

**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
three month ended 31 March 2020**

**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 31 March 2020 condensed consolidated interim financial information of Mezzan Holding Company K.S.C.P ("the Company") and its subsidiaries (together "the Group"), which comprises the condensed consolidated statement of financial position as at 31 March 2020, the condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three 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 these 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 condensed consolidated interim financial information as at and for the three months ended 31 March 2020 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.



Report on review of other legal and regulatory requirements

Furthermore, based on our review, the condensed consolidated interim financial information are 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 three month period ended 31 March 2020 that might have had material effect on the business of the Group or on its consolidated financial position.

A handwritten signature in blue ink, appearing to read 'Safi A. Al-Mutawa'.

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

Kuwait: 11 August 2020

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

Condensed consolidated statement of financial position
as at 31 March 2020

		31 March 2020 KD	31 December 2019 KD (Audited)	31 March 2019 KD
Assets	Notes			
Property, plant and equipment		78,813,650	78,105,537	79,138,221
Right of use assets		2,959,622	3,252,269	2,177,635
Intangible assets		29,555,403	29,400,613	13,645,273
Investment in associates		1,079,278	1,071,824	1,235,405
Investment properties	5	4,037,445	3,990,822	4,081,737
Biological assets	16	815,063	722,751	603,201
Investments at fair value through other comprehensive income	16	1,933,479	1,933,479	1,692,239
Non-current assets		<u>119,193,940</u>	<u>118,477,295</u>	<u>102,573,711</u>
Inventories	6	41,159,937	46,308,056	35,273,013
Trade and other receivables	7	97,446,922	78,362,148	71,152,449
Cash and cash equivalents	9	19,102,804	17,182,905	15,647,402
Current assets		<u>157,709,663</u>	<u>141,853,109</u>	<u>122,072,864</u>
Total assets		<u>276,903,603</u>	<u>260,330,404</u>	<u>224,646,575</u>
Equity				
Share capital		31,132,500	31,132,500	31,132,500
Treasury shares	10	(4,563,800)	(4,563,800)	(4,563,800)
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		1,120,264	1,120,264	975,219
Foreign currency translation reserve		(311,021)	(472,540)	(398,408)
Other reserve		(1,763,509)	(1,763,509)	(1,210,669)
Retained earnings		51,582,701	46,939,964	51,247,445
Equity attributable to shareholders of the Company		<u>110,399,805</u>	<u>105,595,549</u>	<u>110,384,957</u>
Non-controlling interests		8,541,580	8,024,852	4,459,129
Total equity		<u>118,941,385</u>	<u>113,620,401</u>	<u>114,844,086</u>
Liabilities				
Loans and borrowings	11	742,050	1,093,230	2,559,690
Lease liabilities		1,762,182	2,030,641	1,347,225
Employee's end of service indemnity		7,443,767	7,275,294	5,911,439
Non-current liabilities		<u>9,947,999</u>	<u>10,399,165</u>	<u>9,818,354</u>
Loans and borrowings	11	84,767,868	85,924,560	49,572,911
Bank overdrafts	9	6,586,619	4,556,790	9,432,687
Lease liabilities		956,417	975,990	830,410
Trade and other payables	12	55,703,315	44,853,498	40,148,127
Current liabilities		<u>148,014,219</u>	<u>136,310,838</u>	<u>99,984,135</u>
Total liabilities		<u>157,962,218</u>	<u>146,710,003</u>	<u>109,802,489</u>
Total equity and liabilities		<u>276,903,603</u>	<u>260,330,404</u>	<u>224,646,575</u>

The accompanying notes form an integral part of these 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 month period ended 31 March 2020

	Notes	2020 KD	2019 KD
Revenues	15	74,404,440	62,646,240
Cost of revenue		<u>(57,795,745)</u>	<u>(48,153,839)</u>
Gross profit		16,608,695	14,492,401
Selling and distribution expenses		(4,972,495)	(4,799,551)
General and administrative expenses		(5,120,929)	(3,857,650)
Other (expense) / income	13	<u>(122,314)</u>	<u>231,753</u>
Results from operating activities		6,392,957	6,066,953
Finance costs		(1,006,052)	(828,064)
Share of results of associates		<u>8,454</u>	<u>20,000</u>
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		5,395,359	5,258,889
KFAS		(48,819)	(53,108)
NLST		(122,583)	(120,385)
Zakat		(49,034)	(48,154)
Board of directors’ remuneration	8	<u>(18,750)</u>	<u>(18,750)</u>
Profit for the period		<u><u>5,156,173</u></u>	<u><u>5,018,492</u></u>
Profit attributable to:			
Shareholders of the Company		4,642,737	5,070,398
Non-controlling interests		<u>513,436</u>	<u>(51,906)</u>
		<u><u>5,156,173</u></u>	<u><u>5,018,492</u></u>
Earnings per share (basic and diluted) (fils)	14	<u><u>15.24</u></u>	<u><u>16.65</u></u>

The accompanying notes form an integral part of these 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 month period ended 31 March 2020

	2020	2019
	KD	KD
Profit for the period	5,156,173	5,018,492
<i>Other comprehensive income</i>		
<i>Items that are or may be reclassified subsequently to profit or loss</i>		
Foreign currency translation differences on foreign operations	402,600	134,801
Net investment hedge loss	<u>(237,789)</u>	<u>(40,963)</u>
<i>Other comprehensive income</i>	<u>164,811</u>	<u>93,838</u>
Total comprehensive income for the period	<u>5,320,984</u>	<u>5,112,330</u>
Total comprehensive income attributable to:		
Shareholders of the Company	4,804,256	5,143,139
Non-controlling interests	<u>516,728</u>	<u>(30,809)</u>
Total comprehensive income for the period	<u>5,320,984</u>	<u>5,112,330</u>

The accompanying notes form an integral part of these 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 three month period ended 31 March 2020

	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 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
Impact of correction of error (Note 19)	-	-	-	-	-	(2,942)	-	(714,360)	(717,302)	-	(717,302)
Restated balance at 1 January 2019	31,132,500	(4,463,160)	16,601,335	16,601,335	975,219	(471,149)	(1,210,669)	46,177,047	105,342,458	4,489,938	109,832,396
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	5,070,398	5,070,398	(51,906)	5,018,492
<i>Other comprehensive income</i>											
Foreign currency translation	-	-	-	-	-	72,741	-	-	72,741	21,097	93,838
Total comprehensive income for the period	-	-	-	-	-	72,741	-	5,070,398	5,143,139	(30,809)	5,112,330
Purchase of treasury shares	-	(100,640)	-	-	-	-	-	-	(100,640)	-	(100,640)
Balance at 31 March 2019	<u>31,132,500</u>	<u>(4,563,800)</u>	<u>16,601,335</u>	<u>16,601,335</u>	<u>975,219</u>	<u>(398,408)</u>	<u>(1,210,669)</u>	<u>51,247,445</u>	<u>110,384,957</u>	<u>4,459,129</u>	<u>114,844,086</u>

The accompanying notes form an integral part of these 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 three month period ended 31 March 2020

	Attributable to shareholders of the Company										Total equity KD
	Share capital	Treasury shares	Statutory reserve	Voluntary reserve	Fair value reserve	Foreign currency translation reserve	Other reserve	Retained earnings	Total	Non-controlling interests	
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	
Balance at 1 January 2020	31,132,500	(4,563,800)	16,601,335	16,601,335	1,120,264	(472,540)	(1,763,509)	46,939,964	105,595,549	8,024,852	113,620,401
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	4,642,737	4,642,737	513,436	5,156,173
<i>Other comprehensive income</i>											
Foreign currency translation	-	-	-	-	-	161,519	-	-	161,519	3,292	164,811
Total comprehensive income for the period	-	-	-	-	-	161,519	-	4,642,737	4,804,256	516,728	5,320,984
Balance at 31 March 2020	31,132,500	(4,563,800)	16,601,335	16,601,335	1,120,264	(311,021)	(1,763,509)	51,582,701	110,399,805	8,541,580	118,941,385

The accompanying notes form an integral part of these 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 three month period ended 31 March 2020**

	Notes	2020 KD	2019 KD
Cash flows from operating activities			
Profit for the period before contribution to KFAS, NLST, Zakat and board of directors' remuneration		5,395,359	5,258,889
<i>Adjustment for:</i>			
Depreciation		2,083,016	1,718,983
Amortisation of intangible assets		91,024	75,567
Share of results of associates		(8,454)	(20,000)
Provision for employees' end of service benefits		320,235	402,147
(Reversal of) / provision for obsolete and slow-moving inventories	6	(153,504)	82,813
Provision for / (reversal of) expected credit losses		338,473	(340,052)
Gain on disposal of property, plant and equipment	13	(773)	(17,513)
Gain on change in fair value of biological assets	16	(31,620)	(19,590)
Gain on disposal of biological assets		(776)	(7,245)
Write-off of biological assets	16	2,554	5,439
Finance costs		1,006,052	828,064
Foreign currency exchange loss / (gain)	13	175,762	(38,998)
		<u>9,217,348</u>	<u>7,928,504</u>
<i>Changes in:</i>			
- inventories		5,307,784	5,614,825
- trade and other receivables		(19,379,465)	(11,906,094)
- changes in related parties balances- net		166,913	359,897
- trade and other payables		<u>10,258,134</u>	<u>292,347</u>
<i>Net cash generated from operations</i>		<u>5,570,714</u>	<u>2,289,479</u>
Employees' end of service benefits paid		<u>(177,562)</u>	<u>(339,320)</u>
<i>Net cash from operating activities</i>		<u>5,393,152</u>	<u>1,950,159</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,998,559)	(1,248,525)
Purchase of intangible assets		-	(88,029)
Purchase of biological assets	16	(77,265)	(21,250)
Proceeds from disposal of property, plant and equipment		10,727	142,859
Proceeds from disposal of intangible assets		679	182
Dividend income received from associates		1,000	-
Proceeds from disposal of biological assets		<u>14,795</u>	<u>25,255</u>
<i>Net cash used in investing activities</i>		<u>(2,048,623)</u>	<u>(1,189,508)</u>
Cash flows from financing activities			
Proceeds from loans and borrowings		-	1,382,000
Repayment of loans and borrowings		(2,136,422)	(2,604,265)
Payment of lease liability		(288,032)	(234,653)
Purchase of treasury shares		-	(100,640)
Finance costs paid		<u>(1,006,052)</u>	<u>(828,064)</u>
<i>Net cash used in financing activities</i>		<u>(3,430,506)</u>	<u>(2,385,622)</u>
Effect of foreign exchange differences		<u>(23,953)</u>	<u>69,000</u>
Net change in cash and cash equivalents		<u>(109,930)</u>	<u>(1,555,971)</u>
Cash and cash equivalents at the beginning of the period	9	<u>12,626,115</u>	<u>7,770,686</u>
Cash and cash equivalents at the end of the period	9	<u>12,516,185</u>	<u>6,214,715</u>

The accompanying notes form an integral part of these 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 three month period ended 31 March 2020

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.

These condensed consolidated interim financial information as at and for the three month period ended 31 March 2020 comprise of the Company and its subsidiaries (together referred to as “the Group”) and its investment in associates.

These condensed consolidated interim financial information were authorised for issue by the Company’s board of directors on 11 August 2020

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 2019 (‘last annual consolidated financial statements’). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS. 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 annual consolidated financial statements. Operating results for the three month period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the year ending 31 December 2020.

Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2020

3. Judgments and estimates

In preparing these condensed consolidated interim financial information, management has made judgments and estimates 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 2019.

However, as explained in Note 21, the Group has reviewed the key sources of estimation uncertainties disclosed in the Group's last annual consolidated financial statements against the backdrop of Covid-19 pandemic. Management believes that sources of estimation uncertainty remain similar to those disclosed in the Group's last annual consolidated financial statements. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

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 2019, except for the adoption of the amendments and annual improvements to IFRS which are effective for annual reporting period starting from 1 January 2020. These changes did not result in any material impact on the accounting policies, financial position or performance of the Group.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted. However, the Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

5. Investment properties

	31 March 2020 KD	31 December 2019 KD (Audited)	31 March 2019 KD
Balance at 1 January	3,990,822	4,095,856	4,095,856
Depreciation	(25,549)	(102,190)	(25,194)
Net foreign exchange differences	72,172	(2,844)	11,075
	<u>4,037,445</u>	<u>3,990,822</u>	<u>4,081,737</u>

As at 31 December 2019, the fair value of investment property was determined by external, independent property valuer, having an appropriate recognised professional qualifications and recent experience in the location and category of the property being valued and have used generally accepted valuation techniques. Because of the inherent uncertainty of the valuation of investment property, the estimated fair value may differ from the value that would have been used had a ready market existed for this investment property. At the reporting date, the fair value of land and building amounts to KD 5,170,978 and KD 2,330,410 (31 December 2019: land and building of KD 5,170,978 and KD 2,330,410 and 31 March 2019: land and building of KD 5,424,714 and KD 2,338,468) respectively.

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

Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2020

As at 31 March 2020, 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.

At the reporting date, the investment properties include freehold land that has an indefinite economic life and is therefore not depreciated.

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

6. Inventories

	31 March 2020 KD	31 December 2019 KD (Audited)	31 March 2019 KD
Goods for resale	25,153,324	29,768,606	22,994,601
Raw materials and consumables	12,173,238	12,798,231	9,681,115
Finished goods and work in progress	2,958,353	3,216,858	1,774,986
Goods in transit	2,854,215	2,595,085	1,804,883
	<u>43,139,130</u>	<u>48,378,780</u>	<u>36,255,585</u>
Provision for obsolete and slow-moving inventories	(1,979,193)	(2,070,724)	(982,572)
	<u>41,159,937</u>	<u>46,308,056</u>	<u>35,273,013</u>

The net reversal for obsolete and slow-moving inventories of KD 153,504 (31 March 2019: net provision for obsolete and slow-moving inventories of KD 82,813) is included in cost of revenue in the condensed consolidated statement of profit or loss.

7. Trade and other receivables

	31 March 2020 KD	31 December 2019 KD (Audited)	31 March 2019 KD
Trade receivables	81,784,745	66,166,921	57,304,341
Provision for expected credit losses	(8,034,275)	(7,716,880)	(5,027,695)
	<u>73,750,470</u>	<u>58,450,041</u>	<u>52,276,646</u>
Advances to suppliers	15,317,702	12,043,938	12,521,286
Prepaid expenses	1,790,763	1,642,438	1,814,162
Refundable deposits	807,377	846,649	852,082
Due from related parties (Note 8)	44,861	35,039	46,844
Other receivables	5,735,749	5,344,043	3,641,429
	<u>97,446,922</u>	<u>78,362,148</u>	<u>71,152,449</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.

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

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2020**

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the six month period ended 31 March 2020, the Group has not recorded any provision for expected credit losses relating to amounts owed by related parties (31 December 2019 and 31 March 2019: Nil). This assessment is undertaken each reporting period through examining the financial position of the related party and the market in which the related party operates.

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

	31 March 2020 KD	31 December 2019 KD (Audited)	31 March 2019 KD
Balances with related parties			
<i>Due from related parties (Note 7)</i>			
Associates	-	-	8,592
Other related parties	44,861	35,039	38,252
	<u>44,861</u>	<u>35,039</u>	<u>46,844</u>
 <i>Due to related parties (Note 12)</i>			
Shareholders	310,304	311,011	74,376
Associates	451	2,819	2,664
Other related parties	1,849,193	1,669,383	1,299,919
	<u>2,159,948</u>	<u>1,983,213</u>	<u>1,376,959</u>
		2020 KD	2019 KD
Transactions with related parties			
<i>Sales</i>			
Shareholders		5,541	4,409
Other related parties		12,374	7,402
		<u>17,915</u>	<u>11,811</u>
 <i>Cost of revenue</i>			
Other related parties		3,318,569	1,458,846
 <i>General and administrative expenses</i>			
Other related parties		107,701	116,321

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.

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

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2020**

Key management compensation		
Salaries and other short-term benefits	535,572	449,538
Employees' end of service benefits	29,266	21,894
	<u>564,838</u>	<u>471,432</u>
Board of directors' remuneration	18,750	18,750

9. Cash and cash equivalents

	31 March 2020 KD	31 December 2019 KD (Audited)	31 March 2019 KD
Bank balances and cash	19,102,804	17,182,905	15,647,402
Bank overdrafts	<u>(6,586,619)</u>	<u>(4,556,790)</u>	<u>(9,432,687)</u>
Cash and cash equivalents in the condensed consolidated statement of cash flows	<u>12,516,185</u>	<u>12,626,115</u>	<u>6,214,715</u>

Bank overdrafts are repayable on demand and carry an average effective interest rate of 3.75% (31 December 2019: 3.75% and 31 March 2019: 4%) per annum.

10. Treasury shares

	31 March 2020 KD	31 December 2019 KD (Audited)	31 March 2019 KD
Number of shares	6,780,000	6,780,000	6,780,000
Percentage of share capital	2.18%	2.18%	2.18%
Cost ("KD")	4,563,800	4,563,800	4,563,800
Market value ("KD")	3,206,940	3,387,901	3,322,200

11. Loans and borrowings

	31 March 2020 KD	31 December 2019 KD (Audited)	31 March 2019 KD
<i>Current portion denominated in:</i>			
Kuwaiti Dinars	50,215,418	51,987,070	18,005,901
US Dollars	33,068,350	32,479,850	30,470,000
Saudi Riyal	<u>1,484,100</u>	<u>1,457,640</u>	<u>1,097,010</u>
	<u>84,767,868</u>	<u>85,924,560</u>	<u>49,572,911</u>
<i>Non-Current portion denominated in:</i>			
Saudi Riyal	742,050	1,093,230	2,559,690

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Included in loans and borrowings is an amount of KD 83,168,350 (31 December 2019: KD 81,479,850 and 31 March 2019: KD 48,475,901) which represents revolving facilities and the management is confident that the facilities will be renewed on expiry.

Loans and borrowings in Kuwaiti Dinars include KD 11,000,000 (31 December 2019: KD 9,496,251 and 31 March 2019: KD 9,495,901) borrowed from a local Islamic banking institution.

12. Trade and other payables

	31 March 2020 KD	31 December 2019 KD (Audited)	31 March 2019 KD
Trade payables	39,984,220	30,954,407	26,335,287
Accrued expenses	10,127,643	8,893,516	8,632,717
Advances from customers	14,799	18,995	13,693
Payables to related parties (Note 8)	2,159,948	1,983,213	1,376,959
Other payables	3,416,705	3,003,367	3,789,471
	<u>55,703,315</u>	<u>44,853,498</u>	<u>40,148,127</u>

13. Other (expenses) / income

	2020 KD	2019 KD
Gain on disposal of property, plant and equipment	773	17,513
Foreign currency exchange (loss) / gain	(175,762)	38,998
Other income	52,675	175,242
	<u>(122,314)</u>	<u>231,753</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.

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.

	2020	2019
Profit for the period (KD)	4,642,737	5,070,398
Weighted average number of ordinary shares outstanding during the period (after excluding treasury shares)	304,545,000	304,562,023
Earnings per share	15.24 fils	16.65 fils

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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.

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.

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

	31 March 2020								
	Food				Non-food			Corporate	Total
	<i>Food</i> KD	<i>Catering</i> KD	<i>Services</i> KD	<i>Sub-total</i> KD	<i>FMCG & HC</i> KD	<i>Industrial</i> KD	<i>Sub-total</i> KD	KD	KD
Revenues	33,083,029	8,695,642	4,484,281	46,262,952	26,943,355	1,197,783	28,141,138	350	74,404,440
Segment profit/ (loss)	2,387,034	436,680	987,422	3,811,136	2,946,615	132,589	3,079,204	(1,494,981)	5,395,359
Total Assets	127,022,054	28,798,548	10,524,523	166,345,125	79,469,954	9,359,145	88,829,099	21,729,379	276,903,603
Total Liabilities	25,501,980	10,159,196	2,158,863	37,820,039	18,706,253	2,664,620	21,370,873	98,771,306	157,962,218
	31 March 2019								
	Food				Non-food			Corporate	Total
	<i>Food</i> KD	<i>Catering</i> KD	<i>Services</i> KD	<i>Sub-total</i> KD	<i>FMCG & HC</i> KD	<i>Industrial</i> KD	<i>Sub-total</i> KD	KD	KD
Revenues	29,874,295	8,846,760	3,872,052	42,593,107	18,608,925	1,454,117	20,063,042	(9,909)	62,646,240
Segment profit/ (loss)	2,503,807	586,332	917,045	4,007,184	2,126,473	171,803	2,298,276	(1,046,571)	5,258,889
Total assets	118,536,683	28,631,767	10,996,981	158,165,431	44,819,135	9,592,148	54,411,283	12,069,861	224,646,575
Total liabilities	19,812,040	9,987,963	2,351,318	32,151,321	8,812,520	2,583,423	11,395,943	66,255,225	109,802,489

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31 December 2019 (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 & HC KD</i>	<i>Industrial KD</i>	<i>Sub-total KD</i>	KD	
Revenue	107,597,706	35,573,095	17,265,258	160,436,059	56,955,255	5,073,844	62,029,099	1,200	222,466,358
Segment profit/ (loss)	2,963,356	1,203,956	2,559,449	6,726,761	5,750,256	326,867	6,077,123	(6,169,122)	6,634,762
Total assets	113,974,171	28,931,539	8,997,773	151,903,483	73,003,551	11,597,652	84,601,203	23,825,718	260,330,404
Total liabilities	20,659,875	9,770,413	1,754,592	32,184,880	20,858,618	2,396,938	23,255,556	91,269,567	146,710,003

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

	Kuwait KD	Kingdom of Saudi Arabia KD	United Arab Emirates KD	Qatar KD	Jordan KD	Afghanistan KD	Iraq KD	Total KD
31 March 2020								
Revenue	56,861,857	1,276,738	7,053,679	5,427,393	1,513,540	1,492,969	778,264	74,404,440
Non-current assets	84,050,940	8,004,613	12,844,964	13,094,359	1,175,941	23,123	-	119,193,940
31 December 2019 (Audited)								
Revenue	154,360,373	4,536,389	26,350,490	22,829,891	5,522,894	6,784,127	2,082,194	222,466,358
Non-current assets	83,733,823	7,954,370	12,531,074	13,050,779	1,184,793	22,456	-	118,477,295
31 March 2019								
Revenue	45,393,560	1,463,210	7,007,859	5,631,222	1,544,629	1,431,261	174,499	62,646,240
Non-current assets	67,202,001	8,705,427	12,183,621	13,261,548	1,165,532	55,582	-	102,573,711

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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 2019.

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 2019- (Audited)	1,692,239
Change in fair value	-
Balance at 31 March 2019	<u>1,692,239</u>
Balance at 1 January 2019- (Audited)	1,692,239
Additional shares purchased	145,045
Changes in fair value	96,195
Balance at 31 December 2019- (Audited)	<u>1,933,479</u>
Balance at 1 January 2020- (Audited)	1,933,479
Changes in fair value	-
Balance at 31 March 2020	<u>1,933,479</u>

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.

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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.

	KD
Balance at 1 January 2019- (Audited)	585,810
Write offs	(5,439)
Purchase of livestock	21,250
Sale of livestock	(18,010)
Changes in fair value	19,590
Balance at 31 March 2019	<u>603,201</u>
Balance at 1 January 2019- (Audited)	585,810
Write offs	(15,896)
Purchase of livestock	108,420
Sale of livestock	(90,088)
Changes in fair value	134,505
Balance at 31 December 2019- (Audited)	<u>722,751</u>
Balance at 1 January 2020- (Audited)	722,751
Write offs	(2,554)
Purchase of livestock	77,265
Sale of livestock	(14,018)
Changes in fair value	31,619
Balance at 31 March 2020	<u>815,063</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 2019.

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:

	31 March 2020 KD	31 December 2019 KD (Audited)	31 March 2019 KD
Letter of guarantee	17,509,424	16,970,861	15,692,891

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

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

	31 March 2020 KD	31 December 2019 KD (Audited)	31 March 2019 KD
<i>Capital expenditure commitments</i>			
Property, plant and equipment	7,295,406	9,537,712	7,241,444
Intangible assets	419,498	419,498	152,625
	<u>7,714,904</u>	<u>9,957,210</u>	<u>7,394,069</u>

19. Basis of restatement in 2019

In 2019, the Group determined that an impairment loss relating to property, plant and equipment of a subsidiary, amounting to KD 748,020 had not been recognised in the consolidated financial statements as at and for the year ended 31 December 2018, resulting in primarily overstatement of property, plant and equipment and equity attributable to the shareholders of the Company as at 31 December 2018. This was corrected in 4th quarter of 2019 by restating each of the affected consolidated financial statement line items of 2018 including a net impact of KD 717,302 on equity at 1 January 2019.

20. Annual General Assembly

The Board of Directors meeting held on 8 April 2020, proposed cash dividend of 15 fils per share for the year ended 31 December 2019. The shareholders in the annual general assembly meeting held on 10 May 2020 approved the cash dividend.

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.

21. COVID 19 Update

In response to the spread of the Covid-19 in Gulf Cooperation Council and other territories where Group operates and its resulting disruptions to the social and economic activities in those markets, the Group's management has proactively assessed its impacts on its operations and has taken a series of preventive measures to ensure the health and safety of its employees, customers, consumers and wider community as well as to ensure the continuity of supply of its products throughout its markets. Notwithstanding these challenges, the business operations currently remain largely unaffected as the Food & FMCG industry in general is exempted from various restrictions and constraints imposed by authorities including exemption from curfew hours and cargo shipping and flight operations restrictions. Based on these factors, the Group's management believes that the Covid-19 pandemic has had no material effects on the Group's reported financial results for the three period ended 31 March 2020. The Group's management continues to monitor the situation closely.