

**METAL AND RECYCLING COMPANY K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
STATE OF KUWAIT
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED SEPTEMBER 30, 2021
(UNAUDITED)
WITH
REPORT ON REVIEW OF INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**

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AND ITS SUBSIDIARIES
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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 September 30, 2021, and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three months and nine months periods then ended, and the related, interim condensed consolidated statements of changes in equity and cash flows for the nine 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 condensed consolidated 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.

Basis for Qualified Conclusion

As state in notes No. (8 and 21) to the interim condensed consolidated financial information, the Group's investment in the associate ("Real Estate Development and Development Company – W.L.L.") with a carrying value of KD 5,465,720 (December 31, 2020: KD 5,465,720, September 30, 2020: KD 5,456,110) includes an investment in the Amghara area on which the Parent Company's factory is located, and the Parent Company's share of this investment property is amounting to KD 3,426,400 (December 31, 2020: KD 3,426,400, September 30, 2020: KD 3,422,560) and it was vacated by the Ministry of Commerce and Industry. The associate's carrying amount was not written off pursuant to the vacation, which is inconsistent with the requirements of IFRS.

Qualified Conclusion

Based on our review, except for the possible effect of the matter described in the Basis for Qualified Conclusion paragraph, 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.

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 nine months period ended September 30, 2021 that might have had a material effect on the Parent Company's financial position or results of its operation.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the period ended September 30, 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

State of Kuwait
November 7, 2021

A handwritten signature in blue ink, appearing to read 'Nayef M. Al Bazie', is written over a horizontal blue line.

Nayef M. Al Bazie
License No. 91-A
RSM Albazie & Co.

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS OF SEPTEMBER 30, 2021
(All amounts are in Kuwaiti Dinars)

ASSETS	Notes	September 30, 2021	December 31, 2020 (Audited)	September 30, 2020
Current assets:				
Cash on hand and at banks	3	4,493,212	3,487,748	3,909,087
Time deposits	4	1,057,515	1,047,054	1,042,268
Murabaha investments	5	29,715	29,715	29,715
Accounts receivable and other debit balances	6	4,046,900	4,977,590	4,319,456
Due from a related parties	7	9,000	48,600	18,600
Inventories		702,548	741,350	1,411,227
Total current assets		10,338,890	10,332,057	10,730,353
Non-current assets:				
Financial assets at fair value through profit and loss		34,972	34,972	99,126
Investment in an associate	8	5,465,720	5,465,720	5,456,110
Investment properties		2,342,000	2,342,000	2,390,000
Property, plant and equipment		2,710,121	1,634,795	2,332,667
Right of use assets	9	2,001,683	2,371,124	341,734
Goodwill		406,889	406,889	406,889
Total non-current assets		12,961,385	12,255,500	11,026,526
Total assets		23,300,275	22,587,557	21,756,879
LIABILITIES AND EQUITY				
Current liabilities:				
Due to banks		713,719	750,000	928,050
Finance lease payables		920,000	970,000	1,020,000
Term loans – Current portion	10	1,375,687	408,000	931,846
Lease obligations – Current portion	11	393,824	672,133	87,282
Accounts payable and other credit balances	12	2,554,381	4,727,030	4,442,356
Due to related parties	7	1,878,311	847,688	811,386
Total current liabilities		7,835,922	8,374,851	8,220,920
Non-current liabilities:				
Term loans – Non-Current portion	10	2,650,000	636,846	-
Lease obligations – Non-Current portion	11	1,882,112	1,878,844	271,745
Provision for end of service indemnity		1,085,481	1,021,963	1,005,545
Total non-current liabilities		5,617,593	3,537,653	1,277,290
Total liabilities		13,453,515	11,912,504	9,498,210
Equity:				
Share capital		10,000,000	10,000,000	10,000,000
Statutory reserve		1,520,581	1,520,581	1,520,581
Treasury shares	13	(1,056,623)	(1,056,623)	(1,056,623)
Effect of change in ownership interest of a subsidiary		402,450	402,450	402,450
Accumulated losses		(3,430,591)	(2,567,797)	(859,932)
Equity attributable to shareholders of the Parent Company		7,435,817	8,298,611	10,006,476
Non-controlling interests		2,410,943	2,376,442	2,252,193
Total equity		9,846,760	10,675,053	12,258,669
Total liabilities and equity		23,300,275	22,587,557	21,756,879

The accompanying notes (1) to (21) form an integral part of the interim condensed consolidated financial information.

Msaed Ibrahim Al Houwly
Chairman

Farek Ibrahim Al-Mousa
Vice Chairman and Chief Executive Officer

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2021
(All amounts are in Kuwaiti Dinars)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
Revenue:					
Net sales		316,677	1,832,433	2,697,602	4,479,676
Service revenue		2,883,335	2,673,243	8,657,167	8,214,535
		<u>3,200,012</u>	<u>4,505,676</u>	<u>11,354,769</u>	<u>12,694,211</u>
Costs:					
Cost of sales		(266,618)	(1,211,496)	(1,799,719)	(3,378,108)
Service cost		(2,124,029)	(1,881,613)	(6,422,803)	(6,015,868)
		<u>(2,390,647)</u>	<u>(3,093,109)</u>	<u>(8,222,522)</u>	<u>(9,393,976)</u>
Gross profit		<u>809,365</u>	<u>1,412,567</u>	<u>3,132,247</u>	<u>3,300,235</u>
Expenses and charges:					
Staff cost		(294,606)	(331,516)	(876,118)	(1,030,560)
General and administrative expenses		(666,897)	(680,331)	(2,148,780)	(1,935,276)
Selling and marketing expenses		(3,318)	(131,741)	(159,765)	(306,116)
Depreciation		(19,811)	(42,833)	(59,683)	(127,147)
Provision for expected credit losses	6	-	-	-	(102,642)
Amortization for right of use assets	9	(69,874)	(11,490)	(209,203)	(36,419)
Finance charges of leased assets	11	(25,254)	(1,355)	(75,775)	(3,970)
Provision for slow moving inventories		-	-	-	(54,458)
Total expenses and charges		<u>(1,079,760)</u>	<u>(1,199,266)</u>	<u>(3,529,324)</u>	<u>(3,596,588)</u>
Operating (Loss) Profit		<u>(270,395)</u>	213,301	<u>(397,077)</u>	(296,353)
Unrealized loss from change in fair value of financial assets at FVTPL		-	-	-	(65,860)
Share of result from investment in an associate		-	-	-	(640)
Interest and Murabaha income		3,073	7,873	11,441	19,729
Foreign exchange Gain (loss)		147	(6,128)	(11,229)	(10,193)
Finance charges		(41,561)	(84,565)	(157,767)	(155,145)
Other income		17,000	5,200	36,339	15,844
(Loss) Profit for the period		<u>(291,736)</u>	135,681	<u>(518,293)</u>	(492,618)
Other comprehensive income for the period		-	-	-	-
Total comprehensive (loss) Income for the period		<u>(291,736)</u>	<u>135,681</u>	<u>(518,293)</u>	<u>(492,618)</u>
Attributable to:					
Shareholders of the Parent Company		(425,886)	40,726	(862,794)	(780,149)
Non-controlling interests		134,150	94,955	344,501	287,531
		<u>(291,736)</u>	<u>135,681</u>	<u>(518,293)</u>	<u>(492,618)</u>
		<u>Fils</u>	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>
Basic (loss) Earnings per share attributable to Shareholders of the Parent Company	14	<u>(4.73)</u>	<u>0.45</u>	<u>(9.58)</u>	<u>(8.66)</u>

The accompanying notes (1) to (21) 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 CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2021

(All amounts are in Kuwaiti Dinars)

	Equity attributable to Parent Company's shareholders							Non - controlling interests	Total equity
	Share capital	Statutory reserve	Treasury shares	Effect of change in ownership interest of a subsidiary	Accumulated losses	Subtotal			
Balance as at January 1, 2021	10,000,000	1,520,581	(1,056,623)	402,450	(2,567,797)	8,298,611	2,376,442	10,675,053	
Total comprehensive (loss) income for the period	-	-	-	-	(862,794)	(862,794)	344,501	(518,293)	
Dividends paid to Non -controlling interests	-	-	-	-	-	-	(310,000)	(310,000)	
Balance as at September 30, 2021	10,000,000	1,520,581	(1,056,623)	402,450	(3,430,591)	7,435,817	2,410,943	9,846,760	
Balance as at January 1, 2020	10,000,000	1,520,581	(1,056,623)	402,450	(79,783)	10,786,625	1,964,662	12,751,287	
Total comprehensive (loss) income for the period	-	-	-	-	(780,149)	(780,149)	287,531	(492,618)	
Balance as at September 30, 2020	10,000,000	1,520,581	(1,056,623)	402,450	(859,932)	10,006,476	2,252,193	12,258,669	

The accompanying notes (1) to (21) 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 SEPTEMBER 30, 2021
(All amounts are in Kuwaiti Dinars)

		Nine months ended September 30,	
	Note	2021	2020
Cash flows from operating activities:			
Loss for the period		(518,293)	(492,618)
Adjustments for:			
Depreciation		238,661	443,887
Provision for expected credit losses	6	-	102,642
Amortization for right of use assets	9	369,441	196,147
Provision for slow moving inventories		-	54,458
Finance charges for leased assets	11	81,299	17,684
Interest and Murabaha income		(11,441)	(19,729)
Finance charges		157,767	155,145
Unrealized loss from change in fair value of financial assets at FVTPL		-	65,860
Share of results from an associate		-	640
Gain on sale of property, plant and equipment		(7,167)	-
Provision for end of service indemnity		160,445	175,079
		<u>470,712</u>	<u>699,195</u>
Changes in operating assets and liabilities:			
Accounts receivable and other debit balances		931,899	(133,732)
Due from related parties		39,600	(18,600)
Inventories		38,802	54,545
Accounts payable and other credit balances		(2,303,291)	791,932
Due to related parties		1,083,784	63,776
Cash flows generated from operations		261,506	1,457,116
Payment for end of service indemnity		(96,927)	(108,624)
Net cash flows generated from operating activities		<u>164,579</u>	<u>1,348,492</u>
Cash flows from investing activities:			
Proceeds from time deposits		(10,461)	(24,280)
Paid for additions on property, plant and equipment		(1,313,988)	(788,929)
Proceeds from sale of property, plant and equipment		7,168	-
Interest and Murabaha income received		10,232	19,729
Net cash flows used in investing activities		<u>(1,307,049)</u>	<u>(793,480)</u>
Cash flows from financing activities:			
Paid to due to banks		(36,281)	(340,237)
Paid to Finance lease payables		(50,000)	931,846
Proceeds from (Paid to) term loans		2,980,841	(175,000)
Paid to lease obligations including financing charges	11	(356,340)	(196,015)
Dividends paid to non - controlling interests		(310,000)	-
Finance charges paid		(80,286)	(155,145)
Net cash flows generated from financing activities		<u>2,147,934</u>	<u>65,449</u>
Net increase in cash on hand and at banks		1,005,464	620,461
Effect of consolidate a subsidiary		-	9,823
Cash on hand and at banks at the beginning of the period		2,880,959	2,672,014
Cash on hand and at banks at the end of the period	3	<u>3,886,423</u>	<u>3,302,298</u>

The accompanying notes (1) to (21) 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)
SEPTEMBER 30, 2021

(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 September 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.

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 – K.S.C. (Public) listed on the Kuwait Stock Exchange (the Ultimate Parent Company).

The interim condensed consolidated financial information was authorized for issue by the Parent Company's Board of Directors on November 7, 2021.

2. Basis of preparation

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

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, 2020.

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
SEPTEMBER 30, 2021

(All amounts are in Kuwaiti Dinars)

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 September 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2020.

3. Cash on hand and at banks

	September 30, 2021	December 31, 2020 (Audited)	September 30, 2020
Cash on hand and at banks	4,493,212	3,487,748	3,909,087
Less: restricted cash at bank balances	(606,789)	(606,789)	(606,789)
	3,886,423	2,880,959	3,302,298

As of September 30, 2021, cash restricted by banks amounting to KD 606,789 (December 31, 2020: KD 606,789, September 30, 2020: KD 606,789) held against certain letter of guarantee in favor of the Group (Note 17).

4. Time deposits

The effective rate on time deposits ranged from 1.125% to 1.250% per annum (December 31, 2020: 1.250% to 1.375% per annum, September 30, 2020: 2% to 3% per annum), those deposits have an average maturity ranged from 185 days to 365 days.

Time deposits amounting to KD 839,700 (December 31, 2020: KD 889,275, September 30, 2020: KD 935,202) are pledged against certain letter of guarantee in favor of the Group (Note 17).

5. Murabaha investments

The effective rate on murabaha investments is 2% per annum (December 31, 2020: 2% per annum, September 30, 2020: 1.5% to 2% per annum).

Murabaha investments amounting KD 29,715 are pledged against certain letter of guarantee in favor of the Group (Note 17).

6. Accounts receivable and other debit balances

	September 30, 2021	December 31, 2020 (Audited)	September 30, 2020
Trade receivables	10,234,310	11,591,088	10,668,068
Advance payment to suppliers	968,668	928,062	1,034,083
Refundable deposits	206,959	264,702	267,113
Retentions	1,162,869	1,000,381	932,099
Others	163,080	413,223	612,716
Provision for expected credit losses (a, b)	(9,312,819)	(9,312,819)	(9,295,724)
	3,423,067	4,884,637	4,218,355
Staff receivables	119,108	23,354	20,212
Prepaid expenses	504,725	69,599	80,889
	4,046,900	4,977,590	4,319,456

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
SEPTEMBER 30, 2021

(All amounts are in Kuwaiti Dinars)

a) The movement on the provision for expected credit losses during the period / year is as follows:

	September 30, 2021	December 31, 2020 (Audited)	September 30, 2020
Balance at the beginning of the period / year	<u>9,312,819</u>	9,193,082	9,193,082
Charge for the period / year	<u>-</u>	119,737	102,642
Balance at the end of the period / year	<u><u>9,312,819</u></u>	<u>9,312,819</u>	<u>9,295,724</u>

b) The provision for expected credit losses relates to the following items:

	September 30, 2021	December 31, 2020 (Audited)	September 30, 2020
Trade receivables	<u>8,199,976</u>	8,199,976	7,821,405
Advance payment to suppliers	<u>853,191</u>	853,191	853,191
Refundable deposits	<u>25,136</u>	25,136	10,222
Retentions	<u>234,516</u>	234,516	149,919
Other	<u>-</u>	-	460,987
	<u><u>9,312,819</u></u>	<u>9,312,819</u>	<u>9,295,724</u>

7. Related parties' disclosures

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

Balances included in interim condensed consolidated statement of financial position.

	The Ultimate Parent Company	Associate company	Other	September 30, 2021	December 31, 2020 (Audited)	September 30, 2020
Due from related parties	-	1,000	8,000	9,000	48,600	18,600
Due to related parties	1,878,311	-	-	1,878,311	847,688	811,386
Terms loan (Note 10)	2,650,000	-	-	2,650,000	-	-
Accrued expenses	248,500	-	-	248,500	180,000	180,000

The Shareholders' Annual Ordinary General Assembly held on June 25, 2020, approved a convertible loan facility contract with a maximum amount of KD 10,000,000 from Agility International Investment Company W.L.L. (A subsidiary to the Ultimate Parent Company). During the period the parent company withdrew an amount of KD 2,650,000 from the related party. This loan is due after 60 months in cash or if the lender elects to convert it to ordinary shares.

Transactions included in the interim condensed consolidated statement of profit or loss and other comprehensive income:

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
General and administrative expenses	<u>(15,970)</u>	<u>(23,780)</u>	<u>(51,634)</u>	<u>(73,129)</u>
Finance charges	<u>(37,000)</u>	<u>-</u>	<u>(68,500)</u>	<u>-</u>

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
SEPTEMBER 30, 2021

(All amounts are in Kuwaiti Dinars)

Key management remuneration

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Short term benefits	58,684	45,020	176,053	149,603
Terminal benefits	2,276	834	6,829	3,996
	60,960	45,854	182,882	153,599

8. **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.

The Group did not recognize the company's share of results from investment in an associate for the period ended in September 30, 2021, as no interim financial information was available to the associate, and the movement during the period was considered as not material.

9. **Rights of use assets**

The parent company leases several assets including buildings and land. The average lease term is 5 years.

The movement of right to use assets are as follows:

	Buildings	Land	Total
<u>Cost:</u>			
As of January 1, 2020	585,065	152,630	737,695
Additions	136,348	-	136,348
Disposals	(218,545)	-	(218,545)
As of September 30, 2020	502,868	152,630	655,498
Additions	-	2,318,622	2,318,622
As of December 31, 2020	502,868	2,471,252	2,974,120
As of September 30, 2021	502,868	2,471,252	2,974,120
<u>Accumulated Amortization</u>			
As of January 1, 2020	180,749	45,435	226,184
Charge for the period	164,199	31,948	196,147
Related to disposals	(108,567)	-	(108,567)
As of September 30, 2020	236,381	77,383	313,764
Charge for the period	52,499	236,733	289,232
As of December 31, 2020	288,880	314,116	602,996
Charge for the period	161,543	207,898	369,441
As of September 30, 2021	450,423	522,014	972,437
<u>Net Book Value:</u>			
As of September 30, 2021	52,445	1,949,238	2,001,683
As of December 31, 2020	213,988	2,157,136	2,371,124
As of September 30, 2020	266,487	75,247	341,734

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Amortization charged for the period is allocated as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Service Cost	53,968	59,464	160,238	159,728
Interim condensed Consolidated Statement of profit or loss and other comprehensive income	69,874	11,490	209,203	36,419
	123,842	70,954	369,441	196,147

10. Term loans

	Due date	Currency	Amounts		
			September 30, 2021	December 31, 2020 (Audited)	September 30, 2020
Term loan from local bank carrying interest rate of 3% (December 31, 2020: 3% per annum, September 30, 2020: 3% per annum) over the Central Bank of Kuwait discount rate.	March 31, 2022	KWD	1,375,687	1,044,846	931,846
Term loan from related party carrying interest rate of 4% over the Central Bank of Kuwait discount rate. (A)	April 12, 2026	KWD	2,650,000	-	-
			4,025,687	1,044,846	931,846

(A) This loan is secured by the ability to convert it to ordinary shares when due as disclosed in note (7).

The Term loans are classified in the interim condensed consolidated statement of financial position as follows:

	September 30, 2021	December 31, 2020 (Audited)	September 30, 2020
Current portion	1,375,687	408,000	931,846
Non-current portion	2,650,000	636,846	-
	4,025,687	1,044,846	931,846

11. Lease Obligations

The movement for lease obligations is as follows:

	September 30, 2021	December 31, 2020 (Audited)	September 30, 2020
Balance at the beginning of the period / year	2,550,977	510,988	510,988
Additions	-	2,454,970	136,348
Financing charges	81,299	122,389	17,684
Payments	(356,340)	(423,429)	(196,015)
Disposals	-	(113,941)	(109,978)
Balance at the end of the period / year	2,275,936	2,550,977	359,027

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The lease obligations is classified in the interim condensed consolidated statement of financial position as follows:

	September 30, 2021	December 31, 2020 (Audited)	September 30, 2020
Current portion	393,824	672,133	87,282
Non-current portion	1,882,112	1,878,844	271,745
	2,275,936	2,550,977	359,027

The financing charges are allocated as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Service Cost	1,231	4,317	5,524	13,714
Interim condensed consolidated statement of profit or loss and other comprehensive income	25,254	1,355	75,775	3,970
	26,485	5,672	81,299	17,684

12. Accounts payable and other credit balances

	September 30, 2021	December 31, 2020 (Audited)	September 30, 2020
Trade payables	800,987	624,081	751,721
Accrued expenses	736,231	3,017,745	2,581,177
Accrued to contractors	68,602	56,812	49,587
Staff payables	34,716	22,562	69,992
Accrued staff leave	715,577	635,949	577,815
Advance payments from customers	198,268	369,881	412,064
	2,554,381	4,727,030	4,442,356

13. Treasury shares

	September 30, 2021	December 31, 2020 (Audited)	September 30, 2020
Number of shares (shares) (A)	9,899,225	9,899,225	9,899,225
Percentage of paid up shares (%)	9.89%	9.89%	9.89%
Market value (KD)	1,197,806	544,457	388,050
Cost (KD)	1,056,623	1,056,623	1,056,623

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

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14. Basic (loss) Earnings per share attributable to Shareholders of the Parent Company

The information necessary to calculate basic (loss) earnings per share based on the weighted average number of shares outstanding during the period as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net (loss) profit for the period attributable to Parent Company's Shareholders (KD)	<u>(425,886)</u>	<u>40,726</u>	<u>(862,794)</u>	<u>(780,149)</u>
	Shares	Shares	Shares	Shares
Number of outstanding shares:				
Number of issued and fully paid shares	100,000,000	100,000,000	100,000,000	100,000,000
Less: Weighted average number of treasury shares	<u>(9,899,225)</u>	<u>(9,899,225)</u>	<u>(9,899,225)</u>	<u>(9,899,225)</u>
Weighted average number of shares outstanding	<u>90,100,775</u>	<u>90,100,775</u>	<u>90,100,775</u>	<u>90,100,775</u>
	Fils	Fils	Fils	Fils
Basic (loss) earnings per share attributable to Shareholders of the Parent Company	<u>(4.73)</u>	<u>0.45</u>	<u>(9.58)</u>	<u>(8.66)</u>

The term loan that could convert to the ordinary shares (Note 10) had no diluted effect on the basic loss per share attributable to shareholders of the parent company.

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, cutting, and shearing of metals, selling waste scrap inside and outside State of Kuwait, cutting and shearing of metals, recycling of waste, plastic, rubbles, environmental waste, and trading in the recycled materials.

B. Services Department- HVAC

This represents maintenance of tools and technical supplies, electric generators, cleaning services, metal pipes, constructions ceiling maintenance, bridges erection, cleaning and sanitary contracts, selling and buying cleaning powders, extinguishing tool works, fire alarm machines and air conditions contracts and maintenance.

C. Services Department – Cleaning

It includes cleaning roads and buildings, cities cleaning contracts, and security services.

D. Others

This item includes all types of investments, goodwill, and other activities.

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Financial details of the above operating segments are as follows:

	September 30, 2021		December 31, 2020 (Audited)		September 30, 2020	
	Segment assets	Segment liabilities	Segment assets	Segment liabilities	Segment assets	Segment liabilities
Metal shredding and used spare parts department	6,989,368	10,569,073	6,781,533	8,705,222	5,720,888	6,213,582
Services Department- HVAC	9,369,184	2,604,354	8,896,702	2,922,487	9,007,081	2,993,331
Services Department – Cleaning	1,077,672	256,479	1,043,707	252,925	1,108,381	278,360
Others	5,864,051	23,609	5,865,615	31,870	5,920,529	12,937
	23,300,275	13,453,515	22,587,557	11,912,504	21,756,879	9,498,210

	Three months ended September 30,				Nine months ended September 30,			
	2021		2020		2021		2020	
	Segment revenue	Segment results	Segment revenue	Segment results	Segment revenue	Segment results	Segment revenue	Segment results
Waste Department - Metal Shredding	38,388	(1,757)	1,185,380	93,724	1,631,277	497,549	3,134,709	354,310
Waste Department - Plastic Recycling	278,288	(69,033)	581,387	(44,743)	1,066,324	(73,928)	1,279,301	(93,181)
Waste Department - Medical Waste	97,893	(59,192)	62,710	(86,699)	295,179	(160,617)	192,936	(178,503)
Services Department- HVAC (Heating ventilation and Air conditioning)	2,372,211	421,702	1,942,063	291,966	7,045,953	1,057,663	5,867,461	796,438
Services Department – Cleaning	331,617	19,096	393,925	18,417	999,120	68,003	1,620,583	121,501
Others	81,615	(602,552)	340,211	(136,984)	316,916	(1,906,963)	599,221	(1,493,183)
	3,200,012	(291,736)	4,505,676	135,681	11,354,769	(518,293)	12,694,211	(492,618)

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16. Rights of utilization

The Parent Company's operations are constructed on land leased by the parent company and is assigned to the associate, for which the right of utilization, contract was renewed on June 19, 2013 with the Public Authority for Industry for 5 years ended on May 31, 2018. The eviction took place during the period in implementation of the recommendation issued by the Minister of Commerce and Industry on January 25, 2021 (Note 21).

During the year 2018, the parent company completed the procedures for receiving an additional land area in Mina Abdullah and Al-Naim area as an alternative to this land, the parent company renewed the right of utilization contract with the Public Authority for Industry for a period of 5 years beginning on July 16, 2020 and ending on July 15, 2025.

17. Contingent liabilities

The Group is contingently liabilities in respect of the following:

	September 30, 2021	December 31, 2020 (Audited)	September 30, 2020
Letters of guarantee	<u>9,340,797</u>	9,622,196	9,022,239
Letters of credit	<u>-</u>	21,541	21,000
	<u>9,340,797</u>	<u>9,643,737</u>	<u>9,043,239</u>

Certain letters of guarantee are secured by cash on hand and at banks, time deposits and murabaha investments (Note 3, 4, 5)

18. Fair value of financial instruments

The Group measures financial assets such as financial assets at FVPL and non-financial assets such as investment properties 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.

The following table shows an analysis of captions recorded at fair value by level of the fair value hierarchy:

	September 30, 2021		
	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit and loss	34,972	-	34,972
Investment properties	-	2,342,000	2,342,000
Total	<u>34,972</u>	<u>2,342,000</u>	<u>2,376,972</u>

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	December 31, 2020		
	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	34,972	-	34,972
Investment properties	-	2,342,000	2,342,000
Total	34,972	2,342,000	2,376,972

	September 30, 2020		
	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	99,126	-	99,126
Investment properties	949,000	1,441,000	2,390,000
Total	1,048,126	1,441,000	2,489,126

At September 30, 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' Annual Ordinary General Assembly held on May 6, 2021 approved the consolidated financial statements for the fiscal year ended December 31, 2020. There was no profit distributions or bonus shares or board of directors' remuneration for the year ended December 31, 2020.

The Shareholders' Annual Ordinary General Assembly held on June 25, 2020 approved the consolidated financial statements for the fiscal year ended December 31, 2019. There was no profit distributions or bonus shares or board of directors' remuneration for the year ended December 31, 2019.

20. Risk Management and Coronavirus Pandemic:

A year after the emergence of the Coronavirus (COVID 19) pandemic, many economic sectors and business sectors are still facing unrest and uncertainty factors as a result of the pandemic and also because of the measures taken by governments to contain the spread of the virus.

The group continues to be affected by the repercussions of the virus outbreak, and the administration continues its efforts to mitigate the resulting risks. Credit risk and liquidity risk, in addition to the application of the important estimates and judgments of the annual consolidated financial statements of the Group's audited annual date of December 31, 2020, detailed in Note (35), and there have been no material changes to the risk management process.

21. Update on the evacuation of the Amghara area:

Include in Real Estate Development Company - LLC. ("REDCO") in its financial statements is a real estate investment within the group's investment in the associate company located in the Amghara area on which the factories, buildings and operations of the parent company are based. The parent company's share of this investment property is amounting to KD 3,426,400 (December 31, 2020: KD 3,426,400, September 30, 2020: KD 3,422,560) within the investment clause, where the buildings attached to the factory were demolished and the administrative building of the parent company in the old site in South Amghara was demolished by the municipality in implementation of the recommendation issued by the Minister of Commerce and Industry dated January 25, 2021 to remove and evacuate the parent company from its location in South Amghara (note 16).

The management of the parent company considers that the action taken by the Minister of Commerce and Industry is not a decision because it lacks the legal elements of the administrative decision and is contrary to the industry law, and to face this abuse and violation of the provisions of the law, the parent company resorted to the judiciary to defend its rights and the rights of its shareholders, so it filed lawsuits regarding this matter. The right to claim compensation for all damages resulting from the implementation of the aforementioned decision, and the parent company is currently assessing the size of the losses to resort to the judiciary to claim the related compensation, which will include the following items:

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- The value of the assets bought and established by the parent company to practice its activity in the current location, which it lost as a result of the demolition of the buildings attached to the factory and the demolition of the administrative building of the parent company by the municipality, calculated on the basis of replacement value.
- The costs that the company will incur to establish and establish the activity requirements at the alternate site, which will include the cost of developing the infrastructure at the new site, the construction cost (including design and supervision costs), the cost of purchasing new equipment, and other works.
- Loss of revenues as a result of the expected increase in the costs of raw materials due to the change in geographical location due to the additional costs of obtaining raw materials, distribution of manufactured products and the decrease in the quantity of production.
- The opportunity cost of losing sources of raw materials (who may contract with competitors during the period in which the parent company will not be able to fulfill its procurement obligations).
- Loss of revenues during the suspension period until the completion of the establishment, establishment and operation of the activity on the alternative site.
- Opportunity cost of losing customers and markets and additional marketing costs incurred in establishing a client base in a new location.
- Finance expenses and costs to be incurred by the parent company.
- Rental allowance from Port Abdullah, Contract No. 85 for the period from June 1, 2013 to April 8, 2021.
- Any other related costs.

The Group has not established an impairment loss allowance for the carrying value of the investment property, due to the uncertainty associated with estimating the value of compensation to be received and estimating the fair value of the alternative right of use.