

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

**Independent auditor's review report and condensed  
consolidated interim financial information  
for the six months ended 30 June 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 30 June 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 30 June 2020, the condensed consolidated statements of profit or loss and comprehensive income for the three and six month periods ended 30 June 2020, the condensed consolidated statements of changes in equity and cash flows for the six month period then ended, and notes to the condensed consolidated interim financial information. Management is responsible for the preparation and presentation of these 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 six months ended 30 June 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 six month period ended 30 June 2020 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: 11 August 2020

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

Condensed consolidated statement of financial position  
as at 30 June 2020

		30 June 2020 KD	31 December 2019 KD (Audited)	30 June 2019 KD
<b>Assets</b>				
Property, plant and equipment		77,434,593	78,105,537	78,752,188
Right of use assets		2,749,042	3,252,269	1,928,196
Intangible assets		29,429,578	29,400,613	13,527,687
Investment in associates		1,106,286	1,071,824	1,162,385
Investment properties	5	4,001,893	3,990,822	4,042,242
Biological assets	16	818,552	722,751	701,625
Investments at fair value through other comprehensive income	16	2,856,408	1,933,479	1,891,522
<b>Non-current assets</b>		<u>118,396,352</u>	<u>118,477,295</u>	<u>102,005,845</u>
Inventories	6	43,346,801	46,308,056	35,509,152
Trade and other receivables	7	85,070,440	78,362,148	73,827,183
Cash and cash equivalents	9	15,840,711	17,182,905	10,557,976
<b>Current assets</b>		<u>144,257,952</u>	<u>141,853,109</u>	<u>119,894,311</u>
<b>Total assets</b>		<u>262,654,304</u>	<u>260,330,404</u>	<u>221,900,156</u>
<b>Equity</b>				
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		2,043,193	1,120,264	1,078,307
Foreign currency translation reserve		(335,070)	(472,540)	(435,951)
Other reserve		(1,763,509)	(1,763,509)	(1,210,669)
Retained earnings		50,493,354	46,939,964	48,616,291
<b>Equity attributable to shareholders of the Company</b>		<u>110,209,338</u>	<u>105,595,549</u>	<u>107,819,348</u>
Non-controlling interests		8,917,741	8,024,852	4,161,399
<b>Total equity</b>		<u>119,127,079</u>	<u>113,620,401</u>	<u>111,980,747</u>
<b>Liabilities</b>				
Loans and borrowings	11	370,125	1,093,230	1,822,050
Lease liabilities		1,606,589	2,030,641	1,205,118
Employee's end of service indemnity		7,504,788	7,275,294	6,002,643
<b>Non-current liabilities</b>		<u>9,481,502</u>	<u>10,399,165</u>	<u>9,029,811</u>
Loans and borrowings	11	71,903,062	85,924,560	52,327,640
Bank overdrafts	9	1,196,634	4,556,790	9,503,968
Lease liabilities		935,209	975,990	705,654
Trade and other payables	12	60,010,818	44,853,498	38,352,336
<b>Current liabilities</b>		<u>134,045,723</u>	<u>136,310,838</u>	<u>100,889,598</u>
<b>Total liabilities</b>		<u>143,527,225</u>	<u>146,710,003</u>	<u>109,919,409</u>
<b>Total equity and liabilities</b>		<u>262,654,304</u>	<u>260,330,404</u>	<u>221,900,156</u>

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

Mohammed Jassim Al Wazzan  
Vice Chairman

Garrett Walsh  
Chief Executive Officer



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

**Condensed consolidated statement of profit or loss**  
*for the three and six month periods ended 30 June 2020*

	Notes	Three month period ended		Six month period ended	
		30 June		30 June	
		2020	2019	2020	2019
		KD	KD	KD	KD
Revenues		59,850,749	52,389,143	134,255,189	115,035,383
Cost of revenue		(44,578,422)	(40,594,887)	(102,374,167)	(88,748,726)
<b>Gross profit</b>		<b>15,272,327</b>	<b>11,794,256</b>	<b>31,881,022</b>	<b>26,286,657</b>
Selling and distribution expenses		(4,962,983)	(4,493,197)	(9,935,478)	(9,292,748)
General and administrative expenses		(5,560,376)	(4,556,745)	(10,681,305)	(8,414,395)
Other income	13	179,581	363,205	57,267	594,958
<b>Results from operating activities</b>		<b>4,928,549</b>	<b>3,107,519</b>	<b>11,321,506</b>	<b>9,174,472</b>
Finance costs		(875,370)	(778,685)	(1,881,422)	(1,606,749)
Share of results of associates		27,008	(25,820)	35,462	(5,820)
<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>4,080,187</b>	<b>2,303,014</b>	<b>9,475,546</b>	<b>7,561,903</b>
KFAS		(37,034)	(23,779)	(85,853)	(76,887)
NLST		(121,211)	(67,450)	(243,794)	(187,835)
Zakat		(47,597)	(26,328)	(96,631)	(74,482)
Board of directors’ remuneration	8	(18,750)	(18,750)	(37,500)	(37,500)
<b>Profit for the period</b>		<b>3,855,595</b>	<b>2,166,707</b>	<b>9,011,768</b>	<b>7,185,199</b>
<b>Profit attributable to:</b>					
Shareholders of the Company		3,478,828	2,241,566	8,121,565	7,311,964
Non-controlling interests		376,767	(74,859)	890,203	(126,765)
		<b>3,855,595</b>	<b>2,166,707</b>	<b>9,011,768</b>	<b>7,185,199</b>
<b>Earnings per share (basic and diluted) (fils)</b>	14	<b>11.42</b>	<b>7.36</b>	<b>26.67</b>	<b>24.01</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 six month periods ended 30 June 2020*

	<b>Three month period ended</b>		<b>Six month period ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>
Profit for the period	3,855,595	2,166,707	9,011,768	7,185,199
<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	(55,665)	(126,737)	346,935	8,064
Net investment hedge- net gain / (loss)	31,010	85,413	(206,779)	44,450
	<u>(24,655)</u>	<u>(41,324)</u>	<u>140,156</u>	<u>52,514</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	922,929	103,088	922,929	103,088
	<u>922,929</u>	<u>103,088</u>	<u>922,929</u>	<u>103,088</u>
<i>Other comprehensive income</i>	<u>898,274</u>	<u>61,764</u>	<u>1,063,085</u>	<u>155,602</u>
<b>Total comprehensive income for the period</b>	<u><u>4,729,214</u></u>	<u><u>2,228,471</u></u>	<u><u>10,074,853</u></u>	<u><u>7,340,801</u></u>
<b>Total comprehensive income attributable to:</b>				
Shareholders of the Company	4,353,053	2,307,111	9,181,964	7,450,250
Non-controlling interests	376,161	(78,640)	892,889	(109,449)
<b>Total comprehensive income for the period</b>	<u><u>4,729,214</u></u>	<u><u>2,228,471</u></u>	<u><u>10,074,853</u></u>	<u><u>7,340,801</u></u>

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

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

**Condensed consolidated statement of changes in equity**  
*for the six month period ended 30 June 2020*

	Attributable to shareholders of the Company									Non-controlling interests KD	Total equity KD
	Share capital KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Other reserve KD	Retained earnings KD	Total 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
Impact of correction of error (Note 19)	-	-	-	-	-	(2,942)	-	(714,360)	(717,302)	-	(717,302)
<b>Adjusted balance at 1 January 2019</b>	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
Profit for the period	-	-	-	-	-	-	-	7,311,964	7,311,964	(126,765)	7,185,199
<i>Other comprehensive income</i>											
Change in fair value of investments at fair value through other comprehensive income (Note 16)	-	-	-	-	103,088	-	-	-	103,088	-	103,088
Foreign currency translation	-	-	-	-	-	35,198	-	-	35,198	17,316	52,514
<b>Total comprehensive income for the period</b>	-	-	-	-	103,088	35,198	-	7,311,964	7,450,250	(109,449)	7,340,801
Purchase of treasury shares	-	(100,640)	-	-	-	-	-	-	(100,640)	-	(100,640)
Dividend paid to the shareholders of the Company (Note 20)	-	-	-	-	-	-	-	(4,872,720)	(4,872,720)	-	(4,872,720)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(219,090)	(219,090)
<b>Balance at 30 June 2019</b>	<u>31,132,500</u>	<u>(4,563,800)</u>	<u>16,601,335</u>	<u>16,601,335</u>	<u>1,078,307</u>	<u>(435,951)</u>	<u>(1,210,669)</u>	<u>48,616,291</u>	<u>107,819,348</u>	<u>4,161,399</u>	<u>111,980,747</u>

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

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

**Condensed consolidated statement of changes in equity**  
*for the six month period ended 30 June 2020*

	Attributable to shareholders of the Company								Total KD	Non- controlling interests KD	Total equity KD
	Share capital KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Other reserve KD	Retained earnings KD			
<b>Balance at 1 January 2020</b>	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
<b>Total comprehensive income for the period</b>											
Profit for the period	-	-	-	-	-	-	-	8,121,565	8,121,565	890,203	9,011,768
<i>Other comprehensive income</i>											
Change in fair value of investments at fair value through other comprehensive income (Note 16)	-	-	-	-	922,929	-	-	-	922,929	-	922,929
Foreign currency translation	-	-	-	-	-	137,470	-	-	137,470	2,686	140,156
<b>Total comprehensive income for the period</b>	-	-	-	-	922,929	137,470	-	8,121,565	9,181,964	892,889	10,074,853
Dividend payable to the shareholders of the Company (Note 20)	-	-	-	-	-	-	-	(4,568,175)	(4,568,175)	-	(4,568,175)
<b>Balance at 30 June 2020</b>	<u>31,132,500</u>	<u>(4,563,800)</u>	<u>16,601,335</u>	<u>16,601,335</u>	<u>2,043,193</u>	<u>(335,070)</u>	<u>(1,763,509)</u>	<u>50,493,354</u>	<u>110,209,338</u>	<u>8,917,741</u>	<u>119,127,079</u>

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

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

**Condensed consolidated statement of cash flows**  
*for the six month period ended 30 June 2020*

	Notes	2020 KD	2019 KD
<b>Cash flows from operating activities</b>			
Profit for the period before contribution to KFAS, NLST, Zakat and board of directors' remuneration		9,475,546	7,561,903
<i>Adjustment for:</i>			
Depreciation		4,204,207	3,463,020
Amortisation of intangible assets		192,850	155,063
Share of results of associates		(35,462)	5,820
Provision for employees' end of service benefits		740,777	727,256
Provision for obsolete and slow moving inventories	6	711,148	27,361
Provision / (reversal) of expected credit losses		912,915	(247,065)
Gain on disposal of property, plant and equipment	13	(2,402)	(37,781)
Gain on revaluation of biological assets	16	(58,841)	(41,660)
Gain on disposal of biological assets		(5,221)	(10,680)
Write-off of biological assets	16	5,480	7,375
Finance costs		1,881,422	1,606,749
Dividend income	13	(88,700)	(65,250)
Foreign currency exchange loss / (gain)	13	135,445	(141,871)
		<u>18,069,164</u>	<u>13,010,240</u>
<i>Changes in:</i>			
- inventories		2,255,505	5,434,849
- trade and other receivables		(7,587,442)	(14,667,722)
- changes in related parties balances- net		652,776	258,202
- trade and other payables		9,467,881	(1,459,499)
Employee end of service benefits paid		(533,394)	(571,045)
<i>Net cash from operating activities</i>		<u>22,189,045</u>	<u>2,005,025</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(2,565,323)	(2,512,769)
Proceeds from disposal of property, plant and equipment		106,596	240,481
Purchase of intangible assets		-	(90,154)
Purchase of investments at fair value through other comprehensive income	16	-	(96,195)
Proceeds from disposal of intangible assets		682	182
Purchase of biological assets	16	(77,264)	(108,420)
Proceeds from disposal of biological assets		40,045	37,570
Dividend received		89,700	138,270
<i>Net cash used in investing activities</i>		<u>(2,405,564)</u>	<u>(2,391,035)</u>
<b>Cash flows from financing activities</b>			
Proceeds from loans and borrowings		-	2,500,000
Repayment of loans and borrowings		(15,288,223)	(1,588,476)
Payment of lease liability		(639,837)	(528,246)
Purchase of treasury shares		-	(100,640)
Finance costs paid		(1,817,731)	(1,576,852)
Dividend paid to shareholders of the Company	20	-	(4,872,720)
Dividend paid to non-controlling interests		-	(219,090)
<i>Net cash used in financing activities</i>		<u>(17,745,791)</u>	<u>(6,386,024)</u>
Effect of foreign exchange differences		(19,728)	55,356
<b>Net decrease in cash and cash equivalents</b>		<u>2,017,962</u>	<u>(6,716,678)</u>
<b>Cash and cash equivalents at the beginning of the period</b>	9	<u>12,626,115</u>	<u>7,770,686</u>
<b>Cash and cash equivalents at the end of the period</b>	9	<u>14,644,077</u>	<u>1,054,008</u>

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

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

**Notes to the condensed consolidated interim financial information**  
*for the six month period ended 30 June 2020*

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**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, Ardiya, Kuwait.

These condensed consolidated interim financial information as at and for the six month period ended 30 June 2020 comprise of the Company and its subsidiaries (together referred to as “the Group”).

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 six month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the year ending 31 December 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.

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

**Notes to the condensed consolidated interim financial information**  
*for the six month period ended 30 June 2020*

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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 described in the last annual consolidated financial statements.

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 information.

**5. Investment properties**

	<b>30 June 2020 KD</b>	<b>31 December 2019 KD (Audited)</b>	<b>30 June 2019 KD</b>
Balance at 1 January	3,990,822	4,095,856	4,095,856
Depreciation	(51,361)	(102,190)	(50,669)
Net foreign exchange differences	62,432	(2,844)	(2,945)
	<u>4,001,893</u>	<u>3,990,822</u>	<u>4,042,242</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 30 June 2019: land and building of KD 5,406,022 and KD 2,330,410) respectively.

As at 30 June 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.

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

**Notes to the condensed consolidated interim financial information**  
*for the six month period ended 30 June 2020*

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

**6. Inventories**

	<b>30 June 2020 KD</b>	<b>31 December 2019 KD (Audited)</b>	<b>30 June 2019 KD</b>
Goods for resale	28,527,692	29,768,606	22,320,459
Raw materials and consumables	12,917,357	12,798,231	10,378,594
Finished goods and work in progress	2,731,127	3,216,858	1,966,954
Goods in transit	1,347,901	2,595,085	1,658,768
	<u>45,524,077</u>	<u>48,378,780</u>	<u>36,324,775</u>
Provision for obsolete and slow moving inventories	(2,177,276)	(2,070,724)	(815,623)
	<u>43,346,801</u>	<u>46,308,056</u>	<u>35,509,152</u>

During the period, there is a provision for obsolete and slow-moving inventories of KD 711,148 (30 June 2019: provision for obsolete and slow-moving inventories of KD 27,361) is included in cost of revenue in the condensed consolidated statement of profit or loss.

**7. Trade and other receivables**

	<b>30 June 2020 KD</b>	<b>31 December 2019 KD (Audited)</b>	<b>30 June 2019 KD</b>
Trade receivables	72,050,279	66,166,921	58,152,086
Provision for expected credit losses	(8,603,814)	(7,716,880)	(5,113,084)
	<u>63,446,465</u>	<u>58,450,041</u>	<u>53,039,002</u>
Advances to suppliers	13,223,981	12,043,938	13,587,054
Prepaid expenses	1,495,860	1,642,438	2,265,823
Refundable deposits	794,742	846,649	776,789
Due from related parties (Note 8)	39,749	35,039	45,339
Other receivables	6,069,643	5,344,043	4,113,176
	<u>85,070,440</u>	<u>78,362,148</u>	<u>73,827,183</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.

*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 30 June 2020, the Group has not

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recorded any provision for expected credit losses relating to amounts owed by related parties (31 December 2019 and 30 June 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:

	<b>30 June 2020 KD</b>	<b>31 December 2019 KD (Audited)</b>	<b>30 June 2019 KD</b>
<b>Balances with related parties</b>			
<i>Due from related parties</i>			
Other related parties (Note 7)	39,749	35,039	45,339
<i>Due to related parties (Note 12)</i>			
Shareholders	73,667	311,011	74,377
Associates	600	2,819	2,952
Other related parties	<u>2,566,432</u>	<u>1,669,383</u>	<u>1,195,676</u>
	<u>2,640,699</u>	<u>1,983,213</u>	<u>1,273,005</u>

	<b>Three month period ended 30 June</b>		<b>Six month period ended 30 June</b>	
	<b>2020 KD</b>	<b>2019 KD</b>	<b>2020 KD</b>	<b>2019 KD</b>
<b>Transactions with related parties</b>				
<i>Sales</i>				
Shareholders	8,397	6,491	13,938	10,900
Other related parties	12,113	9,975	24,487	17,377
<i>Cost of revenue</i>				
Other related parties	4,514,658	1,342,873	7,833,227	2,801,719
<i>General and administrative expenses</i>				
Other related parties	100,425	120,979	208,126	237,300

***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.

**Key management compensation**

Salaries and other short-term benefits	556,805	498,005	1,092,378	947,543
Employees' end of service benefits	<u>30,526</u>	<u>27,263</u>	<u>59,792</u>	<u>49,157</u>
	<u>587,331</u>	<u>525,268</u>	<u>1,152,170</u>	<u>996,700</u>
Board of directors' remuneration	18,750	18,750	37,500	37,500

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**9. Cash and cash equivalents**

	<b>30 June 2020 KD</b>	<b>31 December 2019 KD (Audited)</b>	<b>30 June 2019 KD</b>
Bank balances and cash	15,840,711	17,182,905	10,557,976
Bank overdrafts	<u>(1,196,634)</u>	<u>(4,556,790)</u>	<u>(9,503,968)</u>
Cash and cash equivalents in the condensed consolidated statement of cash flows	<u>14,644,077</u>	<u>12,626,115</u>	<u>1,054,008</u>

Bank overdrafts are repayable on demand and carry an average effective interest rate of 2.50% (31 December 2019: 3.75% and 30 June 2019: 4%) per annum.

**10. Treasury shares**

	<b>30 June 2020</b>	<b>31 December 2019 (Audited)</b>	<b>30 June 2019</b>
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")	4,013,760	3,387,901	4,203,600

On 5 July 2020, the Company signed a Securities Loan Agreement ('the Agreement') with an investment company accredited by Boursa Kuwait. According to the terms of the Agreement, the Company will loan its treasury shares to the investment company for promoting trading in the Company's shares in Boursa Kuwait.

**11. Loans and borrowings**

	<b>30 June 2020 KD</b>	<b>31 December 2019 KD (Audited)</b>	<b>30 June 2019 KD</b>
<i>Current portion denominated in:</i>			
Kuwaiti Dinars	37,434,462	51,987,070	20,505,000
US Dollars	32,988,100	32,479,850	30,365,000
Saudi Riyal	<u>1,480,500</u>	<u>1,457,640</u>	<u>1,457,640</u>
	<u>71,903,062</u>	<u>85,924,560</u>	<u>52,327,640</u>
<i>Non-Current portion denominated in:</i>			
Saudi Riyal	370,125	1,093,230	1,822,050

Included in loans and borrowings is an amount of KD 68,988,100 (31 December 2019: KD 81,479,850 and 30 June 2019: KD 44,365,000) which represents revolving facilities and the management is confident that the facilities will be renewed on expiry.

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Loans and borrowings in Kuwaiti Dinars include KD 11,000,000 (31 December 2019: KD 9,496,251 and 30 June 2019: KD 9,495,000) borrowed from a local Islamic banking institution.

**12. Trade and other payables**

	<b>30 June 2020 KD</b>	<b>31 December 2019 KD (Audited)</b>	<b>30 June 2019 KD</b>
Trade payables	36,509,396	30,954,407	26,156,687
Accrued expenses	12,917,962	8,893,516	7,683,118
Dividend payable (Note 20)	4,568,175	-	-
Advances from customers	19,453	18,995	14,389
Payables to related parties (Note 8)	2,640,699	1,983,213	1,273,005
Other payables	3,355,133	3,003,367	3,225,137
	<u>60,010,818</u>	<u>44,853,498</u>	<u>38,352,336</u>

**13. Other income**

	<b>Three month period ended 30 June</b>		<b>Six month period ended 30 June</b>	
	<b>2020 KD</b>	<b>2019 KD</b>	<b>2020 KD</b>	<b>2019 KD</b>
Gain on disposal of property, plant and equipment	1,629	20,268	2,402	37,781
Foreign currency exchange (loss) / gain	40,317	102,873	(135,445)	141,871
Dividend income	88,700	65,250	88,700	65,250
Other income	48,935	174,814	101,610	350,056
	<u>179,581</u>	<u>363,205</u>	<u>57,267</u>	<u>594,958</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.

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	Three month period ended		Six month period ended	
	30 June		30 June	
	2020	2019	2020	2019
Profit for the period (KD)	3,478,828	2,241,566	8,121,565	7,311,964
Weighted average number of ordinary shares outstanding during the period (after excluding treasury shares)	304,545,000	304,545,000	304,545,000	304,553,465
	11.42	7.36	26.67	24.01

**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.

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**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:

	<b>30 June 2020</b>								
	<b>Food</b>				<b>FMCG&amp;HC</b>	<b>Non-food</b>		<b>Corporate</b>	<b>Total</b>
	<b>Food</b>	<b>Catering</b>	<b>Services</b>	<b>Sub-total</b>		<b>Industrial</b>	<b>Sub-total</b>		
<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>	
Revenues	61,747,885	19,158,229	8,965,074	89,871,188	42,320,418	2,062,783	44,383,201	800	134,255,189
Segment profit/ (loss)	4,176,350	2,077,749	2,070,814	8,324,913	4,021,612	62,440	4,084,052	(2,933,419)	9,475,546
Total Assets	122,411,977	29,598,666	11,137,693	163,148,336	66,720,966	9,466,509	76,187,475	23,318,493	262,654,304
Total Liabilities	27,859,963	10,943,369	2,005,927	40,809,259	14,716,810	2,716,826	17,433,636	85,284,330	143,527,225
	<b>30 June 2019</b>								
	<b>Food</b>				<b>FMCG&amp;HC</b>	<b>Non-food</b>		<b>Corporate</b>	<b>Total</b>
	<b>Food</b>	<b>Catering</b>	<b>Services</b>	<b>Sub-total</b>		<b>Industrial</b>	<b>Sub-total</b>		
	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>
Revenues	56,128,602	17,826,211	8,153,755	82,108,568	30,315,208	2,611,607	32,926,815	-	115,035,383
Segment profit/ (loss)	3,681,851	978,228	1,916,552	6,576,631	2,820,685	219,225	3,039,910	(2,054,638)	7,561,903
Total assets	117,392,696	29,334,297	10,674,514	157,401,507	43,987,420	9,059,893	53,798,275	11,451,336	221,900,156
Total liabilities	18,729,843	10,051,967	2,010,686	30,792,496	9,134,539	2,341,345	11,475,884	67,651,029	109,919,409

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	<b>31 December 2019 (Audited)</b>								<b>Total KD</b>
	<b>Food</b>				<b>Non-food</b>			<b>Corporate</b>	
	<i>Food KD</i>	<i>Catering KD</i>	<i>Services KD</i>	<i>Sub-total KD</i>	<i>FMCG&amp;HC KD</i>	<i>Industrial KD</i>	<i>Sub-total KD</i>	<b>KD</b>	
Revenues	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:

	<i>Kuwait KD</i>	<i>Kingdom of Saudi Arabia KD</i>	<i>United Arab Emirates KD</i>	<i>Qatar KD</i>	<i>Jordan KD</i>	<i>Afghanistan KD</i>	<i>Iraq KD</i>	<b>Total KD</b>
<b>30 June 2020</b>								
Revenues	101,368,474	2,515,822	12,232,855	10,697,668	2,916,792	3,092,244	1,431,334	134,255,189
Non-current assets	83,890,593	7,887,094	12,600,434	12,851,266	1,139,320	27,645	-	118,396,352
<b>31 December 2019 (Audited)</b>								
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
<b>30 June 2019</b>								
Revenue	81,989,438	2,503,189	12,528,407	11,349,993	2,739,510	3,088,573	836,273	115,035,383
Non-current assets	67,662,533	8,448,466	11,563,617	13,123,160	1,127,033	81,036	-	102,005,845

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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.

	<b>KD</b>
Balance at 1 January 2019- <b>(Audited)</b>	1,692,239
Changes in fair value	103,088
Additional shares purchased	96,195
Balance at 30 June 2019	<u>1,891,522</u>
Balance at 1 January 2019- <b>(Audited)</b>	1,692,239
Changes in fair value	145,045
Additional shares purchased	96,195
Balance at 31 December 2019- <b>(Audited)</b>	<u>1,933,479</u>
Balance at 1 January 2020- <b>(Audited)</b>	1,933,479
Changes in fair value	922,929
Balance at 30 June 2020	<u>2,856,408</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

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classifies the fair value of these investments as Level 3.

***Description of significant unobservable inputs to valuation***

	<b><i>Valuation techniques</i></b>	<b><i>Significant unobservable inputs</i></b>	<b><i>Range</i></b>	<b><i>Sensitivity of the input to fair value</i></b>
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 2019- <b>(Audited)</b>	585,810
Write offs	(7,375)
Purchase of livestock	108,420
Sale of livestock	(26,890)
Changes in fair value	41,660
Balance at 30 June 2019	<u>701,625</u>
Balance at 1 January 2019- <b>(Audited)</b>	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- <b>(Audited)</b>	<u>722,751</u>
Balance at 1 January 2020- <b>(Audited)</b>	722,751
Write offs	(5,480)
Purchase of livestock	77,264
Sale of livestock	(34,824)
Changes in fair value	58,841
Balance at 30 June 2020	<u><u>818,552</u></u>

**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.

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**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:

	<b>30 June 2020 KD</b>	<b>31 December 2019 KD (Audited)</b>	<b>30 June 2019 KD</b>
Letter of guarantee	17,473,641	16,970,861	16,675,948

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*

In the normal course of its business, 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*

	<b>30 June 2020 KD</b>	<b>31 December 2019 KD (Audited)</b>	<b>30 June 2019 KD</b>
<i>Capital expenditure commitments</i>			
Property, plant and equipment	6,577,471	9,537,712	7,038,038
Intangible assets	442,052	419,498	173,696
	<u>7,019,523</u>	<u>9,957,210</u>	<u>7,211,734</u>

**19. Basis of restatements 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 4<sup>th</sup> 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 their annual general assembly meeting held on 10 May 2020 approved the cash dividend and the dividend payable is recognised as liability at 30 June 2020. Subsequent to the reporting date, the Company paid the cash dividend to the shareholders.

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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 continuity of its business, including ensuring health and safety of employees, and 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 six-month period ended 30 June 2020. The Group's management continues to monitor the evolving situation closely.