

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, 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

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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, 2018, 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 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.

**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**

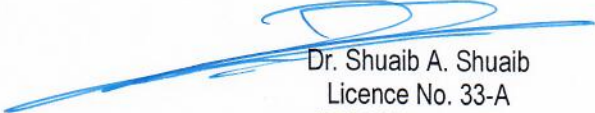
Without qualification on our conclusion, we draw attention to note (18) regarding right of utilization built on land leased by the Group, and is assigned to the company associate.

**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 nine months period ended September 30, 2018 that might have had a material effect on the Parent Company's financial position or results of its operation.

State of Kuwait  
November 14, 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)**  
**AS OF SEPTEMBER 30, 2018**  
(All amounts are in Kuwaiti Dinars)

		September 30, 2018	December 31, 2017 (Audited)	September 30, 2017
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	4	2,009,023	2,284,783	2,751,694
Time deposits	5	1,367,163	1,671,802	1,000,899
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	4,225,668	5,650,520	7,280,431
Gross amount from customers from contract work	9	1,169,415	601,426	642,539
Inventories		2,277,792	1,649,502	1,592,881
<b>Total current assets</b>		<b>11,272,271</b>	<b>11,897,748</b>	<b>13,308,159</b>
<b>Non-current assets:</b>				
Financial assets available for sale	10	-	183,495	183,495
Investment in an associate	11	5,490,154	5,490,154	4,921,172
Investment properties		2,551,000	2,551,000	2,605,000
Property, plant and equipment		1,827,990	2,085,525	2,091,817
Goodwill		406,889	406,889	406,889
<b>Total non-current assets</b>		<b>10,276,033</b>	<b>10,717,063</b>	<b>10,208,373</b>
<b>Total assets</b>		<b>21,548,304</b>	<b>22,614,811</b>	<b>23,516,532</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities:</b>				
Due to banks	12	393,826	-	2,102
Finance lease installment contract		1,730,000	1,730,000	1,730,000
Term loans		700,000	700,000	700,000
Accounts payable and other credit balances		3,178,165	3,134,290	3,652,973
<b>Total current liabilities</b>		<b>6,001,991</b>	<b>5,564,290</b>	<b>6,085,075</b>
<b>Non-current liabilities:</b>				
Provision for end of service indemnity		741,461	622,033	561,430
<b>Total non-current liabilities</b>		<b>741,461</b>	<b>622,033</b>	<b>561,430</b>
<b>Total liabilities</b>		<b>6,743,452</b>	<b>6,186,323</b>	<b>6,646,505</b>
<b>Equity:</b>				
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	13	(1,279,879)	(1,279,879)	(1,056,623)
Effect of change in ownership interest of a subsidiary		483,573	465,807	(86,191)
Foreign currency translation reserve		11,958	11,958	11,958
Retained earnings		2,684,594	4,395,956	276,835
<b>Equity attributable to shareholders of the Parent Company</b>		<b>13,420,827</b>	<b>15,114,423</b>	<b>14,490,256</b>
Non-controlling interests		1,384,025	1,314,065	2,379,771
<b>Total equity</b>		<b>14,804,852</b>	<b>16,428,488</b>	<b>16,870,027</b>
<b>Total liabilities and equity</b>		<b>21,548,304</b>	<b>22,614,811</b>	<b>23,516,532</b>

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

Msaed Ibrahim Al Houwly  
Chairman

Tarek 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, 2018**  
(All amounts are in Kuwaiti Dinars)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2018	2017	2018	2017
<b>Revenues:</b>					
Net sales		1,266,732	1,667,039	5,266,178	5,602,937
Service revenue		2,946,971	3,058,457	8,299,500	7,456,444
		<u>4,213,703</u>	<u>4,725,496</u>	<u>13,565,678</u>	<u>13,059,381</u>
<b>Costs:</b>					
Cost of sales		(999,723)	(1,045,522)	(3,935,159)	(3,868,552)
Service cost		(2,608,593)	(2,478,680)	(7,361,620)	(6,384,082)
		<u>(3,608,316)</u>	<u>(3,524,202)</u>	<u>(11,296,779)</u>	<u>(10,252,634)</u>
<b>Gross profit</b>		<u>605,387</u>	<u>1,201,294</u>	<u>2,268,899</u>	<u>2,806,747</u>
Expenses and charges:					
Staff cost		305,188	437,333	839,067	848,476
General and administrative expenses		448,468	396,664	1,518,387	640,781
Selling and marketing expenses		56,589	6,443	189,425	150,454
Depreciation		78,497	110,494	235,646	230,974
Provision for doubtful debts	8	17,400	17,400	51,200	52,200
Legal claims	14	-	20,000	65,776	479,166
Total expenses and charges		<u>906,142</u>	<u>988,334</u>	<u>2,899,501</u>	<u>2,402,051</u>
<b>Operating (Loss) profit</b>		<u>(300,755)</u>	<u>212,960</u>	<u>(630,602)</u>	<u>404,696</u>
Gain (loss) on sale of property, plant and equipment		-	-	6,150	(24,437)
Interest and Murabaha income		9,925	8,605	25,333	21,931
Foreign exchange loss		(1,642)	(2,278)	(6,102)	(4,734)
Finance charges		(81,566)	(47,763)	(234,572)	(199,292)
Other income		(32,621)	-	49,525	54,480
<b>(Loss) profit for the period before National Labor Support Tax and contribution to Zakat</b>		<u>(406,659)</u>	<u>171,524</u>	<u>(790,268)</u>	<u>252,644</u>
Contribution to National Labor Support Tax		-	-	-	(3,668)
Contribution to Zakat		-	-	-	(1,467)
<b>(Loss) profit for the period</b>		<u>(406,659)</u>	<u>171,524</u>	<u>(790,268)</u>	<u>247,509</u>
Other comprehensive income for the period		-	-	-	-
<b>Total comprehensive (loss) income for the period</b>		<u>(406,659)</u>	<u>171,524</u>	<u>(790,268)</u>	<u>247,509</u>
<b>Attributable to:</b>					
Shareholders of the Parent Company		(459,367)	53,955	(940,519)	(15,887)
Non-controlling interests		52,708	117,569	150,251	263,396
		<u>(406,659)</u>	<u>171,524</u>	<u>(790,268)</u>	<u>247,509</u>
		<u>Fils</u>	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>
<b>Basic and diluted (loss) earnings per share attributable to Shareholders of the Parent Company</b>	15	<u>(5.09)</u>	<u>0.60</u>	<u>(10.44)</u>	<u>(0.17)</u>

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



FOR THE PERIOD ENDED SEPTEMBER 30, 2018

	Equity attributable to shareholders of the Parent Company										
	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Effect of change in ownership interest of a subsidiary	Foreign currency translation reserve	Retained earnings	Subtotal	Non-controlling interests	Total equity
Balance at December 31, 2017 (as previously stated)	10,000,000	-	1,520,581	-	(1,279,879)	465,807	11,958	4,395,956	15,114,423	1,314,065	16,428,488
Effect of adopt of IFRS 9 in January 1, 2018 (Note 3)	-	-	-	-	-	-	-	(770,843)	(770,843)	(22,525)	(793,368)
Balance as at January 1, 2018 (Restated)	10,000,000	-	1,520,581	-	(1,279,879)	465,807	11,958	3,625,113	14,343,580	1,291,540	15,635,120
Total comprehensive (Loss) income for the period	-	-	-	-	-	-	-	(940,519)	(940,519)	150,251	(790,268)
Acquisition of non-controlling interests	-	-	-	-	-	17,766	-	-	17,766	(17,766)	-
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	-	(40,000)	(40,000)
<b>Balance at September 30, 2018</b>	<b>10,000,000</b>	<b>-</b>	<b>1,520,581</b>	<b>-</b>	<b>(1,279,879)</b>	<b>483,573</b>	<b>11,958</b>	<b>2,684,594</b>	<b>13,420,827</b>	<b>1,384,025</b>	<b>14,804,852</b>
Balance at January 1, 2017	8,255,650	5,089,036	1,511,731	487,860	(1,056,623)	(86,191)	11,958	292,722	14,506,143	2,129,862	16,636,005
Total comprehensive (Loss) income for the period	-	-	-	-	-	-	-	(15,887)	(15,887)	263,396	247,509
Effect of subsidiary disposal	-	-	-	-	-	-	-	-	-	(9,987)	(9,987)
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	-	(3,500)	(3,500)
<b>Balance at September 30, 2017</b>	<b>8,255,650</b>	<b>5,089,036</b>	<b>1,511,731</b>	<b>487,860</b>	<b>(1,056,623)</b>	<b>(86,191)</b>	<b>11,958</b>	<b>276,835</b>	<b>14,490,256</b>	<b>2,379,771</b>	<b>16,870,027</b>

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**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, 2018**  
(All amounts are in Kuwaiti Dinars)

		Nine months ended September 30,	
	Note	2018	2017
<b>Cash flows from operating activities:</b>			
(Loss) profit for the period before National Labor Support Tax and Zakat		(790,268)	252,644
Adjustments for:			
Depreciation		459,101	381,410
Provision for doubtful debts		51,200	52,200
(Gain) Loss on sale of property, plant and equipment		(6,150)	24,437
Gain from subsidiary disposal		-	(6,044)
Interest and murabaha income		(25,333)	(21,931)
Finance charges		234,572	128,260
Provision for end of service indemnity		205,660	125,367
		<u>128,782</u>	<u>936,343</u>
Changes in operating assets and liabilities:			
Accounts receivable and other debit balances		580,284	(664,284)
Gross amount from customers from contract work		(567,989)	(524,539)
Inventories		(628,290)	(157,355)
Accounts payable and other credit balances		64,114	902,953
Cash flows (used in) generated from operations		<u>(423,099)</u>	<u>493,118</u>
Payment for end of service indemnity		(86,232)	(20,094)
Payment for National Labor Support Tax		(20,239)	-
Net cash flows (used in) generated from operating activities		<u>(529,570)</u>	<u>473,024</u>
<b>Cash flows from investing activities:</b>			
Proceeds from (paid to) time deposits		304,639	(164,561)
Proceeds from murabaha investments		-	470,285
Paid for additions on property, plant and equipment		(201,566)	(423,182)
Proceeds from sale property, plant and equipment		6,150	-
Interest income and murabahat received		25,333	21,931
Net cash flows generated from (used in) investing activities		<u>134,556</u>	<u>(95,527)</u>
<b>Cash flows from financing activities:</b>			
Net movement on due to banks		393,826	258
Net movement on term loans		-	(100,000)
Dividends paid to non - controlling interests		(40,000)	(3,500)
Finance charges paid		(234,572)	(128,260)
Net cash flows generated from (used in) financing activities		<u>119,254</u>	<u>(231,502)</u>
Net (decrease) increase in cash and cash equivalents		<u>(275,760)</u>	<u>145,995</u>
Cash and cash equivalents at the beginning of the period		<u>2,284,783</u>	<u>2,605,699</u>
Cash and cash equivalents at the end of the period	4	<u>2,009,023</u>	<u>2,751,694</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, 2018**  
(All amounts are in Kuwaiti Dinars)

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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 November 14, 2018.



**METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**  
**SEPTEMBER 30, 2018**

(All amounts are in Kuwaiti Dinars)

**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, 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.

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, 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 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.

For accounts receivable and other debit balances, gross amount due from customers for contract works, and due from related parties the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**III. Transition**

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

- 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 September 30, 2018.
- 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.



**METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**  
**SEPTEMBER 30, 2018**

(All amounts are in Kuwaiti Dinars)

- The following assumptions have been made on the basis of the facts and circumstances that existed at the date of initial adoption through determination of the business model within which a financial asset is held and designation of certain equity instruments not held for trading as at FVOCI. The impact of this change in accounting policy as at January 1, 2018 has been decreased retained earnings by KD 770,843 as follows:

	Retained earnings	Non – controlling interest	Total
Closing balance under IAS 39 (December 31, 2017)	4,395,956	1,314,065	5,710,021
<u>Impact on reclassification and re-measurements:</u>			
Expected credit losses under IFRS 9 for debt instruments at amortised cost (Note 8)	(770,843)	(22,525)	(793,368)
Opening balance under IFRS 9 on date of initial adoption of January 1, 2018	<u>3,625,113</u>	<u>1,291,540</u>	<u>4,916,653</u>

**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
<b>Financial assets</b>				
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
Equity Instruments – FVPL	Financial assets available for sale	Financial assets at FVPL	183,495	183,495
Account receivables and other debt balances	Loans and receivables	Amortised Cost	5,650,520	4,857,152
Gross amount due from customers for contract work	Loans and receivables	Amortised Cost	601,426	601,426
<b>Total financial assets</b>			<u>10,431,741</u>	<u>9,638,373</u>
<b>Financial liabilities</b>				
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
<b>Total financial liabilities</b>			<u>5,564,290</u>	<u>5,564,290</u>

**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.



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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.

The initial adoption of this standard did not result in any material change in accounting policies of the Group, as mainly the revenue are within the scope of IFRS 15 and does not have any material effect on the Group's interim condensed consolidated financial information, there are still studies on some of the Group Companies which are about to be finalized, as follows:

(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.

(b) Rendering of services

The Group's 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

	September 30, 2018	December 31, 2017 (Audited)	September 30, 2017
Cash on hand and at banks	1,271,459	1,821,713	1,750,979
Short term bank deposits	737,564	463,070	1,000,715
	<u>2,009,023</u>	<u>2,284,783</u>	<u>2,751,694</u>

The effective rate on short term bank deposits ranged from 1.25% to 2.5% per annum (December 31, 2017 – 1.625% to 1.75% per annum, September 30, 2017 – 1% to 1.75% per annum), these deposits have an average maturity of 90 days.



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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, September 30, 2017 – 0.75% to 1.375% per annum), those deposits have an average maturity ranged from 185 days to 365 days.

Time deposits amounting to KD 706,283 (December 31, 2017: KD 781,355, September 30, 2017: KD 781,355) are pledged against certain letter of guarantee in favor of the Group (Note 19).

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, September 30, 2017 - 1% to 1.43% per annum).

Murabaha investment are pledged against certain letter of guarantee in favor of the Group (Note 19).

7. Financial assets at fair value through profit and loss

	September 30, 2018	December 31, 2017 (Audited)	September 30, 2017
<b>Unquoted:</b>			
Equity securities	183,495	-	-
Total	183,495	-	-

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 10).

8. Accounts receivable and other debit balances

	September 30, 2018	December 31, 2017 (Audited)	September 30, 2017
Trade receivables	10,411,208	10,983,553	11,875,833
Provision for doubtful debts (A)	(8,343,771)	(7,499,203)	(7,642,675)
Net trade receivables	2,067,437	3,484,350	4,233,158
Staff receivables	100,639	138,876	32,779
Due from related parties (Note 16)	453,100	452,700	453,057
Amount pledged against letter of guarantees (Note 19)	56,955	90,450	327,960
Advance to suppliers	1,111,813	1,129,553	1,285,707
Provision for doubtful debts (A)	(657,848)	(657,848)	(34,830)
Net advance to suppliers	453,965	471,705	1,250,877
Refundable deposits	199,589	229,595	251,978
Provision for doubtful debts (A)	(10,222)	(10,222)	-
Net refundable deposits	189,367	219,373	251,978
Prepaid expenses	598,955	609,329	539,621
Retentions	411,096	270,742	261,769
Provision for doubtful debts (A)	(112,092)	(112,092)	(98,878)
Net retentions	299,004	158,650	162,891
Others	6,246	25,087	28,110
	4,225,668	5,650,520	7,280,431

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

	September 30, 2018	December 31, 2017 (Audited)	September 30, 2017
Balance at the beginning of the period / year	8,279,365	7,724,184	7,724,184
Impact of adoption of IFRS 9 (Note 3)	793,368	-	-
Charge for the period / year	51,200	722,698	52,199
Utilized in the period / year	-	(167,517)	-
Balance at the end of the period / year	9,123,933	8,279,365	7,776,383

9. Gross amount due from customers from contract work

	September 30, 2018	December 31, 2017 (Audited)	September 30, 2017
Contract costs incurred to date plus recognized profits	2,311,763	1,534,454	1,600,812
Progress billings	(1,142,348)	(933,028)	(958,273)
Total	1,169,415	601,426	642,539

Represented by:

	September 30, 2018	December 31, 2017 (Audited)	September 30, 2017
Gross amount due from customers from contract work	1,169,415	601,426	642,539
	1,169,415	601,426	642,539

At September 30, 2018, retentions held by customers for contract work amounted to KD 56,955 (December 31, 2017: KD 45,190, September 30, 2017: KD 327,960) (Note 8), while the advances received from customers from contract work amounted to KD 223,953 (December 31, 2017: KD 484,257, September 30, 2017: KD 705,867).

10. Financial assets available for sale

	September 30, 2018	December 31, 2017 (Audited)	September 30, 2017
<b>Unquoted:</b>			
Equity securities	-	183,495	183,495
Total	-	183,495	183,495

At January 1, 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).



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**11. 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 (18).

The Group do not recognize the group share of result from investment in an associate for the period ended in September 30, 2018, as no interim financial information was available to the associate, and the movement during the period was considered as not material.

**12. Due to banks**

Due to banks represent overdraft facilities granted by local banks carrying an interest rate of 2.5% per annum over the Central Bank of Kuwait discount rate and repayable on May 31, 2019 and other repayable on September 30, 2018, and it's under renewal process until the date of preparation of interim condensed consolidated financial information.

**13. Treasury shares**

	September 30, 2018	December 31, 2017 (Audited)	September 30, 2017
Number of shares (shares) (A)	9,899,225	9,816,133	7,779,046
Percentage of paid up shares (%)	9.90%	9.82%	9.43%
Market value (KD)	673,147	677,313	777,905
Cost (KD)	1,279,879	1,279,879	1,056,623

A) The movement on treasury shares represents the return from the old directors' shares.

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.

**14. Legal claims**

During the period ended September 30, 2018, the court of cassation had issued judgment against the Parent Company with respect to claims made by a tenant amounting to KD 65,776, the Parent company had paid the full amount during the period.

During the financial period ended September 30, 2017, the court of appeal has issued two verdicts against the Parent Company Metal & Recycling Company – K.S.C. (Public), in association with another company, in respect of claims made by subcontractors. The parent company has paid KD 459,166 regarding these two legal claims, and its interest, expenses and actual fees. The first judgment was appealed to the Court of Cassation.



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15. Basic and diluted (loss) earnings per share attributable to Shareholders of the Parent Company

There are no potential dilutive ordinary shares. 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,	
	2018	2017	2018	2017
Net (loss) profit for the period attributable to Parent Company' Shareholders (KD)	<u>(459,367)</u>	<u>53,955</u>	<u>(940,519)</u>	<u>(15,887)</u>
	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>
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>
	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>
Basic and diluted (loss) earnings per share attributable to Shareholders of the Parent Company	<u>(5.09)</u>	<u>0.60</u>	<u>(10.44)</u>	<u>(0.17)</u>

16. 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	September 30, 2018	December 31, 2017 (Audited)	September 30, 2017
Due from related parties (Note 8)	-	453,100	453,100	452,700	453,057
Due to related parties	681,255	-	681,255	591,832	507,514

Compensation to key management personal

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Short term benefits	65,104	32,726	195,812	182,110
Terminal benefits	2,863	438	8,588	7,988

17. 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. 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.



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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.

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Financial details of the above operating segments are as follows:

	September 30, 2018				December 31, 2017 (Audited)				September 30, 2017			
	Segment assets		Segment liabilities		Segment assets		Segment liabilities		Segment assets		Segment liabilities	
	Commercial department	Unallocated assets and liabilities	Commercial department	Unallocated assets and liabilities	Commercial department	Unallocated assets and liabilities	Commercial department	Unallocated assets and liabilities	Commercial department	Unallocated assets and liabilities	Commercial department	Unallocated assets and liabilities
Commercial department	11,254,042	10,294,262	1,075,082	5,668,370	7,680,769	14,934,042	588,332	5,597,991	9,392,413	14,124,119	1,211,614	5,434,891
Unallocated assets and liabilities	21,548,304		6,743,452		22,614,811		6,186,323		23,516,532		6,646,505	
	Three months ended				Nine months ended							
	September 30,				September 30,							
	2018		2017		2018		2017		2018		2017	
	Segment revenue	Segment results	Segment revenue	Segment results	Segment revenue	Segment results	Segment revenue	Segment results	Segment revenue	Segment results	Segment revenue	Segment results
Metal shredding and used spare parts department	946,137	122,983	1,060,266	424,042	4,168,707	816,517	4,386,206	1,423,532				
Commercial Department	70,465	9,202	185,730	61,607	355,033	79,910	420,062	185,828				
Waste plastic recycling department	250,230	135,829	421,043	91,768	742,538	436,884	524,647	310,515				
Others	2,946,871	(674,673)	3,058,457	(405,893)	8,299,400	(2,123,579)	7,728,466	(1,672,366)				
	4,213,703	(406,659)	4,725,496	171,524	13,565,678	(790,268)	13,059,381	247,509				



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**18. Rights of utilization**

The Parent Company's operations are built on land leased by the Group, and its homeland 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. 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.

**19. Contingent liabilities**

At September 30, 2018, the Group is contingently liabilities in respect of the following:

	September 30, 2018	December 31, 2017 (Audited)	September 30, 2017
Letters of guarantee	7,269,282	8,759,555	7,762,531
Letters of credit	403,208	84,870	225,000
	<u>7,672,490</u>	<u>8,844,425</u>	<u>7,987,531</u>

Certain letters of guarantee are secured by time deposits and murabaha investments and receivable and other debit balances (Note 5 + 6 + 8)

**20. Fair value of financial instruments**

The Group measures financial assets available for sale 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.

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.

**21. Shareholders' Annual General Assembly**

The Shareholders' Annual Ordinary General Assembly held on May 28, 2018 approved the consolidated financial statements for the fiscal year ended December 31, 2017. There are no any cash profit distributions or bonus shares or board of directors' remuneration for the year ended December 31, 2017.

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