

**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 nine months ended 30 September 2019**

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

---

<b>Contents</b>	<b>Page</b>
Independent auditor's report on review of condensed consolidated interim financial information	1-2
Condensed consolidated statement of financial position	3
Condensed consolidated statement of profit or loss	4
Condensed consolidated statement of comprehensive income	5
Condensed consolidated statement of changes in equity	6-7
Condensed consolidated statement of cash flows	8
Notes to the condensed consolidated interim financial information	9-25



KPMG Safi Al-Mutawa & Partners  
Al Hamra Tower, 25th Floor  
Abdulaziz Al Saqr Street  
P.O. Box 24, Safat 13001  
State of Kuwait  
Tel.: +965 2228 7000  
Fax: +965 2228 7444

# 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 September 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 September 2019, the condensed consolidated statements of profit or loss and comprehensive income for the three and nine month periods ended 30 September 2019, the condensed consolidated statements of changes in equity and cash flows for the nine 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 September 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 nine month period ended 30 September 2018 were audited and reviewed, respectively, by another auditor who expressed an unmodified opinion and conclusion on those statements on 24 March 2019 and 8 November 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 nine month period ended 30 September 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 November 2019

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

**Condensed consolidated statement of financial position**  
*as at 30 September 2019*

		30 September 2019 KD	31 December 2018 KD (Audited)	30 September 2018 KD
<b>Assets</b>				
Property, plant and equipment		85,101,052	80,209,212	81,611,775
Right of use assets	4	1,921,024	-	-
Intangible assets		26,047,665	13,528,571	13,528,368
Investment in associates		1,162,385	1,241,225	1,208,791
Investment properties	6	4,029,428	4,095,856	4,118,025
Biological assets		717,715	585,810	593,353
Investments at fair value through other comprehensive income	17	1,939,897	1,692,239	1,733,785
<b>Non-current assets</b>		<u>120,919,166</u>	<u>101,352,913</u>	<u>102,794,097</u>
Inventories	7	44,613,944	40,971,215	33,142,848
Trade and other receivables	8	84,178,981	58,897,761	71,661,359
Cash and cash equivalents	10	17,098,630	16,677,660	16,190,297
<b>Current assets</b>		<u>145,891,555</u>	<u>116,546,636</u>	<u>120,994,504</u>
<b>Total assets</b>		<u>266,810,721</u>	<u>217,899,549</u>	<u>223,788,601</u>
<b>Equity</b>				
Share capital		31,132,500	31,132,500	31,132,500
Treasury shares	11	(4,563,800)	(4,463,160)	(3,524,110)
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		1,126,682	975,219	1,000,370
Foreign currency translation reserve		(417,592)	(468,207)	(499,692)
Other reserve		(1,210,669)	(1,210,669)	-
Retained earnings		51,155,303	46,891,407	47,267,972
<b>Equity attributable to shareholders of the Company</b>		<u>110,425,094</u>	<u>106,059,760</u>	<u>108,579,710</u>
Non-controlling interests		8,359,363	4,489,938	4,655,263
<b>Total equity</b>		<u>118,784,457</u>	<u>110,549,698</u>	<u>113,234,973</u>
<b>Liabilities</b>				
Loans and borrowings	12	1,462,320	2,552,760	2,914,920
Lease liabilities	4	1,198,930	-	-
Employee's end of service indemnity		7,406,474	5,845,501	4,547,722
<b>Non-current liabilities</b>		<u>10,067,724</u>	<u>8,398,261</u>	<u>7,462,642</u>
Loans and borrowings	12	86,043,491	50,702,971	50,682,061
Bank overdrafts	10	4,989,590	8,906,974	8,379,616
Lease liabilities	4	973,356	-	-
Trade and other payables	13	45,952,103	39,341,645	44,029,309
<b>Current liabilities</b>		<u>137,958,540</u>	<u>98,951,590</u>	<u>103,090,986</u>
<b>Total liabilities</b>		<u>148,026,264</u>	<u>107,349,851</u>	<u>110,553,628</u>
<b>Total equity and liabilities</b>		<u>266,810,721</u>	<u>217,899,549</u>	<u>223,788,601</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 nine month periods ended 30 September 2019*

	Notes	Three month period ended 30 September		Nine month period ended 30 September	
		2019 KD	2018 KD	2019 KD	2018 KD
Revenues		54,779,122	52,046,134	169,814,505	161,482,730
Cost of revenue		(42,345,265)	(41,633,474)	(131,093,991)	(126,400,926)
<b>Gross profit</b>		<b>12,433,857</b>	<b>10,412,660</b>	<b>38,720,514</b>	<b>35,081,804</b>
Selling and distribution expenses		(4,655,187)	(4,249,290)	(13,947,935)	(12,587,969)
General and administrative expenses		(4,921,381)	(4,350,374)	(13,335,776)	(12,783,110)
Other income	14	71,340	133,543	666,298	629,385
<b>Results from operating activities</b>		<b>2,928,629</b>	<b>1,946,539</b>	<b>12,103,101</b>	<b>10,340,110</b>
Finance costs		(953,401)	(738,342)	(2,560,150)	(2,031,264)
Share of results of associates		-	-	(5,820)	84,484
<b>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</b>		<b>1,975,228</b>	<b>1,208,197</b>	<b>9,537,131</b>	<b>8,393,330</b>
KFAS		(19,488)	(20,286)	(96,375)	(85,121)
NLST		(61,407)	(32,344)	(249,242)	(216,354)
Zakat		(24,563)	(12,938)	(99,045)	(85,726)
Board of directors' remuneration	9	(18,750)	(25,000)	(56,250)	(75,000)
<b>Profit for the period</b>		<b>1,851,020</b>	<b>1,117,629</b>	<b>9,036,219</b>	<b>7,931,129</b>
<b>Profit attributable to:</b>					
Shareholders of the Company		1,824,652	1,217,680	9,136,616	8,049,944
Non-controlling interests		26,368	(100,051)	(100,397)	(118,815)
		<b>1,851,020</b>	<b>1,117,629</b>	<b>9,036,219</b>	<b>7,931,129</b>
<b>Earnings per share (basic and diluted) (fils)</b>	15	<b>5.99 fils</b>	<b>3.95 fils</b>	<b>30.00 fils</b>	<b>26.01 fils</b>

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 nine month periods ended 30 September 2019*

	Three month period ended		Nine month period ended	
	30 September		30 September	
	2019	2018	2019	2018
	KD	KD	KD	KD
Profit for the period	1,851,020	1,117,629	9,036,219	7,931,129
<b><i>Other comprehensive (loss) / income</i></b>				
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences on foreign operations	(41,729)	(103,173)	(33,665)	98,540
Net investment hedge- net gain / (loss)	25,255	35,538	69,705	(70,484)
	<u>(16,474)</u>	<u>(67,635)</u>	<u>36,040</u>	<u>28,056</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	48,375	-	151,463	-
	<u>48,375</u>	<u>-</u>	<u>151,463</u>	<u>-</u>
<b><i>Other comprehensive (loss) / income</i></b>	<u>31,901</u>	<u>(67,635)</u>	<u>187,503</u>	<u>28,056</u>
<b>Total comprehensive income for the period</b>	<u>1,882,921</u>	<u>1,049,994</u>	<u>9,223,722</u>	<u>7,959,185</u>
<b>Total comprehensive income attributable to:</b>				
Shareholders of the Company	1,888,444	1,183,021	9,338,694	8,105,219
Non-controlling interests	(5,523)	(133,027)	(114,972)	(146,034)
<b>Total comprehensive income for the period</b>	<u>1,882,921</u>	<u>1,049,994</u>	<u>9,223,722</u>	<u>7,959,185</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 nine month period ended 30 September 2019**

	Attributable to shareholders of the Company										
	Share capital	Treasury shares	Statutory reserve	Voluntary reserve	Fair value reserve	Foreign currency translation reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	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	-	-	-	-	953,967	-	-	(230,405)	723,562	-	723,562
Adjusted balance at 1 January 2018	31,132,500	(37,500)	16,601,335	16,601,335	1,000,370	(554,967)	-	46,066,078	110,809,151	5,000,029	115,809,180
Total comprehensive income for the period	-	-	-	-	-	-	-	8,049,944	8,049,944	(118,815)	7,931,129
Profit for the period	-	-	-	-	-	-	-	8,049,944	8,049,944	(118,815)	7,931,129
Other comprehensive income	-	-	-	-	-	-	-	-	-	(27,219)	28,056
Foreign currency translation	-	-	-	-	-	55,275	-	-	55,275	-	55,275
Total comprehensive income for the period	-	-	-	-	-	55,275	-	8,049,944	8,105,219	(146,034)	7,959,185
Purchase of treasury shares	-	(3,486,610)	-	-	-	-	-	-	(3,486,610)	-	(3,486,610)
Dividend paid to the shareholders of the Company (Note 20)	-	-	-	-	-	-	-	(6,848,050)	(6,848,050)	-	(6,848,050)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(198,732)	(198,732)
Balance at 30 September 2018	31,132,500	(3,524,110)	16,601,335	16,601,335	1,000,370	(499,692)	-	47,267,972	108,579,710	4,655,263	113,234,973

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 nine month period ended 30 September 2019**

	Attributable to shareholders of the Company																						
	Share capital		Treasury shares		Statutory reserve		Voluntary reserve		Fair value reserve		Foreign currency translation reserve		Other reserve		Retained earnings		Total		Non-controlling interests		Total equity		
	KD		KD		KD		KD		KD		KD		KD		KD		KD		KD		KD		
<b>Balance at 1 January 2019</b>	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												
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other comprehensive income</i>																							
Change in fair value of investments at fair value through other comprehensive income (Note 17)	-	-	-	-	151,463	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	151,463
Foreign currency translation	-	-	-	-	-	50,615	-	-	-	50,615	-	-	-	-	-	-	-	-	-	-	-	-	36,040
<b>Total comprehensive income for the period</b>	-	-	-	-	151,463	50,615	-	9,136,616	9,338,694	(114,972)	9,223,722												
Purchase of treasury shares	-	(100,640)	-	-	-	-	-	-	(100,640)	-	-	-	-	-	-	-	-	-	-	-	-	-	(100,640)
Dividend paid to the shareholders of the Company (Note 20)	-	-	-	-	-	-	-	(4,872,720)	(4,872,720)	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,872,720)
Dividend paid to NCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(219,090)
Acquisition of subsidiary with NCI (Note 5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,203,487
<b>Balance at 30 September 2019</b>	31,132,500	(4,563,800)	16,601,335	16,601,335	1,126,682	(417,592)	(1,210,669)	51,155,303	110,425,094	8,359,363	118,784,457												

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 nine month period ended 30 September 2019*

	Notes	2019 KD	2018 KD
<b>Cash flows from operating activities</b>			
Profit for the period before contribution to KFAS, NLST, Zakat and board of directors' remuneration		9,537,131	8,393,330
<i>Adjustment for:</i>			
Depreciation		5,348,832	3,908,967
Amortisation of intangible assets		240,334	267,226
Share of results of associates		5,820	(84,484)
Provision for employees' end of service benefits		928,664	987,067
Provision for / (reversal of) obsolete and slow-moving inventories	7	443,232	(9,715)
(Reversal of) / provision of expected credit losses		(24)	210,279
Gain on disposal of property, plant and equipment	14	(53,063)	(49,320)
Gain on disposal of biological assets		(93,717)	(17,392)
Write-off of biological assets		17,481	13,733
Finance costs		2,560,150	2,031,264
Dividend income	14	(65,250)	(81,563)
Foreign currency exchange gain	14	(185,060)	(56,371)
		<u>18,684,530</u>	<u>15,513,021</u>
<i>Changes in:</i>			
- inventories		2,089,479	4,380,279
- trade and other receivables		(17,582,338)	(11,928,577)
- changes in related parties balances- net		34,860	691,297
- trade and other payables		2,678,394	1,780,494
Employee end of service benefits paid		(672,080)	(901,102)
<i>Net cash from operating activities</i>		<u>5,232,845</u>	<u>9,535,412</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(3,612,157)	(8,198,686)
Purchase of intangible assets		(186,979)	(188,914)
Purchase of biological assets		(108,419)	-
Purchase of investment at fair value through other comprehensive income	17	(96,195)	-
Proceeds from disposal of property, plant and equipment		295,140	145,696
Proceeds from disposal of intangible assets		182	16,797
Proceeds from disposal of biological assets		52,750	106,877
Acquisition of subsidiary, net cash acquired	5	(22,608,431)	-
Dividend income from investment at fair value through other comprehensive income	14	65,250	81,563
Dividend received from associates		73,020	-
<i>Net cash used in investing activities</i>		<u>(26,125,839)</u>	<u>(8,036,667)</u>
<b>Cash flows from financing activities</b>			
Proceeds from loans and borrowings		40,725,550	18,868,500
Repayment of loans and borrowings		(7,251,190)	(8,914,344)
Payment of lease liability	4	(555,857)	-
Purchase of treasury shares		(100,640)	(3,486,610)
Finance costs paid		(2,516,626)	(2,031,264)
Dividend paid to shareholders of the Company	20	(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>25,209,427</u>	<u>(2,610,500)</u>
Effect of foreign exchange differences		21,921	(247,954)
<b>Net change in cash and cash equivalents</b>		<u>4,338,354</u>	<u>(1,359,709)</u>
<b>Cash and cash equivalents at the beginning of the period</b>	10	<u>7,770,686</u>	<u>9,170,390</u>
<b>Cash and cash equivalents at the end of the period</b>	10	<u>12,109,040</u>	<u>7,810,681</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 nine month period ended 30 September 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 nine month period ended 30 September 2019 comprise of the Company and its subsidiaries (together referred to as “the Group”) and its investment in associates.

The Group entered into a share purchase agreement to acquire additional equity interest in Mezzan Foods Company L.L.C. from 70% to 99% for a purchase consideration of KD 1.2 million. At the reporting date, the legal and other formalities in respect of acquisition are in process and has no impact on the condensed consolidated interim financial information as at and for the nine month period ended 30 September 2019.

This condensed consolidated interim financial information were authorised for issue by the Company’s board of directors on 6 November 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 nine month period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the year ending 31 December 2019.

**Notes to the condensed consolidated interim financial information**  
*for the nine month period ended 30 September 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').

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

**Notes to the condensed consolidated interim financial information**  
*for the nine month period ended 30 September 2019*

---

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 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:

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

**Notes to the condensed consolidated interim financial information**  
*for the nine month period ended 30 September 2019*

---

*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.

*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).

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

**Notes to the condensed consolidated interim financial information**  
*for the nine month period ended 30 September 2019*

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 September 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	(138,700)	(486,692)	(104,034)	(729,426)	
Interest expense	-	-	-	-	43,523
Acquisition of subsidiary (Note 5)	238,561	-	-	238,561	272,730
Payments of lease liability	-	-	-	-	(555,857)
Net foreign currency differences	(51)	(324)	(24)	(399)	(398)
As at 30 September 2019	<u>680,154</u>	<u>929,596</u>	<u>311,274</u>	<u>1,921,024</u>	<u>2,172,286</u>

**5. Business combination**

On 6 August 2019, the Group acquired 66.994% of equity shares in Kuwait Saudi Pharmaceutical Industries Company K.S.C.(Closed) ("Acquiree") for a purchase consideration of KD 20,967,606 and consequently exercises control over the Acquiree. The Group elected to measure NCI at the proportionate share of net assets of Acquiree.

The consideration paid and the provisional values of the identifiable assets and liabilities assumed as at 6 August 2019 was as follows:

	KD
Property and equipment	6,061,378
Right of use of assets	238,561
Inventories	6,176,084
Trade and other receivables	7,699,612
Cash and cash equivalents	607,398
Employees' end of service indemnity	(1,301,600)
Bank overdrafts	(3,248,223)
Notes payable	(687,085)
Due to related parties	(87,205)
Lease liability	(272,730)
Trade and other payables	(2,488,590)
<b>Total net identifiable assets acquired</b>	<b>12,697,600</b>
Cash paid	(19,967,606)
Contingent consideration payable	(1,000,000)
Non-controlling interests	(4,203,487)
Goodwill	<u>12,473,493</u>

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

**Notes to the condensed consolidated interim financial information**  
*for the nine month period ended 30 September 2019*

	<b>Cash flow on acquisition n KD</b>
Cash paid	19,967,606
Cash and cash equivalents of subsidiary	<u>(607,398)</u>
Net cash out flow on acquisition	19,360,208
Bank overdrafts of the subsidiary	<u>3,248,223</u>
Net cash out flow in the condensed consolidated statement of cash flows	<u><u>22,608,431</u></u>

The valuation techniques used for measuring the fair value of property, plant and equipment includes market comparison technique and cost technique: the valuation considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence, where applicable.

The goodwill recognised is attributable to the expected synergies and other benefits from combining the assets and activities of the Acquiree with those of the Group. Goodwill represents the future business potential and profit growth of the Acquiree. It comprises all of the intangibles that cannot be individually recognised such as the assembled workforce, future client relationships, the presence in geographic markets, the synergies that the Acquiree and the Group will obtain. At the reporting date, the Group is under the process to finalise the purchase price allocation. Consequently, provisional goodwill has not been allocated to any cash generating units and is currently included in “*Corporate Segment*”.

From the date of acquisition, the Acquiree contributed KD 1,806,500 of revenue and KD 381,034 to profit before tax of the Group. If the combination had taken place at the beginning of the year, revenue of the Group would have been KD 174,145,649 and profit before tax for the Group would have been KD 4,268,191.

Further, the management agreed to pay to the selling shareholders a contingent consideration of KD 1,000,000, which is subject to the outcome of certain business and financial related matters.

Acquisition-related costs amounting to KD 52,680 have been recognised as an expense within the “general and administrative expenses” line item in the condensed consolidated statement of profit or loss.

**6. Investment properties**

	<b>30 September 2019 KD</b>	<b>31 December 2018 KD (Audited)</b>	<b>30 September 2018 KD</b>
Balance at 1 January	4,095,856	4,176,695	4,176,695
Depreciation	(76,433)	(101,687)	(75,924)
Net foreign exchange differences	10,005	20,848	17,254
	<u>4,029,428</u>	<u>4,095,856</u>	<u>4,118,025</u>

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

**Notes to the condensed consolidated interim financial information**  
*for the nine month period ended 30 September 2019*

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 September 2019, the management does not anticipate any significant change in fair value of investment properties. The fair value of investment properties is categorized as Level 3 under fair value hierarchy.

Investment properties include land of KD 1,623,785 (31 December 2018: KD 1,619,787 and 30 September 2018: KD 1,618,388) 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.

**7. Inventories**

	<b>30 September 2019 KD</b>	<b>31 December 2018 KD (Audited)</b>	<b>30 September 2018 KD</b>
Goods for resale	25,896,482	28,357,400	20,088,563
Raw materials and consumables	14,000,152	9,709,988	9,941,250
Finished goods and work in progress	4,748,593	2,034,215	1,773,326
Goods in transit	1,794,141	1,754,750	2,206,562
	<u>46,439,368</u>	<u>41,856,353</u>	<u>34,009,701</u>
Provision for obsolete and slow-moving inventories	(1,825,424)	(885,138)	(866,853)
	<u>44,613,944</u>	<u>40,971,215</u>	<u>33,142,848</u>

The net provision for obsolete and slow-moving inventories of KD 443,232 (30 September 2018: reversal of KD 9,715 is included in cost of revenue in the consolidated statements of profit or loss.

**8. Trade and other receivables**

	<b>30 September 2019 KD</b>	<b>31 December 2018 KD (Audited)</b>	<b>30 September 2018 KD</b>
Trade receivables	69,792,800	47,510,505	53,007,658
Provision for expected credit losses	(8,802,432)	(5,379,015)	(4,592,412)
	<u>60,990,368</u>	<u>42,131,490</u>	<u>48,415,246</u>
Advances to suppliers	14,398,601	11,366,086	17,597,895
Prepaid expenses	1,967,342	1,528,200	1,543,597
Refundable deposits	861,302	837,394	842,510
Due from related parties (Note 9)	40,081	34,524	35,382
Other receivables	5,921,287	3,000,067	3,226,729
	<u>84,178,981</u>	<u>58,897,761</u>	<u>71,661,359</u>

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

**Notes to the condensed consolidated interim financial information**  
*for the nine month period ended 30 September 2019*

**9. 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:

	<b>30 September 2019 KD</b>	<b>31 December 2018 KD (Audited)</b>	<b>30 September 2018 KD</b>	
<b>Balances with related parties</b>				
<i>Due from related parties</i>				
Other related parties (Note 8)	40,081	34,524	35,382	
<i>Due to related parties (Note 13)</i>				
Shareholders	74,376	74,376	103,667	
Associates	1,520	1,719	9,504	
Other related parties	1,055,714	927,893	1,040,595	
	<u>1,131,610</u>	<u>1,003,988</u>	<u>1,153,766</u>	
	<b>2019 KD</b>	<b>2018 KD</b>	<b>2019 KD</b>	<b>2018 KD</b>
<b>Transactions with related parties</b>				
<i>Sales</i>				
Shareholders	4,977	4,339	15,877	12,427
Other related parties	11,343	41,836	28,720	130,106
<i>Cost of revenue</i>				
Other related parties	1,283,547	1,463,871	4,085,266	3,419,740
<i>General and administrative expenses</i>				
Other related parties	113,705	107,302)	351,005	338,266
<b>Key management compensation</b>				
Salaries and other short-term benefits	463,754	360,594	1,411,297	1,187,578
Employees' end of service benefits	26,079	22,899	75,236	65,423
	<u>489,833</u>	<u>383,493</u>	<u>1,486,533</u>	<u>1,253,001</u>
Board of directors' remuneration	18,750	25,000	56,250	75,000

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

**Notes to the condensed consolidated interim financial information**  
*for the nine month period ended 30 September 2019*

**10. Cash and cash equivalents**

	<b>30 September 2019 KD</b>	<b>31 December 2018 KD (Audited)</b>	<b>30 September 2018 KD</b>
Bank balances and cash	17,098,630	16,677,660	16,190,297
Bank overdrafts	<u>(4,989,590)</u>	<u>(8,906,974)</u>	<u>(8,379,616)</u>
Cash and cash equivalents in the condensed consolidated statement of cash flows	<u>12,109,040</u>	<u>7,770,686</u>	<u>7,810,681</u>

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

**11. Treasury shares**

	<b>30 September 2019 KD</b>	<b>31 December 2018 KD (Audited)</b>	<b>30 September 2018 KD</b>
Number of shares	6,780,000	6,578,950	4,964,388
Percentage of share capital	2.18%	2.11%	1.59 %
Cost ("KD")	4,563,800	4,463,160	3,524,110
Market value ("KD")	3,918,840	3,342,107	3,345,998

**12. Loans and borrowings**

	<b>30 September 2019 KD</b>	<b>31 December 2018 KD (Audited)</b>	<b>30 September 2018 KD</b>
<i>Current portion denominated in:</i>			
Kuwaiti Dinars	51,994,321	18,864,251	18,864,601
US Dollars	32,586,850	30,380,000	30,360,000
Saudi Riyal	<u>1,462,320</u>	<u>1,458,720</u>	<u>1,457,460</u>
	<u>86,043,491</u>	<u>50,702,971</u>	<u>50,682,061</u>
<i>Non-Current portion denominated in:</i>			
Saudi Riyal	1,462,320	2,552,760	2,914,920

During the period, the Group signed a short term loan facility ("Facility") of KD 30 million with a local financial institution to meet its working capital requirements. The Facility carries an interest rate of 1% per annum over and above the central bank of Kuwait discount rate and is fully repayable in June 2020. The Facility carries covenants which are tested on an annual basis. These covenants includes earnings before interest tax and depreciation allowance or net debt and tangible net worth. At the reporting date, the Group fully utilised the above said Facility.

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

**Notes to the condensed consolidated interim financial information**  
*for the nine month period ended 30 September 2019*

**13. Trade and other payables**

	<b>30 September 2019 KD</b>	<b>31 December 2018 KD (Audited)</b>	<b>30 September 2018 KD</b>
Trade payables	32,027,135	27,275,915	32,463,206
Accrued expenses	9,271,273	8,155,728	8,295,338
Contingent consideration payable (Note 5)	1,000,000	-	-
Advances from customers	12,855	15,710	15,760
Payables to related parties (Note 9)	1,131,610	1,003,988	1,153,766
Other payables	2,509,230	2,890,304	2,101,239
	<u>45,952,103</u>	<u>39,341,645</u>	<u>44,029,309</u>

**14. Other income**

	<b>Three month period ended 30 September</b>		<b>Nine month period ended 30 September</b>	
	<b>2019 KD</b>	<b>2018 KD</b>	<b>2019 KD</b>	<b>2018 KD</b>
Gain on disposal of property, plant and equipment	15,282	338	53,063	49,320
Foreign currency exchange gain	43,189	44,400	185,060	56,371
Dividend income	-	-	65,250	81,563
Other income	12,869	88,805	362,925	442,131
	<u>71,340</u>	<u>133,543</u>	<u>666,298</u>	<u>629,385</u>

**15. 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.

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.

	<b>Three month period ended 30 September</b>		<b>Nine month period ended 30 September</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Profit for the period (KD)	1,824,652	1,217,680	9,136,616	8,049,944
Weighted average number of ordinary shares outstanding during the period (after excluding treasury shares)	304,545,000	307,979,822	304,550,612	309,524,978
Earnings per share	5.99 fils	3.95 fils	30.00 fils	26.01 fils

## **16. 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.

### **Non-food segment**

**Fast Moving Consumer Goods ("FMCG") and Healthcare ("HC")** FMCG mainly comprises of distribution of health and beauty products, medicines, medical devices, manufacturing of medicine, 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.

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

**Notes to the condensed consolidated interim financial information**  
*for the nine month period ended 30 September 2019*

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

	30 September 2019							<i>Total</i> KD
	Food			Non-food		<i>Sub-total</i> KD	<i>Corporate</i> KD	
	<i>Food</i> KD	<i>Catering</i> KD	<i>Services</i> KD	<i>FMCG &amp; HC</i> KD	<i>Industrial</i> KD			
Revenues	83,073,669	26,789,849	12,594,782	43,652,728	3,674,683	47,327,411	28,794	169,814,505
Segment profit/ (loss)	4,565,660	1,351,417	2,936,605	3,894,799	123,633	4,018,432	(3,334,983)	9,537,131
Total Assets	118,099,499	30,298,828	10,866,143	70,115,447	9,591,005	79,706,452	27,839,799	266,810,721
Total Liabilities	21,155,522	10,554,180	2,365,532	18,149,266	2,678,175	20,827,441	93,123,589	148,026,264

  

	30 September 2018							<i>Total</i> KD
	Food			Non-food		<i>Sub-total</i> KD	<i>Corporate</i> KD	
	<i>Food</i> KD	<i>Catering</i> KD	<i>Services</i> KD	<i>FMCG &amp; HC</i> KD	<i>Industrial</i> KD			
Revenues	77,618,245	29,064,493	11,282,353	39,449,049	3,997,951	43,447,000	70,639	161,482,730
Segment profit/ (loss)	4,629,275	536,425	2,539,121	2,995,982	306,399	3,302,381	(2,613,872)	8,393,330
Total assets	117,133,621	29,154,594	10,681,484	44,926,626	9,875,111	54,801,737	12,017,165	223,788,601
Total liabilities	22,293,326	10,034,023	2,229,972	7,557,284	2,247,857	9,805,141	66,191,166	110,553,628

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

**Notes to the condensed consolidated interim financial information  
for the nine month period ended 30 September 2019**

	31 December 2018 (Audited)									
	Food			Non-food			Corporate			
	Food KD	Catering KD	Services KD	Sub-total KD	FMCG & HC KD	Industrial KD	Sub-total KD	Corporate KD		Total KD
Revenue	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:

	Kingdom of									
	Kuwait KD	Saudi Arabia KD	United Arab Emirates KD	Qatar KD	Jordan KD	Afghanistan KD	Iraq KD	Total KD		
<b>30 September 2019</b>										
Revenue	119,282,186	3,516,285	19,482,521	17,145,763	4,147,176	5,061,928	1,178,646	169,814,505		
Non-current assets	85,916,873	8,444,449	11,555,475	13,093,368	1,852,769	56,232	-	120,919,166		
<b>31 December 2018 (Audited)</b>										
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		
<b>30 September 2018</b>										
Revenue	115,315,931	3,024,187	17,733,800	15,987,041	3,748,199	4,082,864	1,590,708	161,482,730		
Non-current assets	67,846,707	8,545,911	11,421,005	12,942,094	1,992,818	45,562	-	102,794,097		

**Notes to the condensed consolidated interim financial information**  
*for the nine month period ended 30 September 2019*

**17. 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.

	<b>KD</b>
Balance at 1 January 2018- <b>(Audited)</b>	763,423
Re-measurement adjustment due to adoption of IFRS 9	953,967
Adjusted balance at 1 January 2018- <b>(Audited)</b>	<u>1,717,390</u>
Other change	16,395
Balance at 30 September 2018	<u>1,733,785</u>
Balance at 1 January 2018- <b>(Audited)</b>	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	(25,151)
Balance at 31 December 2018- <b>(Audited)</b>	<u>1,692,239</u>
Balance at 1 January 2019- <b>(Audited)</b>	1,692,239
Changes in fair value	151,463
Additional shares purchased	96,195
Balance at 30 September 2019	<u>1,939,897</u>

**Notes to the condensed consolidated interim financial information**  
*for the nine month period ended 30 September 2019*

*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	DLOM *	20% - 30%	Increase (decrease) in the discount would decrease (increase) the fair value.

Discount for lack of marketability (“DLOM”) 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.

	<b>KD</b>
Balance at 1 January 2018- (Audited)	696,571
Changes in fair value	61,201
Other changes	(164,419)
Balance at 30 September 2018	<u>593,353</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	48,240
Other changes	83,665
Balance at 30 September 2019	<u>717,715</u>

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

**Notes to the condensed consolidated interim financial information**  
*for the nine month period ended 30 September 2019*

**18. 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.

**19. 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 September 2019 KD	31 December 2018 KD (Audited)	30 September 2018 KD
Letter of guarantee	14,668,318	15,696,362	17,955,048

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 September 2019 KD	31 December 2018 KD (Audited)	30 September 2018 KD
<i>Capital expenditure commitments</i>			
Property, plant and equipment	6,471,850	5,783,820	6,029,868
Intangible assets	114,582	171,356	478,338
	<u>6,586,432</u>	<u>5,955,176</u>	<u>6,508,206</u>
<i>Operating leases</i>			
Future minimum rentals payable			
Within one year	-	3,488,251	1,739,726
After one year but not more than five years	-	247,388	186,392
<b>Total contracted operating lease expenditure</b>	-	<u>3,735,639</u>	<u>1,926,118</u>

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

**Notes to the condensed consolidated interim financial information**  
*for the nine month period ended 30 September 2019*

---

**20. 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 2018, 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 2018 approved the cash dividend.