

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
STATE OF KUWAIT

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2018
(UNAUDITED)
WITH
REPORT ON REVIEW OF INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
STATE OF KUWAIT

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2018
(UNAUDITED)
WITH
REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

CONTENTS

Report on review of interim condensed consolidated financial information	
Interim condensed consolidated statement of financial position (unaudited)	<u>Pages</u> 2
Interim condensed consolidated statement of profit or loss and other comprehensive income (unaudited)	3
Interim condensed consolidated statement of changes in equity (unaudited)	4
Interim condensed consolidated statement of cash flows (unaudited)	5
Notes to interim condensed consolidated financial information (unaudited)	6 – 15

RSM Albazie & Co.

Arraya Tower 2, Floors 41 & 42
Abdulaziz Hamad Alsaqar St., Sharq
P.O. Box 2115, Safat 13022, State of Kuwait

T +965 22961000

F +965 22412761

www.rsm.global/kuwait

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To The Board of Directors
Metal and Recycling Company K.S.C. (Public) and its subsidiaries
State of Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Metal and Recycling Company K.S.C. (Public) (the "Parent Company") and its subsidiaries (Collectively the "Group") as of March 31, 2018, and the related interim condensed consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and cash flows for the three months period then ended. Management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.

Emphasis of matters


Without qualification on our conclusion, we draw attention to Note (16) regarding right of utilization built on land leased by the Group, and is assigned to the company associate.

Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016 as amended, its Executive Regulations as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association during the three months period ended March 31, 2018 that might have had a material effect on the Parent Company's financial position or results of its operation.

State of Kuwait
May 15, 2018

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

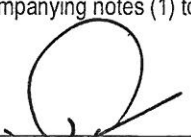


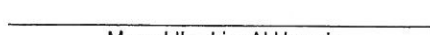
Dr. Shuaib A. Shuaib
Licence No. 33 - A
RSM Albazie & Co.

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2018
(All amounts are in Kuwaiti Dinars)

		March 31, 2018	December 31, 2017 (Audited)	March 31, 2017
ASSETS				
Current assets:	Note			
Cash and cash equivalents	4	2,394,950	2,284,783	3,612,226
Time deposits	5	1,675,583	1,671,802	484,848
Murabaha investments	6	39,715	39,715	39,715
Financial assets at fair value through profit and loss	7	183,495	-	-
Accounts receivable and other debit balances	8	4,968,392	5,650,520	5,339,520
Gross amount due from customers for contract work		889,394	601,426	318,000
Inventories		1,663,212	1,649,502	1,881,831
Total current assets		11,814,741	11,897,748	11,676,140
Non current assets:				
Financial assets available for sale	9	-	183,495	183,495
Investment in an associate	10	5,490,154	5,490,154	4,921,172
Investment properties		2,551,000	2,551,000	2,605,000
Property, plant and equipment		2,098,433	2,085,525	2,147,247
Goodwill		406,889	406,889	406,889
Total non current assets		10,546,476	10,717,063	10,263,803
Total assets		22,361,217	22,614,811	21,939,943
LIABILITIES AND EQUITY				
Current liabilities:				
Due to banks		-	-	2,368
Short term finance lease installment contract		1,730,000	1,730,000	1,730,000
Term loans	11	700,000	700,000	700,000
Accounts payable and other credit balances		2,983,261	3,134,290	2,204,374
Total current liabilities		5,413,261	5,564,290	4,636,742
Non current liabilities:				
Provision for end of service indemnity		673,475	622,033	479,205
Total non current liabilities		673,475	622,033	479,205
Total liabilities		6,086,736	6,186,323	5,115,947
Equity:				
Share capital		10,000,000	10,000,000	8,255,650
Share premium		-	-	5,089,036
Statutory reserve		1,520,581	1,520,581	1,511,731
Voluntary reserve		-	-	487,860
Treasury shares	12	(1,279,879)	(1,279,879)	(1,056,623)
Effect of change in a subsidiary's equity		465,807	465,807	(86,191)
Foreign currencies translation reserve		11,958	11,958	11,958
Retained earnings		4,208,978	4,395,956	429,992
Equity attributable to Shareholders of the Parent				
Company		14,927,445	15,114,423	14,643,413
Non controlling interests		1,347,036	1,314,065	2,180,583
Total equity		16,274,481	16,428,488	16,823,996
Total liabilities and equity		22,361,217	22,614,811	21,939,943

The accompanying notes (1) to (19) form an integral part of the interim condensed consolidated financial information.


Tarek Ibrahim Al-Mousa
Vice Chairman and Chief Executive Officer


Msaed Ibrahim Al Houwly
Chairman

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPERHENSIVE
INCOME (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2018
(All amounts are in Kuwaiti Dinars)

		Three months ended March 31,	
	Note	2018	2017
Revenues:			
Net sales		2,302,561	1,647,299
Service revenue		2,561,745	2,130,328
		<u>4,864,306</u>	<u>3,777,627</u>
Costs:			
Cost of sales		1,690,835	1,051,136
Service cost		2,311,869	1,831,662
		<u>4,002,704</u>	<u>2,882,798</u>
Gross profit		<u>861,602</u>	<u>894,829</u>
Expenses and charges:			
Staff cost		291,839	252,284
General and administrative expenses		560,698	289,265
Selling and marketing expenses		86,892	35,955
Depreciation		78,548	100,050
Provision for doubtful debts	8	17,400	17,400
Total expenses and charges		<u>1,035,377</u>	<u>694,954</u>
Operating (loss) profit		(173,775)	199,875
Gain on sale of property, plant and equipment		6,150	-
Murabaha income		544	1,467
Interest income		5,042	5,967
Foreign exchange losses		(4,769)	(1,474)
Finance charges		(70,894)	(40,212)
Other income		83,695	40,154
(Loss) profit for the period before contribution to KFAS, NLST and Zakat		<u>(154,007)</u>	<u>205,777</u>
Contribution to KFAS		-	(1,306)
Contribution to NLST		-	(4,638)
Contribution to Zakat		-	(1,855)
Net (loss) profit for the period		<u>(154,007)</u>	<u>197,978</u>
Other comprehensive income for the period		-	-
Total comprehensive (loss) income for the period		<u>(154,007)</u>	<u>197,978</u>
Attributable to:			
Parent Company's Shareholders		(186,978)	137,270
Non-controlling interests		32,971	60,708
		<u>(154,007)</u>	<u>197,978</u>
		Fils	Fils
Basic (loss) earnings per share attributable to Shareholders of the Parent Company	13	<u>(2.07)</u>	<u>1.52</u>

The accompanying notes (1) to (19) form an integral part of the interim condensed consolidated financial information.

(All amounts are in Kuwaiti Dinars)

The accompanying notes (1) to (19) form an integral part of the interim condensed consolidated financial information.

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2018

(All amounts are in Kuwaiti Dinars)

	Three months ended March 31,	
	2018	2017
Cash flows from operating activities:		
(Loss) profit for the period before contribution to KFAS, NLST and Zakat	(154,007)	205,777
Adjustments for:		
Depreciation	148,013	121,926
Provision for doubtful debts	17,400	17,400
Gain on sale of property, plant and equipment	(6,150)	-
Murabaha income	(544)	(1,467)
Interest income	(5,042)	(5,967)
Finance charges	70,894	40,212
Provision for end of service indemnity	56,235	30,546
	126,799	408,427
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	664,728	955,383
Gross amount due from customers for contract work	(287,968)	(200,000)
Inventories	(13,710)	(293,357)
Accounts payable and other credit balances	(151,029)	(351,258)
Cash flow generated from operations	338,820	519,195
Payment for end of service indemnity	(4,793)	(7,498)
Net cash flows generated from operating activities	334,027	511,697
Cash flows from investing activities:		
Time deposits	(3,781)	-
Proceeds from Murabaha investment	-	470,285
Paid for purchase of property, plant and equipment	(160,923)	(194,691)
Proceeds from sale of property, plant and equipment	6,152	-
Murabaha income received	544	1,467
Interest income received	5,042	5,967
Net cash flows (used in) generated from investing activities	(152,966)	283,028
Cash flows from financing activities:		
Net movement on due to banks	-	524
Net movement on term loans	-	(100,000)
Finance charges paid	(70,894)	(40,212)
Net cash flows used in financing activities	(70,894)	(139,688)
Net increase in cash and cash equivalents	110,167	655,037
Cash and cash equivalents at the beginning of the period	2,284,783	2,957,189
Cash and cash equivalents at end of the period (Note 4)	2,394,950	3,612,226

The accompanying notes (1) to (19) form an integral part of the interim condensed consolidated financial information.

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

MARCH 31, 2018

(All amounts are in Kuwaiti Dinars)

1. Incorporation and activities

Metal and Recycling K.S.C. (Public) the "Parent Company" is a Kuwaiti shareholding company (Public) registered in the State of Kuwait, and was incorporated based on Memorandum of Incorporation Ref. No. 113 / Volume 17 dated June 10, 1987 and its subsequent amendments, the latest of which was notarized in the commercial registration under Ref. No. 12320 dated on October 9, 2017. By amending article (6) of article of association and article (5) of memorandum of incorporation by approving to increase the Company's authorized and fully paid up share capital from KD 8,255,650 to KD 10,000,000 by approving the following.

- a- Transfer full share premium amount of KD 5,089,036 to the voluntary reserve account be KD 5,576,896.
- b- Approving the transfer of the full amount of the voluntary reserve of KD 5,576,896 to retained earnings.
- c- Approving the transfer of KD 1,744,350 from the retained earnings to the capital account to KD 10,000,000.
- d- Approve the issue of bonus shares to shareholders by 21.12% against the transfer of part of the retained earnings to the capital account.

The main activities of the Parent Company are as follows:

- Purchase and sale of used and scrap machinery and vehicles and their spare parts and all kinds of metals and their derivatives as well as representing specialized companies in such activities.
- Purchase and sale of the scrap of houses, industrial and commercial projects, including household tools, machinery, metal construction and other local scrap.
- Shredding, classifying; storing and selling waste and scrap inside and outside Kuwait.
- Importing machinery and materials necessary for recycling, shredding and storing scrap.
- Carrying out all trade, export and production relating to the company's objectives inside and outside Kuwait.
- Establishing complementary industries to the trade and production of scrap.
- Management and development of areas of sale, purchase, production, and manufacture scrap and used materials and ancillary industries inside and outside State of Kuwait.
- Carrying out all demolishing and removal works for construction and representing companies in such field.
- Utilization of the company's surplus funds by investing in portfolios managed by specialized companies.
- Holding and managing auctions related to the objectives of the company locally and internationally and representing companies in such field.
- Developing, preparing, establishing, managing and operating industrial and professional areas.
- Incorporation and partial ownership of industrial companies and industrial management companies inside and outside State of Kuwait.
- Collection, transportation and utilization of trash waste, garbage and wreckage inside and outside State of Kuwait.
- Undertaking all kind of cleaning contracts and commitment for all agencies inside and outside State of Kuwait.
- Undertaking all kinds of services aiming at cleaning, developing and protecting the environment against pollution inside and outside State of Kuwait.
- Establishing, managing or maintaining all drainage and dumping centers and trading in the resulting materials inside and outside State of Kuwait.
- Establishing industries for recycling environmental waste, garbage and wreckage inside and outside Kuwait (with approval of the Public Authority for Industry).

The address of the Parent Company's registered office is P.O. Box 4520, Safat 13045, State of Kuwait.

The Parent company is owned by 58.296% by Agility Public Warehousing Company - KSC (Public) listed on the Kuwait Stock Exchange (the Parent company).

The Parent company is currently discussing with the General Authority for Industry about the current location and the alternative locations available for its operations. The outcome of these discussions and their impact on the interim condensed consolidated financial information cannot be estimated at this time.

The interim condensed consolidated financial information were authorized for issue by the Parent Company's Board of Directors on May 15, 2018.

2. Basis of preparation

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed consolidated financial information for the period are consistent with those used in the preparation of the annual financial statements for the fiscal year ended December 31, 2017 except for the change in accounting policies due to adoption of new standards as mentioned in the Note 3.

The Group has not early adopted any other standard, interpretation or amendments that has been issued but is not yet effective. Other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial information of the Group.

The interim condensed consolidated financial information do not include all the information and notes required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included in the accompanying interim condensed consolidated financial information. Operating results for the period ended March 31 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2017.

3. Changes in accounting policies due to adoption of new standards

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 and IFRS 15 are summarized below:

A) **IFRS 9 - Financial Instruments**

The Group has initial adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

I. **Classification of financial assets and financial liabilities**

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives and in order to generate contractual cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios:

IAS 39 measurement categories of financial assets available for sale (AFS) have been replaced by financial assets at fair value through profit or loss (FVPL), and loans and receivables have been replaced by debt instruments at amortised cost.

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the statement of profit or loss.

Debt instruments at amortized cost

A financial asset is measured at amortised cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Debt instruments measured at amortised cost are subsequently measured at amortised cost using the effective yield method adjusted for impairment losses if any.

Financial assets at FVPL

The Group classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair values, interest income and dividends are recorded in statement of profit or loss according to the terms of the contract, or when the right to payment has been established.

II. Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all debt instruments not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

III. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied as described below:

- a. Comparative periods have not been restated. Accordingly, the information presented for the year ended December 31, 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for the period ended March 31, 2018.
- a) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVPL.
 - The designation of certain equity instruments not held for trading as at FVOCI.

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at January 1, 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 KD	New carrying amount under IFRS 9 KD
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortised Cost	2,284,783	2,284,783
Time deposits	Loans and receivables	Amortised Cost	1,671,802	1,671,802
Murabaha investments	Loans and receivables	Amortised Cost	39,715	39,715
	Financial assets available for sale	Financial assets at FVPL	183,495	183,495
Equity Instruments – FVPL				
Account receivables and other debt balances	Loans and receivables	Amortised Cost	5,650,520	5,650,520
Total financial assets			9,830,315	9,830,315
Financial liabilities				
Short term finance lease installment contract	Amortised Cost	Amortised Cost	1,730,000	1,730,000
Term loans	Amortised Cost	Amortised Cost	700,000	700,000
Accounts payable and other credit balances	Amortised Cost	Amortised Cost	3,134,290	3,134,290
Total financial liabilities			5,564,290	5,564,290

B) IFRS 15 Revenue from Contracts with Customers

IFRS 15, effective for annual periods beginning on or after January 1, 2018, establishes a single and comprehensive framework for determining whether, how much and when revenue is recognized. The standard replaces IAS 18 "Revenues", IAS 11 "Construction Contract" and several revenue – related Interpretations and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Upon adoption of IFRS 15, the Group will apply the cumulative effect approach by retrospectively adjusting opening retained earnings as of January 1, 2018 and will not restate prior periods. Based on the current available information, management does not anticipate that the adoption of this standard will have a material impact on the Group's interim condensed consolidated financial information.

(a) Sale of goods

The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
MARCH 31, 2018

(All amounts are in Kuwaiti Dinars)

(b) Rendering of services

The Group's Transportation, leasing and maintenance segment provides services to customers. These services are sold separately by the Group. Under IFRS 15, the Group assessed that there are single performance obligation in contracts for the services being rendered.

(c) Advances received from customers

Generally, the Group receives short-term advances from its customers. Prior to the adoption of IFRS 15, the Group presented these advances as advances received from customers in the statement of financial position.

Upon the adoption of IFRS 15, for short-term advances, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less.

(d) Construction service contracts

Revenue from construction contracts is recognized during the execution period using the percentage of completion which is in line with the requirements of IFRS 15, accordingly the Group had determined that the recognition criteria during the execution period is appropriate for its construction services contracts.

4. Cash and cash equivalents

	March 31, 2018	December 31, 2017 (Audited)	March 31, 2017
Cash on hand and at banks	1,933,734	1,821,713	2,493,767
Short term bank deposits	461,216	463,070	1,118,459
	<u>2,394,950</u>	<u>2,284,783</u>	<u>3,612,226</u>

The effective rate on short term bank deposits ranged from 1.875% to 2% per annum (December 31, 2017 – 1.625% to 1.75% per annum, March 31, 2017 – 1% to 1.375% per annum), these deposits have an average maturity of 90 days.

5. Time deposits

The effective rate on time deposits ranged from 0.75% to 2.25% per annum (December 31, 2017 – 0.75% to 2.375% per annum, March 31, 2017 – 0.75% to 1.375% per annum) and these deposits have an average maturity of 185 days to 367 days.

Time deposits amounting to KD 964,879 (December 31, 2017 – KD 781,355, March 31, 2017 – KD 484,848) are pledged against certain letters of guarantee issued in favor of the Group (Note 17).

6. Murabaha investments

The effective rate on murabaha investments ranged from 1% to 1.43% per annum (December 31, 2017 - 1% to 1.43% per annum, March 31, 2017 - 1% to 1.43% per annum), these investments have an average maturity of 367 days.

Murabaha investment amounting to KD 39,715 (December 31, 2017: KD 39,715, March 31, 2017: KD 39,715) are pledged against certain letter of guarantee in favor of the Group (Note 17).

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
MARCH 31, 2018
 (All amounts are in Kuwaiti Dinars)

7. Financial assets at fair value through profit and loss

	March 31, 2018	December 31, 2017 (Audited)	March 31, 2017
Unquoted:			
Equity securities	183,495	-	-
Total	<u>183,495</u>	<u>-</u>	<u>-</u>

At 1 January 2018, as a result of adoption of IFRS 9, the Group elected to reclassify financial assets with a carrying value of KD 183,495 from financial assets available for sale (Note 9).

8. Accounts receivable and other debit balances

	March 31, 2018	December 31, 2017 (Audited)	March 31, 2017
Trade receivables	9,848,660	10,548,511	8,979,952
Provision for doubtful debts (A)	(7,516,603)	(7,499,203)	(7,607,876)
Net trade receivables	2,332,057	3,049,308	1,372,076
Staff receivables	158,344	138,876	47,587
Due from related parties (Note 14)	453,100	452,700	456,359
Amount pledged against letter of guarantees	43,100	90,450	166,850
Advance to suppliers	1,067,177	1,170,809	1,684,912
Provision for doubtful debts (A)	(657,848)	(657,848)	(34,830)
Net advance to suppliers	409,329	512,961	1,650,082
Refundable deposits	259,280	245,487	317,065
Provision for doubtful debts (A)	(10,222)	(10,222)	-
Net refundable deposits	249,058	235,265	317,065
Prepaid expenses	738,815	609,329	810,103
Retentions	290,913	270,742	267,563
Provision for doubtful debts (A)	(112,092)	(112,092)	(98,878)
Net retentions	178,812	158,650	168,685
Others	405,768	402,981	350,713
	<u>4,968,392</u>	<u>5,650,520</u>	<u>5,339,520</u>

A- The movement on the provision for doubtful debts during the period / year is as follows:

	March 31, 2018	December 31, 2017 (Audited)	March 31, 2017
Balance at the beginning of the period / year	8,279,365	7,724,184	7,724,184
Charge for the period / year	17,400	722,698	17,400
Utilized in the period / year	-	(167,517)	-
Balance at the end of the period / year	<u>8,296,765</u>	<u>8,279,365</u>	<u>7,741,584</u>

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
MARCH 31, 2018
(All amounts are in Kuwaiti Dinars)

9. Financial assets available for sale

	March 31, 2018	December 31, 2017 (Audited)	March 31, 2017
Unquoted:			
Equity securities	-	183,495	183,495
Total	-	183,495	183,495

At 1 January 2018, as a result of adoption of IFRS 9, the Group elected to reclassify financial assets available for sale with a carrying value of KD 183,495 to financial assets at fair value through profit and loss (Note 7).

10. Investment in an associate

This represents an investment of 40 % in Real Estate Development Company – W.L.L., which is engaged in the management and development of different kinds of real estate, the main projects that the company specialized in is the project of managing real estate which is located in Amghara and Mina Abdullah utilized by the parent company under contract with the Public Authority for Industry. This contract has been renewed as stated in Note (16).

The group do not recognize the group share of result from investment in associate for the period ended in March 31, 2018, as no interim financial information was available to the associate and the movement during the period was considered as not material.

11. Term loans

Term loans represent loans granted by local banks carrying an interest rate ranging from 2% to 2.75% per annum (December 31, 2017 : 2% to 2.5% per annum, March 31, 2017: 1.5% to 2% per annum) over the Central Bank of Kuwait discount rate and repayable on December 31, 2018 and August 3, 2018.

12. Treasury shares

	March 31, 2018	December 31, 2017 (Audited)	March 31, 2017
Number of shares (shares) (a)	9,899,225	9,816,133	7,779,046
Percentage of paid up shares (%)	%9.90	%9.82	%7.78
Market value (KD)	643,450	677,313	575,649
Cost (KD)	1,279,879	1,279,879	1,056,623

(a) The movements on number of treasury shares represents share return from previous board of directors.

The Parent Company's management has allotted an amount equal to treasury balance from reserves as of interim condensed consolidated financial information. Such amount will not be available for distribution during treasury shares holding period.

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
MARCH 31, 2018
(All amounts are in Kuwaiti Dinars)

13. Earnings per share attributable to shareholders of the Parent Company

There are no potential dilutive ordinary shares. The information necessary to calculate basic earnings (loss) per share based on the weighted average number of shares outstanding during the period as follows:

	Three months ended March 31,	
	2018	2017
(Loss) Profit for the period attributable to Parent Company' Shareholders (KD)	<u>(186,978)</u>	<u>137,270</u>
<u>Number of outstanding shares:</u>	<u>Share</u>	<u>Share</u>
Number of issued and fully paid shares	100,000,000	100,000,000
Less: Weighted average number of treasury shares	<u>(9,899,225)</u>	<u>(9,899,225)</u>
Weighted average number of shares out standing	<u>90,100,775</u>	<u>90,100,775</u>
	<u>Fils</u>	<u>Fils</u>
Basic and diluted (Loss) earnings per share attributable to shareholders of the Parent Company	<u>(2.07)</u>	<u>1.52</u>

14. Related party disclosures

The Group has entered into various transactions with related parties, i.e. major shareholders, Board of Directors, key management personnel, associate, entities under common control and other related parties. Prices and terms of payment are approved by Group's management. Significant related party balances and transactions are as follows:

Balances included in interim condensed consolidated statement of financial position

	Major shareholders	Associate	March 31, 2018	December 31, 2017 (Audited)	March 31, 2017
Due from related parties (Note 8)	-	453,100	453,100	452,700	456,359
Due to related parties	557,528	-	557,528	591,832	412,095

Compensation to key management personnel:

	Three months ended March 31,	
	2018	2017
Short term benefits	47,852	45,550
Terminal benefits	<u>1,363</u>	<u>1,002</u>
	<u>49,215</u>	<u>46,552</u>

15. Segment information

The Group is organized into functional divisions to manage its various lines of business. The Group operates mainly in the State of Kuwait. For the purposes of segment reporting, the Group's management has allocated its products and services into the following operating segments:

A. Metal Shredding and used spare parts department

This represents importing machines and material necessary for shredding, sorting and selling waste scrap inside and outside State of Kuwait.

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
MARCH 31, 2018
(All amounts are in Kuwaiti Dinars)

B. Commercial department

This represents purchase and sale of used and scrap machinery, vehicles and tanks and their spare parts and all kind of materials and other products derived from their materials.

C. Waste plastic recycling department

This represents recycling of waste, plastic, rubbles, and environmental waste and trading in the recycled materials.

D. Shear and Baler

This represents cutting and shearing of metals and other associated activities.

Financial details of the above operating segments are as follows:

	March 31, 2018		December 31, 2017 (Audited)		March 31, 2017	
	Segment assets	Segment liabilities	Segment assets	Segment liabilities	Segment assets	Segment liabilities
Metal Shredding and used spare parts department	14,503,513	-	10,799,897	-	7,595,446	-
Commercial department	1,032,148	-	1,045,512	-	868,631	-
Waste plastic recycling department	1,750,466	-	1,256,782	-	1,471,117	-
Shear and baler	-	-	606,311	-	1,965,125	-
Unallocated assets and liabilities	5,075,090	6,086,736	8,906,309	6,186,323	10,039,624	5,115,947
	<u>22,361,217</u>	<u>6,086,736</u>	<u>22,614,811</u>	<u>6,186,323</u>	<u>21,939,943</u>	<u>5,115,947</u>

	Three months ended March 31,			
	2018		2017	
	Segment revenue	Segment results	Segment revenue	Segment results
Metal Shredding and used spare parts department	1,931,909	432,881	1,051,398	394,488
Commercial Department	137,485	44,159	120,240	42,208
Waste Plastic Recycling Department	233,167	134,686	203,639	115,368
Shear and Baler Department	-	-	272,022	44,099
Others	2,561,745	(765,733)	2,130,328	(398,185)
	<u>4,864,306</u>	<u>(154,007)</u>	<u>3,777,627</u>	<u>197,978</u>

16. Right of utilization

The Parent Company's operations are constructed on land held by an associate, for which the right of utilization contract was renewed on June 1, 2013 with the Public Authority for 5 years ending on May 31, 2018.

17. Contingent liabilities

At March 31, 2018, the Group is contingently liable in respect of the following:

	March 31, 2018	December 31, 2017 (Audited)	March 31, 2017
Letters of guarantee	8,690,166	8,759,555	7,232,422
Letters of credit	114,739	84,870	-
	<u>8,804,905</u>	<u>8,844,425</u>	<u>7,232,422</u>

Certain letters of guarantee are secured by time deposits murabaha investment (Note 5 , 6).

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
MARCH 31, 2018
(All amounts are in Kuwaiti Dinars)

18. Fair value measurement

The Group measures financial assets at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability.
- In the absence of a principal market, in the most advantageous market for the asset or liability

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At March 31, the fair values of financial instruments approximate their carrying amounts, the management of the Group has assessed that fair value of its financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

19. Shareholders' Annual General Assembly

The shareholders' Ordinary General Assembly has not been held until the date of preparation of these interim condensed consolidated financial information and hence, the consolidated financial statements for the year ended December 31, 2017 have not been approved. The interim condensed consolidated financial information for the period ended March 31, 2018 do not include any adjustments which might have been required had the General Assembly approved the consolidated financial statements for the year ended December 31, 2017.

As the Shareholders' Annual General Assembly had not been held until the date of preparation of these interim condensed consolidated financial information, the auditor was appointed by the Board of Directors for review of these interim condensed consolidated financial information. This appointment is subject to the approval of Shareholders' Annual General Assembly when held.

The shareholders' Annual Ordinary General Assembly held on September 20, 2017 approved the consolidated financial statements for the financial year ended December 31, 2016. There are no any cash profit distributions or bonus shares or board of directors' remuneration for the year ended.