

**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, 2022
(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, 2022, and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three months and nine months period then ended, 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.

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 matter

Without qualifying our conclusion, we draw attention to Note (16) regarding right of utilization for a land leased by the Group and held within the Associate Company.

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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 and its Executive Regulations as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association as amended during the Nine months period ended September 30, 2022, that might have had a material effect on the Parent Company's financial position or results of its operation, except for the Group ownership of investment properties and conducting rental activities, not disclosed in the Parent Company Articles of Association.

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 Nine months period ended September 30, 2022, that might have had a material effect on the Parent Company's financial position or results of its operations.

State of Kuwait
November 10, 2022


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 AT SEPTEMBER 30, 2022
(All amounts are in Kuwaiti Dinars)

			September 30, 2022	December 31, 2021 (Audited)	September 30, 2021
ASSETS					
Current assets:					
Cash and cash equivalents	3		4,952,273	4,062,273	4,493,212
Time deposits	4		2,100,145	1,090,296	1,087,230
Accounts receivable and other debit balances	5		5,259,633	4,495,511	3,964,524
Due from related parties	6		313,776	241,375	91,376
Inventories			104,304	757,990	702,548
Total current assets			12,730,131	10,647,445	10,338,890
Non-current assets:					
Financial assets at fair value through profit and loss			34,972	34,972	34,972
Investment in associate	16		6,023,828	6,023,828	5,465,720
Investment properties			1,420,000	1,420,000	2,342,000
Property, plant and equipment	7		4,402,970	3,106,521	2,710,121
Right of use assets	8		2,131,052	2,531,136	2,001,683
Goodwill			406,889	406,889	406,889
Total non-current assets			14,419,711	13,523,346	12,961,385
Total assets			27,149,842	24,170,791	23,300,275
LIABILITIES AND EQUITY					
Current liabilities:					
Due to banks			196,471	210,781	63,719
Finance lease payables	9		275,000	350,000	920,000
Term loans	10		1,058,000	1,058,000	1,375,687
Lease liabilities	11		173,138	608,845	393,824
Accounts payable and other credit balances			3,354,153	2,981,658	2,554,381
Due to related parties	6		2,284,325	2,206,621	1,878,311
Total current liabilities			7,341,087	7,415,905	7,185,922
Non-current liabilities:					
Term loans	10		6,626,925	3,876,183	3,300,000
Lease liabilities	11		2,264,702	2,281,411	1,882,112
Provision for end of service indemnity			1,072,243	1,114,245	1,085,481
Total non-current liabilities			9,963,870	7,271,839	6,267,593
Total liabilities			17,304,957	14,687,744	13,453,515
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	12		(1,056,623)	(1,056,623)	(1,056,623)
Effect of change in subsidiary's equity			402,450	402,450	402,450
Accumulated losses			(3,842,585)	(3,828,110)	(3,430,591)
Equity attributable to shareholders of the Parent Company			7,023,823	7,038,298	7,435,817
Non-controlling interests			2,821,062	2,444,749	2,410,943
Total equity			9,844,885	9,483,047	9,846,760
Total liabilities and equity			27,149,842	24,170,791	23,300,275

The accompanying notes from (1) to (22) form an integral part of the interim condensed consolidated financial information.

Msaed Ibrahim Al Houwly
Chairman

Tarek Ibrahim Mohamed 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, 2022
(All amounts are in Kuwaiti Dinars)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
Revenues:					
Net sales		65,061	316,677	910,767	2,697,602
Service revenue		2,728,302	2,839,395	8,228,021	8,525,297
		<u>2,793,363</u>	<u>3,156,072</u>	<u>9,138,788</u>	<u>11,222,899</u>
Expenses:					
Cost of sales		(9,801)	(266,618)	(692,089)	(1,794,195)
Service costs		(1,828,448)	(2,070,061)	(5,633,176)	(6,262,565)
		<u>(1,838,249)</u>	<u>(2,336,679)</u>	<u>(6,325,265)</u>	<u>(8,056,760)</u>
Gross profit		<u>955,114</u>	<u>819,393</u>	<u>2,813,523</u>	<u>3,166,139</u>
Staff costs		(261,335)	(294,606)	(841,380)	(876,118)
General and administrative expenses		(282,494)	(666,897)	(805,239)	(2,148,780)
Selling and marketing expenses		(6,920)	(3,318)	(58,117)	(159,765)
Depreciation	7	(98,933)	(19,811)	(291,618)	(59,683)
Amortization for right of use assets	8	(116,011)	(123,842)	(352,371)	(369,441)
		<u>(765,693)</u>	<u>(1,108,474)</u>	<u>(2,348,725)</u>	<u>(3,613,787)</u>
Profit (Loss) from operations		<u>189,421</u>	<u>(289,081)</u>	<u>464,798</u>	<u>(447,648)</u>
Interest income		14,668	3,073	32,349	11,441
Foreign exchange (Loss) gain		7,192	147	8,286	(11,229)
Gain on sale of property, plant, and equipment		9,000	-	63,050	7,167
Finance charges		(123,508)	(66,815)	(298,804)	(239,066)
Other provisions	13	-	-	(116,902)	-
Other income	14	68,558	60,940	209,061	161,042
Profit (Loss) for the period		<u>165,331</u>	<u>(291,736)</u>	<u>361,838</u>	<u>(518,293)</u>
Other comprehensive income		-	-	-	-
Total comprehensive profit (comprehensive loss) for the period		<u>165,331</u>	<u>(291,736)</u>	<u>361,838</u>	<u>(518,293)</u>
Attributable to:					
Shareholders of the Parent Company		50,035	(425,886)	(14,475)	(862,794)
Non-controlling interests		115,296	134,150	376,313	344,501
		<u>165,331</u>	<u>(291,736)</u>	<u>361,838</u>	<u>(518,293)</u>
		<u>Fils</u>	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>
Basic and diluted earnings (loss) per share attributable to Shareholders of the Parent Company	15	<u>0.55</u>	<u>(4.73)</u>	<u>(0.16)</u>	<u>(9.58)</u>

The accompanying notes from (1) to (22) 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, 2022
(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company						Non - controlling interests	Total equity
	Share capital	Statutory reserve	Treasury shares	Effect of change in subsidiary's equity	Accumulated losses	Subtotal		
Balance as at January 1, 2022	10,000,000	1,520,581	(1,056,623)	402,450	(3,828,110)	7,038,298	2,444,749	9,483,047
Total comprehensive (loss) income for the period	-	-	-	-	(14,475)	(14,475)	376,313	361,838
Balance as at September 30, 2022	10,000,000	1,520,581	(1,056,623)	402,450	(3,842,585)	7,023,823	2,821,062	9,844,885
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)
Cash 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

The accompanying notes from (1) to (22) 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, 2022
(All amounts are in Kuwaiti Dinars)

		Nine months ended September 30,	
	Notes	2022	2021
Cash flows from operating activities:			
Profit (Loss) for the period		361,838	(518,293)
Adjustments for:			
Depreciation	7	291,618	238,661
Gain on sale of property, plant and equipment		(63,050)	(7,167)
Gain on disposal of leases		(289)	-
Amortization of right of use assets	8	352,371	369,441
Interest income		(32,349)	(11,441)
Finance charges		298,804	239,066
Provision for end of service indemnity		164,655	160,445
Other provisions	13	116,902	-
		<u>1,490,500</u>	<u>470,712</u>
Changes in operating assets and liabilities:			
Accounts receivable and other debit balances		(764,122)	931,899
Due from / to related parties		5,303	1,123,384
Inventories		653,686	38,802
Accounts payable and other credit balances		<u>255,593</u>	<u>(2,303,291)</u>
Cash flows generated from operations		<u>1,640,960</u>	<u>261,506</u>
Payment for end of service indemnity		<u>(206,657)</u>	<u>(96,927)</u>
Net cash flows generated from operating activities		<u>1,434,303</u>	<u>164,579</u>
Cash flows from investing activities:			
Time deposits		(1,009,849)	(10,461)
Paid for property, plant, and equipment	7	(1,588,067)	(1,313,988)
Proceeds from sale of property, plant and equipment		63,050	7,168
Interest income received		32,349	10,232
Net cash flows used in investing activities		<u>(2,502,517)</u>	<u>(1,307,049)</u>
Cash flows from financing activities:			
Net movement in due to banks		(14,310)	(36,281)
Net movement in Finance lease payables	9	(75,000)	(50,000)
Net movement in term loans		2,750,742	2,980,841
Payment of lease liabilities	11	(491,880)	(356,340)
Dividends paid to non-controlling interests		-	(310,000)
Finance charges paid		<u>(211,338)</u>	<u>(80,286)</u>
Net cash flows generated from financing activities		<u>1,958,214</u>	<u>2,147,934</u>
Net increase in cash and cash equivalents		890,000	1,005,464
Net movement on cash held against letters of guarantee		(354,156)	-
Cash and cash equivalents at the beginning of the period		<u>3,455,484</u>	<u>2,880,959</u>
Cash and cash equivalents at the end of the period	3	<u>3,991,328</u>	<u>3,886,423</u>

The accompanying notes from (1) to (22) 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, 2022
(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 on June 21, 2022.

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 66.48% by Agility Public Warehousing Company – K.S.C.P. 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 10, 2022.

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 year ended December 31, 2021.

The Group has not early adopted any other standards, interpretations or amendments that has been issued but is not yet effective. Other amendments and interpretations apply for the first time on January 1, 2022, but do not have an impact on the interim condensed consolidated financial information of the Group.

The interim condensed consolidated financial information does not include all the information and notes required for complete financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunctions with the Group's annual consolidated financial statements for the year ended December 31, 2021. 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, 2022, are not necessarily indicative of the results that may be expected for the year ending December 31, 2022. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2021.

3. Cash and cash equivalents

	September 30, 2022	December 31, 2021 (Audited)	September 30, 2021
Cash on hand and at banks	4,020,942	3,693,484	4,493,212
Short term bank deposits	931,331	368,789	-
	4,952,273	4,062,273	4,493,212
Less: restricted cash against letters of guarantee	(960,945)	(606,789)	(606,789)
Cash and cash equivalents as presented in the consolidated statement of cash flows	3,991,328	3,455,484	3,886,423

The effective rate on short term bank deposits was 1.9% to 2.4% per annum (December 31, 2021: 1%, September 30, 2021: 1%). These deposits, denominated in Kuwaiti Dinars have an average maturity of 30 - 90 days.

As of September 30, 2022, cash restricted by banks against letters of guarantee (Note 17) amounts to KD 960,945 (December 31, 2021: KD 606,789, September 30, 2021: KD 606,789).

METAL AND RECYCLING COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
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(All amounts are in Kuwaiti Dinars)

4. Time deposits

The effective rate on time deposits ranged from 1.25% to 4.1% per annum (December 31, 2021: 1.125% to 1.25% per annum, September 30, 2021: 1.125% to 1.250% per annum), those deposits have an average maturity ranged from 185 to 365 days.

Time deposits amounting to KD 868,402 (December 31, 2021: KD 869,415, September 30, 2021: KD 839,700) are pledged against letters of guarantee (Note 17).

5. Accounts receivable and other debit balances

	September 30, 2022	December 31, 2021 (Audited)	September 30, 2021
Trade receivables	11,108,787	10,796,390	10,234,310
Less: Provision for expected credit losses (a)	(8,275,948)	(8,275,948)	(8,199,976)
Net trade receivables	2,832,839	2,520,442	2,034,334
Advance payments to suppliers	1,617,277	897,734	968,668
Less: Provision for expected credit losses (a)	(845,191)	(845,191)	(853,191)
Net advanced payments to suppliers	772,086	52,543	115,477
Retention receivables	930,250	1,197,570	1,162,869
Less: Provision for expected credit losses (a)	(329,310)	(470,845)	(234,516)
Net retention receivables	600,940	726,725	928,353
Refundable deposits	158,884	116,519	206,959
Less: Provision for expected credit losses (a)	-	-	(25,136)
Net refundable deposits	158,884	116,519	181,823
Due from sale of investment property (b)	-	440,000	-
Prepaid expenses	602,952	353,168	504,725
Staff receivables	195,197	221,333	119,108
Others	96,735	64,781	80,704
	5,259,633	4,495,511	3,964,524

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

	September 30, 2022	December 31, 2021 (Audited)	September 30, 2021
Balance at the beginning of the period / year	9,591,984	9,312,819	9,312,819
Charged for the period / year	-	309,194	-
Utilized during the period / year	(141,535)	(30,029)	-
Balance at the end of the period / year	9,450,449	9,591,984	9,312,819

(b) Due from sale of an investment property represents cash consideration amounting of KD 960,000, net of Iqara finance installments of KD 520,000 as of December 31, 2021, related to an investment property. The Group netted off the cash consideration against and Iqara finance installments, as the lending Bank collected the cash consideration from the buyer and paid the net amount of KD 440,000 to the Group, during the period ended September 30, 2022.

METAL AND RECYCLING COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
SEPTEMBER 30, 2022
 (All amounts are in Kuwaiti Dinars)

6. Related parties' 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 in the normal course of business. Prices and terms of payment are approved by the Group's management.

Significant related party balances and transactions are as follows:

Balances included in interim condensed consolidated statement of financial position:

	Major shareholder	Entities under common control	Associate	Others	September 30, 2022	December 31, 2021 (Audited)	September 30, 2021
Due from related parties	-	80,000	1,400	232,376	313,776	241,375	91,376
Due to related parties	(2,224,551)	-	-	(59,774)	(2,284,325)	(2,206,621)	(1,878,311)
Accrued expenses	(180,000)	-	-	-	(180,000)	(180,000)	(248,500)
Term loans (Note 10)	-	(5,880,000)	-	-	(5,880,000)	(2,884,500)	(2,650,000)

On April 12, 2021, the Parent Company signed a loan agreement with a related party (a company under common control) for a maximum amount of KD 10,000,000, bearing an interest rate of 4% per annum, over the Central Bank of Kuwait discount rate, due upon which of the following occurs first:

- A.
- After the expiration of 5 years from, date April 12, 2021, or,
 - When there is a change in the control of the Ultimate Parent company over the Parent Company.
- B.
- Upon an early payment request in the event of insolvency or early payment.

The loan is convertible into ordinary shares at a conversion price of 100 fils, on or before the maturity date, at the lender's option.

During the period ended September 30, 2022, the Parent Company withdrew an additional amount of KD 2,995,500 from the original loan facility.

Transactions included in interim condensed consolidated statement of profit or loss

	Major shareholder	Entities under common control	Nine months ended September 30,	
			2022	2021
Finance charges	-	(156,775)	(156,775)	(68,500)
General and administrative expenses	(57,596)	-	(57,596)	(51,634)

Compensation to key management personnel

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Short term benefits	82,310	58,684	239,089	176,053
Terminal benefits	13,351	2,276	20,106	6,829
	95,661	60,960	259,195	182,882

METAL AND RECYCLING COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
SEPTEMBER 30, 2022
(All amounts are in Kuwaiti Dinars)

7. Property, plant, and equipment

	Buildings	Project under Progress	Leasehold improvements	Machinery and equipment	Motor vehicles	Office furniture and equipment	Total
<u>Cost:</u>							
As at January 1, 2022	99,995	2,253,308	350,000	652,961	1,929,668	48,432	5,334,364
Additions	-	1,554,417	-	15,928	17,722	-	1,588,067
Disposals	-	-	-	(27,500)	(113,580)	-	(141,080)
Transfers	373,276	(2,076,139)	-	1,702,863	-	-	-
As at September 30, 2022	473,271	1,731,586	350,000	2,344,252	1,833,810	48,432	6,781,351
<u>Accumulated depreciation:</u>							
As at January 1, 2022	90,007	-	14,583	519,625	1,556,406	47,222	2,227,843
Charge for the year	14,503	-	13,125	106,540	156,809	641	291,618
Related to disposals	-	-	-	(27,500)	(113,580)	-	(141,080)
As at September 30, 2022	104,510	-	27,708	598,665	1,599,635	47,863	2,378,381
<u>Net book value:</u>							
As at September 30, 2022	368,761	1,731,586	322,292	1,745,587	234,175	569	4,402,970
As at September 30, 2021	9,988	2,253,308	335,417	133,336	373,262	1,210	3,106,521

- One of the group's buildings is built on land leased from the Public Authority for Industry, which ends on July 1, 2023, and it is renewable.
- Projects under progress represents the construction of a plant to treat clinical waste from medical institutions and a building for the parent company's headquarters in Mina Abdullah.

METAL AND RECYCLING COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
SEPTEMBER 30, 2022
(All amounts are in Kuwaiti Dinars)

8. Right of use assets

The Group leases buildings and land. The average lease term is from 5 to 10 years.

The movement of right to use assets and the allocation of amortization charges are as follows:

	Buildings	Land	Total
Net carrying amount as at January 1, 2022	618,266	1,912,870	2,531,136
Disposals	(47,713)	-	(47,713)
Amortization charged for the period	(146,601)	(205,770)	(352,371)
Net carrying amount as at September 30, 2022	423,952	1,707,100	2,131,052
Net carrying amount as at January 1, 2021	222,498	2,148,626	2,371,124
Amortization charged for the period	(163,672)	(205,769)	(369,441)
Net carrying amount as at September 30, 2021	58,826	1,942,857	2,001,683

9. Finance lease payables

	September 30, 2022	December 31, 2021 (Audited)	September 30, 2021
Total finance lease payables	290,320	368,328	947,688
Less: future finance charges	(15,320)	(18,328)	(27,688)
	275,000	350,000	920,000

The Group entered into leasing financing agreements with a local bank to finance the purchase of investment properties. The Group rescheduled the leasing financing agreement during the period ended September 30, 2022, on the same terms to quarterly payments of KD 25,000 each and a final payment of KD 175,000, due on October 31, 2023, with an option to buy upon full settlement of contractual payments. During the period ended on September 30, 2022, an amount of KD 75,000 of lease payments has been made.

Investment properties are registered under the lending Bank's name as collateral for contractual rental payments.

The average effective rate of charge was 3% per annum above the Central Bank of Kuwait discount rate as at September 30, 2022 (2021: 3% per annum above the Central Bank of Kuwait discount rate).

10. Term loans

	Due date	Currency	September 30, 2022	December 31, 2021 (Audited)	September 30, 2021
Term loan from local bank carrying interest rate of 2.5% over the Central Bank of Kuwait discount rate.	August 31, 2023	KWD	650,000	650,000	650,000
Term loan from local bank carrying interest rate of 3% over the Central Bank of Kuwait discount rate.	June 30, 2025	KWD	1,154,925	1,399,683	1,375,687
Term loan from a related party carrying interest rate of 4% over the Central Bank of Kuwait discount rate. (Note 6)	April 12, 2026	KWD	5,880,000	2,884,500	2,650,000
			7,684,925	4,934,183	4,675,687

Term loans are secured by an assignment letter for certain project revenues.

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The term loans are classified as follows:

	September 30, 2022	December 31, 2021 (Audited)	September 30, 2021
Current portion	1,058,000	1,058,000	1,375,687
Non-current portion	6,626,925	3,876,183	3,300,000
	<u>7,684,925</u>	<u>4,934,183</u>	<u>4,675,687</u>

11. Lease liabilities

The movement of lease liabilities during the period was as follows:

	September 30, 2022	December 31, 2021 (Audited)	September 30, 2021
Balance at the beginning of the period / year	2,890,256	2,550,977	2,550,977
Additions		651,196	
Disposals	(48,002)		
Financing charges	87,466	107,363	81,299
Payments	(491,880)	(410,100)	(356,340)
Rent concessions		(9,180)	-
Balance at the end of the period / year	<u>2,437,840</u>	<u>2,890,256</u>	<u>2,275,936</u>

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

	September 30, 2022	December 31, 2021 (Audited)	September 30, 2021
Current portion	173,138	608,845	393,824
Non-current portion	2,264,702	2,281,411	1,882,112
	<u>2,437,840</u>	<u>2,890,256</u>	<u>2,275,936</u>

12. Treasury shares

	September 30, 2022	December 31, 2021 (Audited)	September 30, 2021
Number of shares	9,899,225	9,899,225	9,899,225
Percentage of paid-up shares	9.89%	9.89%	9.89%
Market value	732,543	940,426	1,197,806
Cost	(1,056,623)	(1,056,623)	(1,056,623)

In accordance with the decision of the Capital Markets Authority on December 30, 2013, The Parent Company's management has allotted an amount equal to the treasury shares balance from the statutory reserve as of September 30, 2022. Such amount will not be available for distribution during the treasury shares holding period.

13. Other provisions

The Group received Zakat demand on April 21, 2022, from Ministry of Finance for an amount of KD 116,902, representing additional Zakat for the years ended December 31, 2014, until December 31, 2018. Management of the Parent Company filled an objection with the Ministry of Finance on September 9, 2022, against this assessment, which was later rejected on July 25, 2022. On August 8, 2022, the Parent Company filed an appeal with Ministry of Finance – Appeal Committee, which is still under discussion.

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14. Other income

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Rent income	30,150	43,940	90,450	131,870
Proceeds from legal claim settlement	-	-	47,500	-
Others	38,408	17,000	71,111	29,172
	<u>68,558</u>	<u>60,940</u>	<u>209,061</u>	<u>161,042</u>

15. Basic and diluted earnings (loss) 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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Profit (loss) for the period attributable to Parent Company's Shareholders	<u>50,035</u>	<u>(425,886)</u>	<u>(14,475)</u>	<u>(862,794)</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 and diluted earnings (loss) per share attributable to Shareholders of the Parent Company	<u>0.55</u>	<u>(4.73)</u>	<u>(0.16)</u>	<u>(9.58)</u>

As at September 30, 2022, there is a term loan convertible into ordinary shares (Note 6). It does not have a dilutive effect on the earnings (loss) per share due to its nature.

16. Rights of utilization and investment in associate

The Parent Company operates on a plot of a land at 85, Mina Abdullah, with an area of 548,437.5 square meters, leased from Public Authority for Industry, pursuant to the contract signed on July 16, 2020, for 5 years ending on July 15, 2025. The Parent Company granted a usufruct contract to the Associate Company – Real Estate Development Company W.L.L., pursuant to a usufruct letter approved by the Public Authority for Industry.

17. Contingent liabilities

The Group is contingently liable against the following:

	September 30, 2022	December 31, 2021 (Audited)	September 30, 2021
Letters of guarantee	<u>8,740,265</u>	<u>8,842,259</u>	<u>9,340,797</u>

Certain letters of guarantee are secured by cash and cash equivalent and time deposits (Notes 3 and 4).

18. Shareholders' Annual General Assembly

Annual Ordinary General Assembly of the Shareholders' of the parent company, held on May 30, 2022, approved the consolidated financial statements for the year ended on December 31, 2021, and also resolved not to distribute cash dividends, bonus shares, or remuneration to members of the Board of Directors for the year ended December 31, 2021.

The Shareholders' Annual Ordinary General Assembly of the parent company, held on May 6, 2021, approved the consolidated financial statements for the year ended on December 31, 2020, and also approved not to distribute cash dividends, bonus shares, or remuneration to members of the Board of Directors for the year ended December 31, 2020.

19. Legal claims

There are certain lawsuits raised by / against the Group, the results of which cannot be assessed till being finally cleared by the court. In the opinion of the Group's Management, there will be no material adverse impact on the Group's consolidated financial statements, and hence no provisions were recorded in the Group's records as of the reporting date due to the sufficiency of the currently recorded provisions for those claims as of the reporting date.

On September 13, 2017, the Parent Company, submitted a financial claim in the amount of KD 25,415,961 (twenty-five million four hundred and fifteen thousand nine hundred and Ninety-one Kuwaiti dinars), and this claim is based on the Parent Company's eligibility for compensation (In accordance with the principle of compensation established by Law No. 105/1980 regarding state property and its executive regulations, and also established by virtue of the contract concluded with the Public Authority for Industry regarding the exploitation of the land, Contract No. 27/2013 dated on September 19, 2013, and stated in Article 13), according to similar cases in the same geographical location. This claim is still under study by the Public Authority for Industry and the Ministry of Commerce and Industry, which referred the matter to the Council of Ministers, to examine the competent committee for assessing compensation.

While the Administrative Authority was deciding on this claim and working out ways to providing alternative lands to the Parent Company for relocating from its current location in which the administrative building, factory, and scrap yard were located, Public Authority issued a decision on January 25, 2021, to displace the Parent Company from its location in South Amghara. The Administrative Authority has violated the said decision and what was agreed upon during the meeting with the Public Authority for Industry and the Parent Company on September 29, 2019, that the transfer to the new site will take place only after the installation of power and implementation of organizational structure.

Accordingly, the Parent Company, considered that the violation by the administrative authority had caused damages, and as a result, it prepared a supplementary financial claim to the previous one, bringing the total claim to KD 58,500,000 (Fifty-eight million and five hundred thousand Kuwaiti Dinars). The matter is still under investigation by the Public Authority for Industry and the Ministry of Commerce and Industry and has not been resolved till date.

20. Segments 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. Waste Management & Recycling

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 waste, plastic, rubbles, environmental waste, and trading in the recycled materials. Includes recycling, treatment, and disposal of metallic, plastic and medical waste.

B. Services Department - HVAC

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

Includes cleaning roads and buildings, cities cleaning contracts, and security services.

D. Other

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, 2022			December 31, 2021 (Audited)			September 30, 2021		
	Segments assets	Segments liabilities		Segments assets	Segments liabilities		Segments assets	Segments liabilities	
Waste Management & Recycling	10,534,782	14,993,304		7,426,932	11,544,237		6,989,368	10,569,073	
Services Department – HVAC	9,127,150	2,034,718		9,359,012	2,862,697		9,369,184	2,604,354	
Services Department – Cleaning	1,067,674	235,192		963,473	237,640		1,077,672	256,479	
Others	6,420,236	41,743		6,421,374	43,170		5,864,051	23,609	
	<u>27,149,842</u>	<u>17,304,957</u>		<u>24,170,791</u>	<u>14,687,744</u>		<u>23,300,275</u>	<u>13,453,515</u>	
Three months ended September 30, 2022									
	Segments revenues	Segments result	Segments revenue	Segments result	Segments revenue	Segments result	Segments revenue	Segments result	
Waste Department - Metal Shredding	4,801	(20,278)	38,388	(1,757)	619,667	134,577	1,631,277	497,549	
Waste Department - Plastic Recycling	-	(58,137)	278,288	(69,033)	230,841	(274,879)	1,066,324	(73,928)	
Waste Department - Medical Waste	412,023	96,088	97,893	(59,192)	649,850	(76,260)	295,179	(160,617)	
Services Department- HVAC	1,824,386	334,328	2,372,211	421,702	5,950,536	1,095,113	7,045,953	1,057,663	
Services Department – Cleaning	297,531	37,495	331,617	19,096	999,445	119,448	999,120	68,003	
Others	254,622	(224,165)	37,675	(602,552)	688,449	(636,161)	185,046	(1,906,963)	
	<u>2,793,363</u>	<u>165,331</u>	<u>3,156,072</u>	<u>(291,736)</u>	<u>9,138,788</u>	<u>361,838</u>	<u>11,222,899</u>	<u>(518,293)</u>	
Nine months ended September 30, 2022									
	Segments revenues	Segments result	Segments revenue	Segments result	Segments revenue	Segments result	Segments revenue	Segments result	
Waste Department - Metal Shredding	4,801	(20,278)	38,388	(1,757)	619,667	134,577	1,631,277	497,549	
Waste Department - Plastic Recycling	-	(58,137)	278,288	(69,033)	230,841	(274,879)	1,066,324	(73,928)	
Waste Department - Medical Waste	412,023	96,088	97,893	(59,192)	649,850	(76,260)	295,179	(160,617)	
Services Department- HVAC	1,824,386	334,328	2,372,211	421,702	5,950,536	1,095,113	7,045,953	1,057,663	
Services Department – Cleaning	297,531	37,495	331,617	19,096	999,445	119,448	999,120	68,003	
Others	254,622	(224,165)	37,675	(602,552)	688,449	(636,161)	185,046	(1,906,963)	
	<u>2,793,363</u>	<u>165,331</u>	<u>3,156,072</u>	<u>(291,736)</u>	<u>9,138,788</u>	<u>361,838</u>	<u>11,222,899</u>	<u>(518,293)</u>	

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21. Fair value of financial instruments

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 categorized 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, 2022	
	Level 3	Total
Financial assets at fair value through profit and loss	34,972	34,972
Investment properties	1,420,000	1,420,000
Total	1,454,972	1,454,972
	December 31, 2021	
	Level 3	Total
Financial assets at fair value through profit and loss	34,972	34,972
Investment properties	1,420,000	1,420,000
Total	1,454,972	1,454,972
	September 30, 2021	
	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	2,376,972	2,376,972

During the period ended September 30, 2022, there were no transfers among levels of fair value hierarchy.

22. Impact of Covid-19

After more than a year of the advent of the COVID-19 pandemic, various economies and sectors continue to face disruptions and uncertainty as a result of the pandemic and corresponding measures taken by the governments to contain the spread of the virus.

The Group continues to be impacted due to the outbreak of the virus and Management continues its efforts to mitigate the associated risk. The management of credit and liquidity risks along with the application of significant estimates and judgements are described in (Note 32) in the annual audited consolidated financial statements of the Group for the year ended December 31, 2021, and no material changes have taken place in the risk management process.

The impact of COVID-19 may continue to evolve, but currently, the projections show that the Group has the required resources to continue in operations as a going concern, such position that remains significantly unaffected and unchanged since December 31, 2021. As a result, the interim condensed consolidated financial information has been prepared on a going concern basis.