

**MEZZAN HOLDING COMPANY K.S.C.P. AND  
SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION (UNAUDITED)**

**31 MARCH 2017**



Building a better  
working world

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## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF MEZZAN HOLDING COMPANY K.S.C.P.

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Mezzan Holding Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group") as at 31 March 2017 and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of Review*

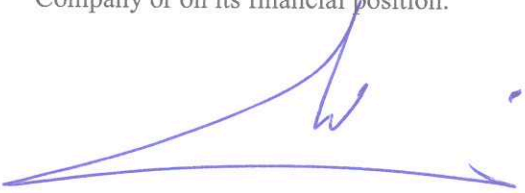
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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 interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

### *Report on Other Legal and Regulatory Requirements*

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, and its executive regulation, or of the Parent Company's Memorandum of Incorporation and Articles of Association during the three months period ended 31 March 2017 that might have had a material effect on the business of the Parent Company or on its financial position.



BADER A. AL-ABDULJADER  
LICENCE NO. 207 A  
EY  
(AL AIBAN AL OSAIMI & PARTNERS)



DR. SAUD HAMAD AL-HUMAIDI  
LICENSE NO. 51 A  
OF DR. SAUD HAMAD AL-HUMAIDI & PARTNERS  
MEMBER OF BAKER TILLY INTERNATIONAL

10 May 2017  
Kuwait

Mezzan Holding Company K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2017

	Notes	31 March 2017 KD	(Audited) 31 December 2016 KD	31 March 2016 KD
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		68,106,588	66,405,100	62,506,544
Intangible assets		13,754,321	13,822,884	12,372,321
Investment in associates		1,014,041	1,014,041	1,027,576
Investment properties	3	4,293,831	4,336,091	4,353,874
Biological assets		765,779	752,876	707,772
Financial assets available for sale		763,423	763,423	763,423
		<u>88,697,983</u>	<u>87,094,415</u>	<u>81,731,510</u>
<b>Current assets</b>				
Trade and other receivables	4	72,990,771	69,790,064	68,516,183
Inventories	5	36,144,363	36,609,024	33,377,382
Due from related parties	6	43,876	41,011	96,258
Bank balances and cash		18,927,082	18,156,937	11,777,617
		<u>128,106,092</u>	<u>124,597,036</u>	<u>113,767,440</u>
<b>TOTAL ASSETS</b>		<u><b>216,804,075</b></u>	<u><b>211,691,451</b></u>	<u><b>195,498,950</b></u>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Employees' end of service benefits		4,175,698	4,073,316	3,910,583
Loans and borrowings	7	6,931,144	7,158,360	4,023,205
Due to related parties	6	-	-	100,000
		<u>11,106,842</u>	<u>11,231,676</u>	<u>8,033,788</u>
<b>Current liabilities</b>				
Loans and borrowings	7	31,702,050	32,626,860	22,334,753
Trade and other payables	8	40,431,702	44,597,028	43,086,869
Due to related parties	6	1,213,871	1,342,319	1,649,439
Bank overdrafts		15,535,674	10,192,590	15,097,777
		<u>88,883,297</u>	<u>88,758,797</u>	<u>82,168,838</u>
<b>TOTAL LIABILITIES</b>		<u><b>99,990,139</b></u>	<u><b>99,990,473</b></u>	<u><b>90,202,626</b></u>
<b>NET ASSETS</b>		<u><b>116,813,936</b></u>	<u><b>111,700,978</b></u>	<u><b>105,296,324</b></u>
<b>EQUITY</b>				
Share capital		31,132,500	31,132,500	29,650,000
Statutory reserve		15,234,911	15,234,911	13,427,355
Voluntary reserve		15,234,911	15,234,911	13,427,355
Retained earnings		50,124,883	44,803,621	46,067,982
Foreign currency translation reserve		(327,990)	(98,820)	(31,672)
Fair value reserve		46,403	46,403	46,403
		<u>111,445,618</u>	<u>106,353,526</u>	<u>102,587,423</u>
<b>Equity attributable to equity holders of the Parent Company</b>		<u><b>111,445,618</b></u>	<u><b>106,353,526</b></u>	<u><b>102,587,423</b></u>
Non-controlling interests		5,368,318	5,347,452	2,708,901
<b>TOTAL EQUITY</b>		<u><b>116,813,936</b></u>	<u><b>111,700,978</b></u>	<u><b>105,296,324</b></u>

Abdul Rahman Jassim Al Wazzan  
(Chairman)

Garrett Walsh  
(Chief Executive Officer)

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

Mezzan Holding Company K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

For the period ended 31 March 2017

	Notes	Three months period ended 31 March	
		2017 KD	2016 KD
Revenue		57,548,299	55,673,661
Cost of revenue		(42,366,381)	(41,357,424)
<b>GROSS PROFIT</b>		<b>15,181,918</b>	<b>14,316,237</b>
<b>Operating expenses</b>			
Selling and distribution expenses		(5,582,532)	(5,011,739)
General and administrative expenses		(3,958,847)	(3,273,442)
Other income (loss)	9	393,864	(116,749)
<b>OPERATING PROFIT</b>		<b>6,034,403</b>	<b>5,914,307</b>
Finance costs		(386,585)	(301,888)
<b>PROFIT BEFORE STATUTORY CONTRIBUTIONS AND BOARD OF DIRECTORS' REMUNERATION</b>		<b>5,647,818</b>	<b>5,612,419</b>
Kuwait Foundation for the Advancement of Science		(50,469)	(49,119)
National Labour Support Tax		(152,903)	(131,474)
Zakat		(61,161)	(52,590)
Board of Directors' remuneration		(25,000)	(31,250)
<b>PROFIT FOR THE PERIOD</b>		<b>5,358,285</b>	<b>5,347,986</b>
<b>Attributable to:</b>			
Equity holders of the Parent Company		5,318,123	5,193,232
Non-controlling interests		40,162	154,754
		<b>5,358,285</b>	<b>5,347,986</b>
Basic and diluted earnings per share attributable to the equity holders of the Parent Company	10	<b>17.08 fils</b>	16.68 fils

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

Mezzan Holding Company K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 31 March 2017

	<i>Three months period ended</i>	
	<i>31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
<b>Profit for the period</b>	<b>5,358,285</b>	<b>5,347,986</b>
<b>Other comprehensive income:</b>		
<i>Items that are or may be reclassified subsequently to consolidated statement of income:</i>		
Net (loss) gain on hedge arising during the period	(137,494)	44,565
Foreign currency translation adjustment	(100,779)	(127,655)
Other comprehensive loss for the period	(238,273)	(83,090)
<b>Total comprehensive income for the period</b>	<b>5,120,012</b>	<b>5,264,896</b>
<b>Attributable to:</b>		
Equity holders of the Parent Company	5,088,953	5,110,695
Non-controlling interests	31,059	154,201
	<b>5,120,012</b>	<b>5,264,896</b>

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

Mezzan Holding Company K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

For the period ended 31 March 2017

	Notes	Three months period ended 31 March	
		2017 KD	2016 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period before contribution to KFAS, Zakat, NLST and Board of Directors' remuneration		5,647,818	5,612,419
Adjustments to reconcile profit to net cash flows:			
Depreciation		1,191,626	1,150,233
Amortisation of intangible assets		79,095	82,439
Provision for employees' end of service benefits		295,987	317,825
Provision for (reversal of) obsolete and slow moving inventories		63,380	(17,272)
Provision for (reversal of) allowance for bad and doubtful debts		99,120	(7,541)
(Gain) loss on sale of property, plant and equipment		(25,839)	24,165
Gain on revaluation of biological assets		(48,180)	(14,914)
Loss (gain) on disposal of biological assets		6,867	(10,658)
Write-off of biological assets		6,030	11,576
Finance costs		386,585	301,888
Foreign exchange (gain) loss	9	(196,335)	173,238
		<u>7,506,154</u>	<u>7,623,398</u>
Working capital changes:			
Trade and other receivables		(3,296,354)	(13,439,798)
Inventories		401,801	3,470,909
Net movement in amount due from/to related parties		(131,313)	(121,782)
Trade and other payables		(4,258,524)	7,212,728
		<u>221,764</u>	<u>4,745,455</u>
Cash from operations		(187,716)	(204,774)
Employees' end of service benefits paid			
Net cash flows from operating activities		<u>34,048</u>	<u>4,540,681</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(2,998,937)	(2,435,777)
Proceeds from disposal of property, plant and equipment		48,450	-
Purchase of intangible assets		(62,247)	(17,111)
Payment for acquisition of additional shares in a subsidiary		(7,054)	-
Proceeds from disposal of biological assets		22,380	31,830
		<u>(2,997,408)</u>	<u>(2,421,058)</u>
Net cash flows used in investing activities			
<b>FINANCING ACTIVITIES</b>			
Net movement in loans and borrowings		(1,152,026)	716,197
Net movement in amount due to related parties (non-current)		-	(100,000)
Finance costs paid		(386,585)	(301,888)
		<u>(1,538,611)</u>	<u>314,309</u>
Net cash flows (used in) from financing activities			
Effect of foreign currency translation		(70,968)	64,776
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(4,572,939)</u>	<u>2,498,708</u>
Cash and cash equivalents at 1 January		7,964,347	(5,818,868)
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>		<u><u>3,391,408</u></u>	<u><u>(3,320,160)</u></u>
<b>CASH AND CASH EQUIVALENTS</b>			
Bank balances and cash		18,927,082	11,777,617
Bank overdrafts		(15,535,674)	(15,097,777)
		<u><u>3,391,408</u></u>	<u><u>(3,320,160)</u></u>

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

Mezzan Holding Company K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2017

	Attributable to equity holders of the Parent Company								
	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Retained earnings KD	Foreign currency translation reserve KD	Fair value reserve KD	Sub total KD	Non-controlling interests KD	Total KD
As at 1 January 2017	31,132,500	15,234,911	15,234,911	44,803,621	(98,820)	46,403	106,353,526	5,347,452	111,700,978
Profit for the period	-	-	-	5,318,123	-	-	5,318,123	40,162	5,358,285
Other comprehensive loss	-	-	-	-	(229,170)	-	(229,170)	(9,103)	(238,273)
Total comprehensive income (loss) for the period	-	-	-	5,318,123	(229,170)	-	5,088,953	31,059	5,120,012
Ownership changes in a subsidiary	-	-	-	3,139	-	-	3,139	(10,193)	(7,054)
<b>As at 31 March 2017</b>	<b>31,132,500</b>	<b>15,234,911</b>	<b>15,234,911</b>	<b>50,124,883</b>	<b>(327,990)</b>	<b>46,403</b>	<b>111,445,618</b>	<b>5,368,318</b>	<b>116,813,936</b>
As at 1 January 2016	29,650,000	13,427,355	13,427,355	40,874,750	50,865	46,403	97,476,728	2,554,700	100,031,428
Profit for the period	-	-	-	5,193,232	-	-	5,193,232	154,754	5,347,986
Other comprehensive loss	-	-	-	-	(82,537)	-	(82,537)	(553)	(83,090)
Total comprehensive income (loss) for the period	-	-	-	5,193,232	(82,537)	-	5,110,695	154,201	5,264,896
As at 31 March 2016	29,650,000	13,427,355	13,427,355	46,067,982	(31,672)	46,403	102,587,423	2,708,901	105,296,324

# Mezzan Holding Company K.S.C.P. and Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

### 1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Mezzan Holding Company K.S.C.P. (the "Parent Company") and Subsidiaries (collectively the "Group") for the three months period ended 31 March 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 10 May 2017.

The Parent Company was a closed shareholding company registered and incorporated as a holding company in Kuwait on 3 August 1999. The registered office of the Parent Company is Building number 287, Area number 1, Aradiya, Kuwait. The Group operates in manufacturing, sale and distribution of food and non-food products. The shares of the Parent Company are listed on Kuwait Stock Exchange.

### 2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard ("IAS") 34: Interim Financial Reporting.

The interim condensed consolidated financial information of the Group does not include all the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements for the year ended 31 December 2016. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included in the interim condensed consolidated financial information. Operating results for the interim period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the year ending 31 December 2017.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD"), which is the functional currency of the Group.

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2016 except for the adoption of amendments and annual improvements to IFRS, relevant to the Group which are effective for the annual period starting from 1 January 2017 and did not result in any material impact on the accounting policies, financial position or performance of the Group.

### 3 INVESTMENT PROPERTIES

The movement in investment properties is as follows:

	<i>31 March</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>31 March</i> <i>2016</i> <i>KD</i>
As at beginning of the period	4,336,091	4,382,964	4,382,964
Charge for the period	(25,306)	(102,701)	(29,090)
Foreign exchange differences	(16,954)	55,828	-
	<u>4,293,831</u>	<u>4,336,091</u>	<u>4,353,874</u>

The Group engaged two independent valuation specialists to assess fair value as at 31 December 2016 for investment properties and fair value was disclosed based on the lower of the two values. As at 31 December 2016, the fair value of investment properties was KD 5,586,498 (31 December 2015: KD 5,520,182). Fair value of investment properties is determined by reference to the value of recent transactions in the market for similar properties. As significant valuation inputs used are based on observable market data, these are classified under level 2 fair value hierarchy. No significant changes in fair value have occurred during the period ended 31 March 2017, consequently, no independent valuation was considered necessary as at 31 March 2017.

Mezzan Holding Company K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

4 TRADE AND OTHER RECEIVABLES

	<i>31 March</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>31 March</i> <i>2016</i> <i>KD</i>
Trade receivables	57,751,983	58,352,305	58,169,648
Less: Allowance for bad and doubtful debts	<b>(4,051,616)</b>	<b>(3,984,518)</b>	<b>(3,623,135)</b>
	<b>53,700,367</b>	<b>54,367,787</b>	<b>54,546,513</b>
Advance to suppliers	14,737,650	11,249,781	10,000,717
Prepaid expenses	2,109,325	1,809,842	1,970,626
Deposits	635,375	662,841	799,488
Staff receivables	7,641	1,125	2,028
Other receivables	1,800,413	1,698,688	1,196,811
	<b>72,990,771</b>	<b>69,790,064</b>	<b>68,516,183</b>

5 INVENTORIES

	<i>31 March</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>31 March</i> <i>2016</i> <i>KD</i>
Goods for resale	25,242,120	27,613,863	23,190,166
Raw materials, packing materials and consumables	7,737,078	7,269,725	8,844,571
Finished goods and work in progress	1,295,897	1,494,936	1,277,965
Goods in transit	2,928,692	1,376,425	1,617,558
	<b>37,203,787</b>	<b>37,754,949</b>	<b>34,930,260</b>
Less: Allowance for obsolete and slow moving inventories	<b>(1,059,424)</b>	<b>(1,145,925)</b>	<b>(1,552,878)</b>
	<b>36,144,363</b>	<b>36,609,024</b>	<b>33,377,382</b>

6 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties represent major shareholders, associates, directors and key management personnel of the Parent Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Significant balances and transactions with related parties included in the interim condensed consolidated financial information are as follows:

	<i>Major</i> <i>shareholders</i> <i>KD</i>	<i>Associates</i> <i>KD</i>	<i>Other</i> <i>related</i> <i>parties</i> <i>KD</i>	<i>31 March</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>31 March</i> <i>2016</i> <i>KD</i>
<b>Interim condensed consolidated statement of financial position:</b>						
Due from related parties	-	-	43,876	43,876	41,011	96,258
Due to related parties	173,666	6,438	1,033,767	1,213,871	1,342,319	1,749,439

Mezzan Holding Company K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

**6 RELATED PARTY BALANCES AND TRANSACTIONS (continued)**

The amounts due from/to related parties are interest free and are receivable/payable on demand.

	Major shareholders KD	Other related parties KD	Three months period ended 31 March	
			2017 KD	2016 KD
<b>Interim condensed consolidated statement of income:</b>				
Revenue	13,700	46,312	<b>60,012</b>	52,137
Cost of revenue	(7,428)	-	<b>(7,428)</b>	(2,770)
Other income	-	112,997	<b>112,997</b>	104,749
General and administrative expenses	-	(83,930)	<b>(83,930)</b>	(46,101)

**Compensation of key management personnel**

Remuneration paid or accrued in relation to key management (which is deemed for this purpose to comprise the Chief Executive Officer, Chief Finance Officer, Department/division heads, and other Senior Officers) was as follows:

	Three months period ended 31 March	
	2017 KD	2016 KD
<b>Key management compensation:</b>		
Salaries and other short-term benefits	<b>388,263</b>	372,982
Employees' end of service benefits	<b>15,521</b>	15,352
	<b>403,784</b>	388,334

**7 LOANS AND BORROWINGS**

Currency	Current (Audited)			Non-current (Audited)		
	31 March 2017 KD	31 December 2016 KD	31 March 2016 KD	31 March 2017 KD	31 December 2016 KD	31 March 2016 KD
Kuwaiti Dinars	<b>6,000,000</b>	7,000,000	3,500,000	-	-	-
US Dollars	<b>24,236,850</b>	23,420,420	18,834,753	<b>1,802,944</b>	2,377,740	4,023,205
Saudi Riyal	<b>1,465,200</b>	2,206,440	-	<b>5,128,200</b>	4,780,620	-
	<b>31,702,050</b>	32,626,860	22,334,753	<b>6,931,144</b>	7,158,360	4,023,205

Loans and borrowings carry interest at commercial rates.

**8 TRADE AND OTHER PAYABLES**

	(Audited)		
	31 March 2017 KD	31 December 2016 KD	31 March 2016 KD
Trade payable	<b>30,230,254</b>	30,554,264	31,193,183
Accrued expenses	<b>7,905,283</b>	8,694,023	10,341,247
Other payables	<b>2,278,858</b>	5,326,803	1,524,529
Advance from customers	<b>17,307</b>	21,938	27,910
	<b>40,431,702</b>	44,597,028	43,086,869

Mezzan Holding Company K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at 31 March 2017

**9 OTHER INCOME (LOSS)**

	<i>Three months period ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
Gain (loss) on disposal of property, plant and equipment	<b>25,839</b>	(24,165)
Other income	<b>171,690</b>	80,654
Foreign exchange gain (loss)	<b>196,335</b>	(173,238)
	<b>393,864</b>	(116,749)

**10 BASIC AND DILUTED EARNINGS PER SHARE**

Basic and diluted earnings per share are calculated by dividing the profit for the period attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, as follows:

	<i>Three months period ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
Profit for the period	<b>5,318,123</b>	5,193,232
	<i>Shares</i>	<i>Shares</i>
Weighted average number of ordinary shares outstanding during the period	<b>311,325,000</b>	311,325,000
Basic and diluted earnings per share	<b>17.08 fils</b>	16.68 fils

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

**11 ANNUAL GENERAL ASSEMBLY**

On 10 April 2017, the shareholders at the Annual General Assembly of the Parent Company approved the following:

- audited consolidated financial statements of the Group for the year ended 31 December 2016; and
- distribution of dividends of KD 8,717,100 (2015 : 8,153,750) in respect of the year ended 31 December 2016

Mezzan Holding Company K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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**12 CONTINGENCIES AND COMMITMENTS**

**(a) Contingencies:**

As 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:

	<i>31 March</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>31 March</i> <i>2016</i> <i>KD</i>
Letters of guarantee	<u>14,696,509</u>	<u>15,065,833</u>	<u>14,464,200</u>

Letters of guarantee commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods and performance guarantees. The fair value of these guarantees were not material to the interim condensed consolidated financial information.

**Legal claims**

The Group is involved in various incidental claims and legal proceeding matters. Management believes that these matters will not have a material adverse effect on the accompanying interim condensed consolidated financial information.

**(b) Commitments:**

	<i>31 March</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>31 March</i> <i>2016</i> <i>KD</i>
<b>Capital expenditure commitments</b>			
Future estimated capital expenditure contracted for as at the reporting date:			
Property, plant and equipment	14,900,819	8,987,279	7,019,328
Intangible assets	508,587	254,507	345,822
	<u>15,409,406</u>	<u>9,241,786</u>	<u>7,365,150</u>
<b>Operating lease commitments as lessee:</b>			
Future minimum lease payments:			
Within one year	2,576,547	2,619,823	2,780,475
After one year but not more than five years	517,956	663,163	922,754
Total operating lease expenditure contracted for as at the reporting date	<u>3,094,503</u>	<u>3,282,986</u>	<u>3,703,229</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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As at 31 March 2017

**13 SEGMENTAL 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:

**(a) Food**

- 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.

**(b) Non-food**

- 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.

**(c) Corporate**

- : 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.

Management monitors operating segments separately for the purpose of making decisions about resource allocation and performance assessment. 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 allocated to the corporate segment.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL**  
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As at 31 March 2017

**13 SEGMENTAL INFORMATION (continued)**

a) The following table presents information regarding the Group's operating segments.

	<i>Three months period ended 31 March 2017 (Unaudited)</i>										
	<i>Food</i>					<i>Non-food</i>			<i>Corporate</i>		<i>Total segment KD</i>
	<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>	<i>KD</i>	<i>KD</i>		
Revenue	29,024,474	7,436,954	3,618,613	40,080,041	15,894,272	1,562,029	17,456,301	11,957	57,548,299		
Segment profit	3,312,521	236,605	755,805	4,304,931	1,635,098	275,579	1,910,677	(567,790)	5,647,818		
Total assets	106,996,072	23,668,040	11,251,814	141,915,926	54,601,995	10,371,402	64,973,397	9,914,752	216,804,075		
Total liabilities	21,565,631	7,304,780	2,720,402	31,590,813	8,150,701	2,979,816	11,130,517	57,268,809	99,990,139		
<b>Other disclosures:</b>											
Depreciation and amortization	699,651	178,035	69,662	947,348	84,671	98,328	182,999	140,374	1,270,721		
Investment in associates	-	-	-	-	-	-	-	1,014,041	1,014,041		
Capital expenditure (excluding goodwill)	2,390,534	215,808	-	2,606,342	113,190	265,160	378,350	76,492	3,061,184		

Mezzan Holding Company K.S.C.P. and Subsidiaries  
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13 SEGMENTAL INFORMATION (continued)

Three months period ended 31 March 2016 (Unaudited)

	Food					Non-food			Corporate		Total segment KD
	Food KD	Catering KD	Services KD	Sub-total KD	FMCG KD	Industrial KD	Sub-total KD	KD			
Revenue	26,611,200	6,213,344	4,403,518	37,228,062	16,871,040	1,545,998	18,417,038	28,561		55,673,661	
Segment profit	3,555,636	281,927	727,813	4,565,376	1,650,278	136,513	1,786,791	(739,748)		5,612,419	
Total assets	94,230,964	23,608,614	10,018,566	127,858,144	48,691,182	8,506,528	57,197,710	10,443,096		195,498,950	
Total liabilities	20,225,298	7,064,765	2,616,303	29,906,366	7,486,343	2,577,765	10,064,108	50,232,152		90,202,626	
<i>Other disclosures:</i>											
Depreciation and amortisation	624,712	178,544	113,996	917,252	82,493	99,606	182,099	133,321		1,232,672	
Investment in associates	-	-	-	-	-	-	-	1,027,576		1,027,576	
Capital expenditure (excluding goodwill)	1,486,393	870,966	-	2,357,359	25,489	22,797	48,286	47,243		2,452,888	

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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**13 SEGMENTAL INFORMATION (continued)**

	Year ended 31 December 2016											
	Food					Non-food					Corporate	Total segment KD
	Food KD	Catering KD	Services KD	Sub-total KD	FMSG KD	Industrial KD	Sub-total KD	Corporate KD	Total segment KD			
Revenue	109,178,611	26,681,443	19,408,558	155,268,612	46,353,487	5,683,281	52,036,768	127,823	207,433,203			
Segment profit (loss)	12,422,827	(364,582)	3,092,991	15,151,236	4,143,516	629,307	4,772,823	(1,516,971)	18,407,088			
Total assets	100,109,532	25,091,935	15,863,396	141,064,863	52,801,429	8,758,398	61,559,827	9,066,761	211,691,451			
Total liabilities	17,197,511	7,360,047	6,993,816	31,551,374	9,184,751	2,558,851	11,743,602	56,695,497	99,990,473			
<i>Other disclosures:</i>												
Depreciation and amortisation	2,738,259	685,517	292,796	3,716,572	338,984	396,147	735,131	549,459	5,001,162			
Investment in associates	-	-	-	-	-	-	-	1,014,041	1,014,041			
Capital expenditure (excluding goodwill)	5,188,401	1,678,219	60,025	6,926,645	76,145	305,658	381,803	542,444	7,850,892			
Impairment of property, plant and equipment	54,850	76,505	-	131,355	-	-	-	-	131,355			

Mezzan Holding Company K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

13 SEGMENTAL INFORMATION (continued)

b) The following table presents information regarding the Group's geographical segments.

	Kuwait KD	Saudi Arabia KD	U.A.E KD	Qatar KD	Jordan KD	Afghanistan KD	Iraq KD	Total KD
<i>Three months period ended 31 March 2017 (Unaudited)</i>								
Revenue	40,094,227	1,593,422	7,840,313	4,988,270	1,589,888	1,000,318	441,861	57,548,299
Non-current assets	56,942,079	8,625,798	8,645,673	11,931,103	2,457,681	95,649	-	88,697,983
<i>31 December 2016 (Audited)</i>								
Revenue	134,573,151	1,420,806	34,767,337	19,657,841	10,408,912	5,132,301	1,472,855	207,433,203
Non-current assets	55,244,851	8,754,314	8,334,160	12,138,727	2,515,640	106,723	-	87,094,415
<i>Three months period ended 31 March 2016 (Unaudited)</i>								
Revenue	39,143,473	130,027	7,792,955	4,754,054	2,613,383	1,023,910	215,859	55,673,661
Non-current assets	54,051,530	5,443,834	7,702,174	11,767,421	2,626,491	140,060	-	81,731,510