

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE PERIOD ENDED JUNE 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 (the "Group") as of June 30, 2018 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month 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 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**

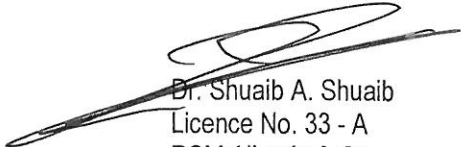
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.

**Emphasis of matters**

Without qualification on our conclusion, we draw attention to Note (17) 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 six month period ended June 30, 2018, that might have had a material effect on the Group financial position or results of its operation.


State of Kuwait  
August 13, 2018  
Dr. Shuaib A. Shuaib  
Licence No. 33 - A  
RSM Albazie & Co.**THE POWER OF BEING UNDERSTOOD**  
**AUDIT | TAX | CONSULTING**

**METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
**AS OF JUNE 30, 2018**  
(All amounts are in Kuwaiti Dinars)

			June 30, 2018	December 31, 2017 (Audited)	June 30, 2017
<b>ASSETS</b>					
<b>Current assets:</b>	<b>Note</b>				
Cash and cash equivalents	4		1,235,555	2,284,783	3,516,062
Time deposits	5		1,675,582	1,671,802	381,409
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		5,649,931	5,650,520	7,145,418
Gross amount due from customers for contract work			944,602	601,426	-
Inventory			1,831,030	1,649,502	1,465,505
<b>Total current assets</b>			<b>11,559,910</b>	<b>11,897,748</b>	<b>12,548,109</b>
<b>Non current assets:</b>					
Financial assets available for sale	9		-	183,495	183,495
Investment in an associate	10		5,490,154	5,490,154	4,921,172
Investment properties			2,551,000	2,551,000	2,605,000
Property, plant and equipment			1,972,324	2,085,525	2,166,474
Goodwill			406,889	406,889	361,113
<b>Total non current assets</b>			<b>10,420,367</b>	<b>10,717,063</b>	<b>10,237,254</b>
<b>Total assets</b>			<b>21,980,277</b>	<b>22,614,811</b>	<b>22,785,363</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities:</b>					
Term loans	11		700,000	700,000	700,000
Short term finance lease installment contract			1,730,000	1,730,000	1,730,000
Accounts payable and other credit balances			2,854,987	3,134,290	3,140,453
<b>Total current liabilities</b>			<b>5,284,987</b>	<b>5,564,290</b>	<b>5,570,453</b>
<b>Non current liabilities:</b>					
Provision for end of service indemnity			690,411	622,033	516,407
<b>Total non current liabilities</b>			<b>690,411</b>	<b>622,033</b>	<b>516,407</b>
<b>Total liabilities</b>			<b>5,975,398</b>	<b>6,186,323</b>	<b>6,086,860</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	12		(1,279,879)	(1,279,879)	(1,056,623)
Effect of change in a subsidiary's equity			465,807	465,807	(86,191)
Foreign currency translation adjustments			11,958	11,958	11,958
Retained earnings			3,914,804	4,395,956	222,880
<b>Equity attributable to Shareholders of the Parent Company</b>			<b>14,633,271</b>	<b>15,114,423</b>	<b>14,436,301</b>
Non controlling interests			1,371,608	1,314,065	2,262,202
<b>Total equity</b>			<b>16,004,879</b>	<b>16,428,488</b>	<b>16,698,503</b>
<b>Total liabilities and equity</b>			<b>21,980,277</b>	<b>22,614,811</b>	<b>22,785,363</b>

The accompanying notes (1) to (20) form an integral part of the interim condensed consolidated financial information.

  
Tarek Ibrahim Al-Mousa  
Vice Chairman and Chief Executive Officer

  
Msaed Ibrahim Al Houwly  
Chairman

**METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE**  
**INCOME (UNAUDITED)**  
**FOR THE PERIOD ENDED JUNE 30, 2018**  
(All amounts are in Kuwaiti Dinars)

		Three months ended June 30,		Six months ended June 30,	
	Note	2018	2017	2018	2017
<b>Revenues:</b>					
Sales		1,696,885	2,288,599	3,999,446	3,935,898
Service revenue		2,790,784	2,267,659	5,352,529	4,397,987
		<u>4,487,669</u>	<u>4,556,258</u>	<u>9,351,975</u>	<u>8,333,885</u>
<b>Costs:</b>					
Cost of sales		(1,244,601)	(1,542,305)	(2,935,436)	(2,593,441)
Service cost		(2,441,158)	(1,913,740)	(4,753,027)	(3,745,402)
		<u>(3,685,759)</u>	<u>(3,456,045)</u>	<u>(7,688,463)</u>	<u>(6,338,843)</u>
<b>Gross profit</b>		<u>801,910</u>	<u>1,100,213</u>	<u>1,663,512</u>	<u>1,995,042</u>
Expenses and charges:					
Staff cost		242,040	298,337	533,879	575,494
General and administrative expenses		419,534	293,512	980,232	586,972
Selling and marketing expenses		45,944	18,044	132,836	24,931
Depreciation and amortization		78,601	90,261	157,149	190,311
Provision for doubtful debts	8	16,400	17,400	33,800	34,800
Legal claims	13	65,776	459,166	65,776	459,166
Total expenses and charges		<u>868,295</u>	<u>1,176,720</u>	<u>1,903,672</u>	<u>1,871,674</u>
<b>Operating (loss) profit</b>		<u>(66,385)</u>	<u>(76,507)</u>	<u>(240,160)</u>	<u>123,368</u>
Murabaha and Interest income		9,822	5,892	15,408	13,326
Foreign exchange gain (loss)		309	(982)	(4,460)	(2,456)
Finance charges		(82,112)	(40,285)	(153,006)	(80,497)
(Loss) profit on sale of property, plant and equipment		-	(24,437)	6,150	(24,437)
Other (expenses) income		(91,236)	14,326	(7,541)	54,480
<b>(Loss) profit for the period before contribution to KFAS, NLST and Zakat</b>		<u>(229,602)</u>	<u>(121,993)</u>	<u>(383,609)</u>	<u>83,784</u>
Contribution to KFAS		-	-	-	(1,306)
Contribution to National Labor Support Tax		-	-	-	(4,638)
Contribution to Zakat		-	-	-	(1,855)
<b>(Loss) profit for the period</b>		<u>(229,602)</u>	<u>(121,993)</u>	<u>(383,609)</u>	<u>75,985</u>
Other comprehensive income		-	-	-	-
<b>Total comprehensive (loss) income</b>		<u>(229,602)</u>	<u>(121,993)</u>	<u>(383,609)</u>	<u>75,985</u>
<b>Attributable to:</b>					
Parent Company's Shareholders		(294,174)	(207,112)	(481,152)	(69,842)
Non-controlling interests		64,572	85,119	97,543	145,827
<b>(Loss) profit for the period</b>		<u>(229,602)</u>	<u>(121,993)</u>	<u>(383,609)</u>	<u>75,985</u>
		<u>Fils</u>	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>
<b>Loss per share</b>	14	<u>(3.27)</u>	<u>(2.76)</u>	<u>(5.34)</u>	<u>(0.93)</u>

The accompanying notes (1) to (20) form an integral part of the interim consolidated financial information.

(All amounts are in Kuwaiti Dinars)

The accompanying notes (1) to (20) 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 JUNE 30, 2018**  
(All amounts are in Kuwaiti Dinars)

	Six months ended June 30,	
	2018	2017
<b>Cash flows from operating activities:</b>		
(Loss) profit for the period before contribution to KFAS, NLST and Zakat	(383,609)	83,784
Adjustments for:		
Depreciation and amortization	303,833	244,470
Provision for doubtful debts	33,800	34,800
Murabaha and Interest income	(15,408)	(13,326)
Finance charges	153,006	80,497
(Gain) loss on sale of property, plant and equipment	(6,150)	24,437
Provision for end of service indemnity	126,672	71,238
	<u>212,144</u>	<u>525,900</u>
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	(376,387)	(704,139)
Inventories	(181,528)	122,969
Accounts payable and other credit balances	(279,303)	584,821
Cash flows (used in) generated from operations	(625,074)	529,551
Payment for end of service indemnity	(58,294)	(10,988)
Net cash flows (used in) generated from operating activities	<u>(683,368)</u>	<u>518,563</u>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(190,634)	(360,899)
Proceeds from sale of property, plant and equipment	6,152	-
Net movement in time deposits	(3,780)	103,439
Net movement in Murabaha investment	-	470,285
Murabaha and Interest income received	15,408	13,326
Net cash flows (used in) generated from investing activities	<u>(172,854)</u>	<u>226,151</u>
<b>Cash flows from financing activities:</b>		
Net movement on due to banks	-	(1,844)
Net movement on term loans	-	(100,000)
Finance charges paid	(153,006)	(80,497)
Dividend paid to non-controlling interest	(40,000)	(3,500)
Net cash flows used in financing activities	<u>(193,006)</u>	<u>(185,841)</u>
Net (decrease) increase in cash and cash equivalents	(1,049,228)	558,873
Cash and cash equivalents at the beginning of the period	2,284,783	2,957,189
Cash and cash equivalents at end of the period	<u>1,235,555</u>	<u>3,516,062</u>

The accompanying notes (1) to (20) 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)  
JUNE 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 to approve the increase of 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:

- Purchase and sale of used and scrap machinery and vehicles and their spare parts and all kinds of metals and their accessories 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 the state of 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 the State of Kuwait.
- Establishment of or contribution to the industries that are ancillary 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 the State of Kuwait.
- Executing all demolishing and removal works for construction and representing companies in such field.
- Holding and managing auctions related to the objectives of the company locally and internationally and representing companies in such field.
- Utilization of the company's surplus funds by investing in portfolios managed by specialized companies.
- Incorporation and partial ownership of industrial companies and industrial management companies inside and outside the State of Kuwait.
- Developing, preparing, establishing, managing and operating industrial and professional areas.
- Collection, transportation and utilization of trash waste, garbage and wreckage inside and outside the State of Kuwait.
- Undertaking all kind of cleaning contracts and commitment for all agencies inside and outside the 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 State of Kuwait (with approval of the Public Authority for Industry).



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

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

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 August 13, 2018.

2. Basis of presentation

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

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

The interim condensed consolidated financial information does 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 June 30, 2018 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2018. For further information, refer to the consolidated financial statements and notes thereto for the fiscal year ended December 31, 2017.

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

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

A) IFRS 9 - Financial Instruments

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

I. Classification of financial assets and financial liabilities

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

Business model assessment

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

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

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

**Debt instruments at amortized cost**

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

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

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

**Financial assets at FVPL**

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

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

**II. Impairment of financial assets**

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

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

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

**III. Transition**

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

- a. Comparative periods have not been restated. Accordingly, the information presented for the year ended December 31, 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for the period ended June 30, 2018.

**METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**  
**JUNE 30, 2018**  
(All amounts are in Kuwaiti Dinars)

- a) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
- The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVPL.
  - The designation of certain equity instruments not held for trading as at FVOCI.

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

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

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 KD	New carrying amount under IFRS 9 KD
<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
	Financial assets	Financial assets		
Equity Instruments – FVPL	available for sale	at FVPL	183,495	183,495
Account receivables and other debt balances	Loans and receivables	Amortised Cost	5,650,520	5,650,520
<b>Total financial assets</b>			<b>9,830,315</b>	<b>9,830,315</b>
<b>Financial liabilities</b>				
Short term finance lease installment contract	Amortised Cost	Amortised Cost	1,730,000	1,730,000
Term loans	Amortised Cost	Amortised Cost	700,000	700,000
Accounts payable and other credit balances	Amortised Cost	Amortised Cost	3,134,290	3,134,290
<b>Total financial liabilities</b>			<b>5,564,290</b>	<b>5,564,290</b>

**B) IFRS 15 Revenue from Contracts with Customers**

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

The five steps in the model are as follows:

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

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

**METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**  
**JUNE 30, 2018**  
 (All amounts are in Kuwaiti Dinars)

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

(c) Advances received from customers

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

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

(d) Construction service contracts

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

4. Cash and cash equivalents

	June 30, 2018	December 31, 2017 (Audited)	June 30, 2017
Cash on hand and at banks	931,281	1,821,713	1,932,883
Short term bank deposits	304,274	463,070	1,583,179
	<u>1,235,555</u>	<u>2,284,783</u>	<u>3,516,062</u>

Short term bank deposits carry an average interest rate of 1% to 1.375% per annum (December 31, 2017 - 1% to 1.375% per annum, June 30, 2017 - 1% to 1.375% per annum) and these deposits have an average maturity of 90 days.

5. Time deposits

The effective rate on time deposits ranged from 0.75% to 2.25% per annum (December 31, 2017 - 0.75% to 2.375% per annum, June 30, 2017 - 0.75% to 1.375% per annum) and these deposits have an average maturity of 185 days to 365 days.

Time deposits amounting to KD O/S (December 31, 2017 - KD 781,355, June 30, 2017 - KD O/S) are pledged against certain letters of guarantee issued in favor of the Group (Note 18).

6. Murabaha investments

Murabaha carry an average interest rate of 1% to 1.43% per annum (December 31, 2017 - 1% to 1.43% per annum, June 30, 2017 - 1% to 1.43% per annum)

Murabaha amounting to KD 29,715 (December 31, 2017: KD 500,000, June 30, 2017: KD 1,000,000) are pledged against certain letter of guarantee in favor of the Group (Note 18).

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7. Financial assets at fair value through profit and loss

	June 30, 2018	December 31, 2017 (Audited)	June 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 9).

8. Accounts receivable and other debit balances

	June 30, 2018	December 31, 2017 (Audited)	June 30, 2017
Trade receivables	10,614,996	10,548,511	10,589,071
Provision for doubtful debts (A)	(7,533,002)	(7,499,203)	(7,660,105)
Net trade receivables	3,081,994	3,049,308	2,928,966
Staff receivables	142,811	138,876	82,621
Due from related parties (Note 15)	453,100	452,700	455,625
Amount pledged against letter of guarantees	43,100	90,450	123,100
Advance to suppliers	1,107,637	1,170,809	1,264,735
Provision for doubtful debts (A)	(657,848)	(657,848)	-
Net advance to suppliers	449,789	512,961	1,264,735
Refundable deposits	239,336	245,487	553,170
Provision for doubtful debts (A)	(10,222)	(10,222)	-
Net refundable deposits	229,114	235,265	553,170
Prepaid expenses	671,854	609,329	808,976
Retentions	288,913	270,742	268,507
Provision for doubtful debts (A)	(112,093)	(112,092)	(98,879)
Net retentions	176,820	158,650	169,628
Others	401,349	402,981	758,597
	5,649,931	5,650,520	7,145,418

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

	June 30, 2018	December 31, 2017 (Audited)	June 30, 2017
Balance at the beginning of the period / year	8,279,365	7,724,184	7,724,184
Charge for the period / year	33,800	722,698	34,800
Utilized in the period / year	-	(167,517)	-
Balance at the end of the period / year	8,313,164	8,279,365	7,758,983



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9. Financial assets available for sale

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

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

10. Investment in an associate

This represents an investment of 40% in Real Estate Development Company – W.L.L., which is engaged in the management and development of different kinds of real estate, the main projects that the company specialized in is the project of managing real estate which is located in Amghara and Mina Abdullah utilized by the parent company under contract with the Public Authority for Industry. This contract has not been renewed as stated in Note (17).

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

11. Term loans

Term loans represent loans granted by local banks carrying an interest rate ranging from 1.75% to 2.25% per annum (December 31, 2017: 1.5% to 2% per annum, June 30, 2017: 1.5% to 2% per annum) over the Central Bank of Kuwait discount rate and repayable on December 31, 2018 and August 3, 2018.

12. Treasury shares

	June 30, 2018	December 31, 2017 (Audited)	June 30, 2017
Number of shares (shares)	9,899,225	9,816,133	7,779,046
Percentage of paid up shares (%)	9.90%	9.82%	9.43%
Market value (KD)	494,961	677,313	692,335
Cost (KD)	1,056,623	1,056,623	1,056,623

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.

13. Legal claims

During the period ended June 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 prior financial period ended June 30, 2017, two judgments were issued by the Court of Appeal 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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**14. Loss per share**

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Net loss for the period attributable to Parent Company Shareholders (KD)	<u>(294,174)</u>	<u>(207,112)</u>	<u>(481,152)</u>	<u>(69,842)</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	82,556,507	100,000,000	82,556,507
Less: Weighted average number of treasury shares (share)	<u>(9,899,225)</u>	<u>(7,779,046)</u>	<u>(9,899,225)</u>	<u>(7,779,046)</u>
Weighted average number of shares outstanding	<u>90,100,775</u>	<u>74,777,461</u>	<u>90,100,775</u>	<u>74,777,461</u>
	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>
Basic and diluted loss per share attributable to shareholders of the Parent Company	<u>(3.27)</u>	<u>(2.76)</u>	<u>(5.34)</u>	<u>(0.93)</u>

**15. Related party disclosures**

The Group has entered into various transactions with related parties, i.e. ultimate Parent Company, Board of Directors, key management personnel, entities under common control and other related parties in the normal course of its business. Prices and terms of payment are approved by Group's management. Significant related party balances and transactions are as follows:

**Balances included in interim condensed consolidated statement of financial position.**

	The Parent Company	Entities under common control	June 30, 2018	December 31, 2017 (Audited)	June 30, 2017
Due from related parties (Note 8)	-	453,100	453,100	452,700	455,625
Due to related parties	648,703	-	648,703	591,832	585,873

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
<b><u>Compensation to key management personnel:</u></b>				
Salaries and other short term benefits	51,032	80,366	102,814	145,483
Terminal benefits	1,362	2,528	2,725	4,388



16. Segment information

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

A. Metal Shredding and used spare parts department

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

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.

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D. Shear and Baler

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

Financial details of the above operating segments are as follows:

	June 30, 2018		December 31, 2017 (Audited)		June 30, 2017	
	Segment assets	Segment liabilities	Segment assets	Segment liabilities	Segment assets	Segment liabilities
Commercial department	7,424,950	648,703	7,680,769	588,332	5,824,319	584,383
Unallocated assets and liabilities	14,555,327	5,326,695	14,934,042	5,597,991	16,961,044	5,502,477
	<u>21,980,277</u>	<u>5,975,398</u>	<u>22,614,811</u>	<u>6,186,323</u>	<u>22,785,363</u>	<u>6,086,860</u>

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	Segment revenue	Segment results	Segment revenue	Segment results
Metal Shredding and Used Spare Parts Department	1,290,661	260,653	3,222,570	693,534
Commercial Department	147,083	26,549	284,568	70,708
Waste Plastic Recycling Department	259,141	166,369	492,308	301,055
Others	2,790,784	(683,173)	5,352,529	(1,448,906)
	<u>4,487,669</u>	<u>(229,602)</u>	<u>9,351,975</u>	<u>(383,609)</u>
			<u>8,333,885</u>	<u>75,985</u>

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17. Right of utilization

The Parent Company's operations are undertaken on land held by an associate, for which the right of utilization contract was renewed on June 19, 2013 with the Public Authority for 5 years ending on May 13, 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.

18. Contingent liabilities

At June 30, 2018, the Group is contingently liable in respect of the following:

	June 30, 2018	December 31, 2017 (Audited)	June 30, 2017
Letters of guarantee	8,829,905	8,759,555	7,902,389
Letters of credit	301,539	84,870	-
	<u>9,131,444</u>	<u>8,844,425</u>	<u>7,902,389</u>

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

19. 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 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 June 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.

20. Shareholders' Annual General Assembly

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

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