i>	<i>Jordan KD</i>	<i>Afghanistan KD</i>	<i>Iraq KD</i>	Total KD
30 June 2019								
Revenues	81,989,438	2,503,189	12,528,407	11,349,993	2,739,510	3,088,573	836,273	115,035,383
Non-current assets	67,662,533	8,448,466	11,563,617	13,123,160	1,877,995	81,036	-	102,756,807
31 December 2018 (Audited)								
Revenue	144,396,065	3,996,689	24,314,475	21,724,441	5,708,809	5,508,963	1,821,606	207,471,048
Non-current assets	65,892,819	8,598,926	11,551,171	13,295,575	1,948,439	65,983	-	101,352,913
30 June 2018								
Revenue	79,402,931	2,192,295	11,471,000	10,554,654	2,413,372	2,332,193	1,070,151	109,436,596
Non-current assets	68,042,082	8,524,672	11,319,064	12,637,109	2,033,989	53,723	-	102,610,639

16. Fair value measurement

Fair value of financial instruments

Financial instruments comprise of financial assets and financial liabilities. Fair values of all financial instruments are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short-term maturity, it is assumed that the carrying amounts approximate to their fair value.

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2018.

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: quoted prices in active market for the same instrument;

Level 2: quoted prices in active market for similar instruments or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

The following table shows a reconciliation of investment at fair value through other comprehensive income from the opening balances to the closing balances for Level 3 fair values.

	KD
Balance at 1 January 2018- (Audited)	763,423
Re-measurement adjustment due to adoption of IFRS 9	953,967
Adjusted balance at 1 January 2018- (Audited)	<u>1,717,390</u>
Other change	16,395
Balance at 30 June 2018	<u><u>1,733,785</u></u>
Balance at 1 January 2018- (Audited)	763,423
Re-measurement adjustment due to adoption of IFRS 9	953,967
Adjusted balance at 1 January 2018	<u>1,717,390</u>
Changes in fair value	<u>(25,151)</u>
Balance at 31 December 2018- (Audited)	<u><u>1,692,239</u></u>
Balance at 1 January 2019- (Audited)	1,692,239
Changes in fair value	103,088
Additional shares purchased	96,195
Balance at 30 June 2019	<u><u>1,891,522</u></u>

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Valuation methods and assumption

The Group invests in a private equity company that is not quoted in an active market. Transactions in such investment do not occur on a regular basis. The Group uses a market-based valuation technique for these positions. The Group determines comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the investee company to measure the fair value. The Group classifies the fair value of these investments as Level 3.

Description of significant unobservable inputs to valuation

	<i>Valuation techniques</i>	<i>Significant unobservable inputs</i>	<i>Range</i>	<i>Sensitivity of the input to fair value</i>
Unquoted investment	Market approach	DL0M *	20% - 30%	Increase (decrease) in the discount would decrease (increase) the fair value.

Discount for lack of marketability (“DL0M”) represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

Fair value of biological assets

The following table shows a reconciliation of biological assets from the opening balances to the closing balances for Level 3 fair values.

	KD
Balance at 1 January 2018- (Audited)	696,571
Changes in fair value	(100,533)
Other changes	23,651
Balance at 30 June 2018	<u>619,689</u>
Balance at 1 January 2018- (Audited)	696,571
Changes in fair value	73,308
Other changes	(184,069)
Balance at 31 December 2018- (Audited)	<u>585,810</u>
Balance at 1 January 2019- (Audited)	585,810
Changes in fair value	92,035
Other changes	23,780
Balance at 30 June 2019	<u>701,625</u>

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17. Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements of the Group for the year ended 31 December 2018.

18. Contingencies and commitments

i. Contingencies

At the reporting date, the Group had the following contingent liabilities in respect of letter of guarantee granted by banks from which it is anticipated that no material liabilities will arise:

	30 June 2019 KD	31 December 2018 KD (Audited)	30 June 2018 KD
Letter of guarantee	16,675,948	15,696,362	14,931,328

Letters of guarantee commit the Group to make payments on behalf of subsidiaries in the event of a specific act, generally related to the import or export of goods and performance guarantees.

Legal claims

Further to above, the Group is involved in various incidental claims and legal proceedings matters. The legal counsel of the Group believes that these matters will not have a material adverse effect on the accompanying condensed consolidated financial information.

ii. Commitments

	30 June 2019 KD	31 December 2018 KD (Audited)	30 June 2018 KD
<i>Capital expenditure commitments</i>			
Property, plant and equipment	7,038,038	5,783,820	7,509,651
Intangible assets	173,696	171,356	540,746
	<u>7,211,734</u>	<u>5,955,176</u>	<u>8,050,397</u>

	30 June 2019 KD	31 December 2018 KD (Audited)	30 June 2018 KD
<i>Operating leases</i>			
Future minimum rentals payable			
Within one year	-	3,488,251	1,991,175
After one year but not more than five years	-	247,388	209,668
Total contracted operating lease expenditure	<u>-</u>	<u>3,735,639</u>	<u>2,200,843</u>

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19. Annual General Assembly

The Board of Directors meeting held on 21 March 2019, proposed cash dividend of 16 fils per share for the year ended 31 December 2018. The shareholders in the annual general assembly meeting held on 21 April 2019 approved the cash dividend.

The Board of Directors meeting held on 18 March 2019, proposed cash dividend of 22 fils per share for the year ended 31 December 2017. The shareholders in the annual general assembly meeting held on 18 April 2019 approved the cash dividend.

20. Subsequent event

On 6 August 2019, the Company acquired 66.994% equity interest of Kuwait Saudi Pharmaceutical Industries Company (“Acquiree”) for a purchase consideration of KD 21 million. The acquiree is engaged in developing, manufacturing and marketing of pharmaceutical products in Kuwait and exports outside Kuwait.