

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, 2017
(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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CONTENTS

Report on review of interim condensed consolidated financial information	
Interim condensed consolidated statement of financial position (unaudited)	<u>Pages</u> 2
Interim condensed consolidated statement of profit or loss and other comprehensive income (unaudited)	3
Interim condensed consolidated statement of changes in equity (unaudited)	4
Interim condensed consolidated statement of cash flows (unaudited)	5
Notes to interim condensed consolidated financial information (unaudited)	6 – 13



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, 2017, 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 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 No. (14) 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, its Executive Regulations or of the Parent Company's Memorandum of Incorporation and Articles of Association during the nine months period ended September 30, 2017 that might have had a material effect on the Parent Company's financial position or results of its operation.

Dr. Ali Owaid Rukh Hayes
Licence No. 72-A
Member of NEXIA International - (England)
ALWaha Auditing Office

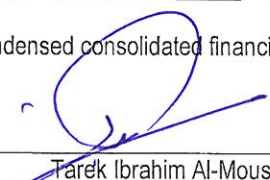
Dr. Shuaib A. Shuaib
Licence No. 33-A
RSM Albazie & Co.

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS OF SEPTEMBER 30, 2017
(All amounts are in Kuwaiti Dinars)

<u>ASSETS</u>	Notes	September 30, 2017	December 31, 2016 (Audited)	September 30, 2016
Current assets:				
Cash and cash equivalents	3	2,751,694	2,605,699	2,324,385
Time deposits	4	1,000,899	836,338	790,204
Murabaha investments	5	39,715	510,000	1,010,000
Accounts receivable and other debit balances	6	7,618,746	6,495,167	6,606,345
Inventories		1,745,829	1,588,474	1,361,204
Total current assets		13,156,883	12,035,678	12,092,138
Non-current assets:				
Financial assets available for sale		183,495	183,495	263,563
Investment in an associate	7	4,921,172	4,921,172	4,909,890
Investment properties		2,605,000	2,605,000	2,755,500
Property, plant and equipment		2,091,817	2,074,482	2,127,865
Goodwill		361,113	361,113	313,615
Total non-current assets		10,162,597	10,145,262	10,370,433
Total assets		23,319,480	22,180,940	22,462,571
<u>LIABILITIES AND EQUITY</u>				
Current liabilities:				
Due to banks		2,102	1,844	924,497
Term loans	8	700,000	800,000	800,000
Short term finance lease installment contract		1,730,000	1,730,000	1,730,000
Accounts payable and other credit balances	9	3,455,921	2,556,934	2,173,604
Total current liabilities		5,888,023	5,088,778	5,628,101
Non-current liabilities:				
Provision for end of service indemnity		561,430	456,157	465,846
Total non-current liabilities		561,430	456,157	465,846
Total liabilities		6,449,453	5,544,935	6,093,947
Equity:				
Share capital		8,255,650	8,255,650	8,255,650
Share premium		5,089,036	5,089,036	5,089,036
Statutory reserve		1,511,731	1,511,731	1,475,763
Voluntary reserve		487,860	487,860	487,860
Treasury shares	10	(1,056,623)	(1,056,623)	(1,056,623)
Effect of change in ownership interest of a subsidiary		(86,191)	(86,191)	(86,191)
Foreign currency translation reserve		11,958	11,958	11,958
Retained earnings		276,835	292,722	141,807
Equity attributable to shareholders of the Parent Company		14,490,256	14,506,143	14,319,260
Non-controlling interests		2,379,771	2,129,862	2,049,364
Total equity		16,870,027	16,636,005	16,368,624
Total liabilities and equity		23,319,480	22,180,940	22,462,571

The accompanying notes (1) to (19) 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, 2017
(All amounts are in Kuwaiti Dinars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2017	2016	2017	2016
Revenues:					
Sales		1,667,039	1,455,602	5,602,937	4,036,732
Service revenue		3,058,457	1,507,331	7,456,444	4,552,074
		<u>4,725,496</u>	<u>2,962,933</u>	<u>13,059,381</u>	<u>8,588,806</u>
Costs:					
Cost of sales		(1,045,522)	(923,270)	(3,638,963)	(2,757,234)
Service cost		(2,478,680)	(1,238,936)	(6,224,082)	(3,769,989)
		<u>(3,524,202)</u>	<u>(2,162,206)</u>	<u>(9,863,045)</u>	<u>(6,527,223)</u>
Gross profit		<u>1,201,294</u>	<u>800,727</u>	<u>3,196,336</u>	<u>2,061,583</u>
Expenses and charges:					
Staff cost		437,333	269,033	1,127,556	768,037
General and administrative expenses		396,664	172,793	871,571	646,769
Selling and marketing expenses		6,443	7,694	31,374	22,232
Depreciation and amortization		110,494	208,701	300,805	317,109
Provision for doubtful debts		17,400	38,000	52,200	67,000
Legal claims	18	20,000	-	479,166	-
Total expenses and charges		<u>988,334</u>	<u>696,221</u>	<u>2,862,672</u>	<u>1,821,147</u>
Operating profit		<u>212,960</u>	<u>104,506</u>	<u>333,664</u>	<u>240,436</u>
Interest and Murabaha income		8,605	10,298	21,931	22,838
Foreign exchange loss		(2,278)	(2,618)	(4,734)	(9,111)
Loss on sale of property, plant and equipment		-	-	(24,437)	-
Finance charges		(47,763)	(51,115)	(128,260)	(156,586)
Other income		-	29,930	54,480	270,311
Profit for the period before National Labor Support Tax and contribution to Zakat		<u>171,524</u>	<u>91,001</u>	<u>252,644</u>	<u>367,888</u>
Contribution to National Labor Support Tax		-	(5,002)	(3,668)	(12,036)
Contribution to Zakat		-	(1,756)	(1,467)	(5,811)
Profit for the period		<u>171,524</u>	<u>84,243</u>	<u>247,509</u>	<u>350,041</u>
Other comprehensive income		-	-	-	-
Total comprehensive income		<u>171,524</u>	<u>84,243</u>	<u>247,509</u>	<u>350,041</u>
Attributable to:					
Shareholders of the Parent Company		53,955	23,421	(15,887)	141,807
Non-controlling interests		117,569	60,822	263,396	208,234
		<u>171,524</u>	<u>84,243</u>	<u>247,509</u>	<u>350,041</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	11	<u>0.72</u>	<u>0.31</u>	<u>(0.21)</u>	<u>1.90</u>

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

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2017

(All amounts are in Kuwaiti Dinars)

	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 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)
Balance at September 30, 2017	8,255,650	5,089,036	1,511,731	487,860	(1,056,623)	(86,191)	11,958	276,835	14,490,256	2,379,771	16,870,027
Balance at January 1, 2016	8,255,650	11,690,245	1,475,763	487,860	(1,056,623)	(86,191)	11,958	(6,601,209)	14,177,453	2,152,631	16,330,084
Total comprehensive income for the period	-	-	-	-	-	-	-	141,807	141,807	208,234	350,041
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	-	(311,501)	(311,501)
Closing the accumulated losses in share premium	-	(6,601,209)	-	-	-	-	-	6,601,209	-	-	-
Balance at September 30, 2016	8,255,650	5,089,036	1,475,763	487,860	(1,056,623)	(86,191)	11,958	141,807	14,319,260	2,049,364	16,368,624

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

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2017
(All amounts are in Kuwaiti Dinars)

	Note	Nine months ended September 30,	
		2017	2016
Cash flows from operating activities:			
Profit for the period before National Labor Support Tax and Zakat		252,644	367,888
Adjustments for:			
Depreciation and amortization		381,410	382,372
Provision for doubtful debts		52,200	67,000
Loss on sale of property, plant and equipment		24,437	-
Gain from subsidiary write-off		(6,044)	-
Interest and Murabaha income		(21,931)	(22,838)
Finance charges		128,260	156,586
Provision for end of service indemnity		125,367	96,388
		<u>936,343</u>	<u>1,047,396</u>
Changes in operating assets and liabilities:			
Accounts receivable and other debit balances		(1,188,823)	(752,265)
Inventories		(157,355)	(355,658)
Accounts payable and other credit balances		902,953	(83,237)
Cash flows generated from (used in) operations		<u>493,118</u>	<u>(143,764)</u>
Payment for end of service indemnity		(20,094)	(49,835)
Net cash flows generated from (used in) operating activities		<u>473,024</u>	<u>(193,599)</u>
Cash flows from investing activities:			
Time deposits		(164,561)	(605,204)
Proceeds from Murabaha investments		470,285	900,000
Paid for additions on property, plant and equipment		(423,182)	(82,006)
Interest income and Murabahat received		21,931	22,838
Net cash flows (used in) generated from investing activities		<u>(95,527)</u>	<u>235,628</u>
Cash flows from financing activities:			
Net movement on due to banks		258	(284,103)
Net movement on term loans		(100,000)	-
Dividends paid to non - controlling interests		(3,500)	(311,501)
Finance charges paid		(128,260)	(156,586)
Net cash flows used in financing activities		<u>(231,502)</u>	<u>(752,190)</u>
Net increase (decrease) in cash and cash equivalents		145,995	(710,161)
Cash and cash equivalents at the beginning of the period		2,605,699	3,034,546
Cash and cash equivalents at the end of the period	3	<u>2,751,694</u>	<u>2,324,385</u>

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

1. Incorporation and activities of Parent Company

Metal and Recycling Company K.S.C. (Public) (the "Parent Company") is a Kuwaiti public shareholding company registered in the State of Kuwait, and was incorporated pursuant to 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. 551 dated July 11, 2013. The Parent Company is also listed on the Kuwait Stock Exchange.

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 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 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 Parent 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 Parent Company locally and internationally and representing companies in such field.
- Utilization of the Parent 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).

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

The Parent Company is 58.296% owned by Agility for Public Warehousing Company, a Kuwaiti Shareholding Company listed in 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 November 14, 2017.

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

SEPTEMBER 30, 2017

(All amounts are in Kuwaiti Dinars)

2. Basis of presentation

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard No. 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 consolidated financial statements for the year ended December 31, 2016.

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 September 30, 2017 are not necessarily indicative of the results that maybe expected for the fiscal year ending on December 31, 2017. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2016.

The amendments to the International financial reporting standards which are effective for annual periods beginning January 1, 2017, did not have an impact on the Group's accounting policies, financial position and financial performance.

3. Cash and cash equivalents

	September 30, 2017	December 31, 2016 (Audited)	September 30, 2016
Cash on hand and at banks	1,750,979	2,047,610	1,659,631
Short term bank deposits	1,000,715	558,089	664,754
	<u>2,751,694</u>	<u>2,605,699</u>	<u>2,324,385</u>

The effective rate on short term bank deposits ranged from 1% to 1.75% per annum (December 31, 2016 - 1% to 1.375% per annum, September 30, 2016 – 1% to 1.375% per annum), these deposits have an average maturity of 90 days.

4. Time deposits

The effective rate on time deposits ranged from 1.75% to 2% per annum (December 31, 2016 - 1% to 1.375% per annum, September 30, 2016 - 1% to 1.375% per annum), those deposits have an average maturity ranged from 185 days to 367 days.

Time deposits amounting to KD 744,938 (December 31, 2016: KD 726,938, September 30, 2016: KD 720,938) are pledged against certain letter of guarantee in favor of the Group (Note 15).

5. Murabaha investments

The effective rate on murabaha investments ranged from 1% to 1.43% per annum (December 31, 2016 - 1% to 1.43% per annum, September 30, 2016 - 1% to 1.43% per annum), these investments have an average maturity of 367 days.

Murabaha investment amounting to KD 39,715 (December 31, 2016: KD 500,000, September 30, 2016: KD 1,000,000) are pledged against certain letter of guarantee in favor of the Group (Note 15).

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
 NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
 SEPTEMBER 30, 2017

(All amounts are in Kuwaiti Dinars)

6. Accounts receivable and other debit balances

	September 30, 2017	December 31, 2016 (Audited)	September 30, 2016
Trade receivables	11,148,539	9,725,127	10,203,772
Provision for doubtful debts	(7,776,383)	(7,724,184)	(7,270,632)
	<u>3,372,156</u>	<u>2,000,943</u>	<u>2,933,140</u>
Due from related parties (Note 12)	453,057	456,359	7,519
Advance to suppliers	1,285,707	1,647,541	1,961,584
Refundable deposits	526,356	269,546	170,434
Retentions	261,769	832,241	277,809
Others	1,719,701	1,288,537	1,255,859
	<u><u>7,618,746</u></u>	<u><u>6,495,167</u></u>	<u><u>6,606,345</u></u>

The trade receivables include balances of KD 5,229,407 relating to a project for Kuwait Oil Company for which a full provision was provided. The collection of these receivables is dependent on a claim of KD 11,926,556 raised by the Parent Company along with its joint project partner due to variations and time extensions relating to the project executed for Kuwait Oil Company and current discussions are ongoing between the two companies to estimate the value of the additional works and variation orders related to the period of the project.

7. 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 (14).

The Group do not recognize the group share of result from investment in an associate for the period ended in September 30, 2017, as no interim financial information was available to the associate, and the movement during the period was considered as not material.

8. Term loans

Term loans represent loans granted by local banks carrying an interest rate ranging from 2% to 2.75% per annum (December 31, 2016: 1.5% to 2% per annum, September 30, 2016: 1.5% to 2% per annum) over the Central Bank of Kuwait discount rate and repayable on December 31, 2017 and February 4, 2018.

9. Account payables and other credit balances

The part of increase in account payables and other credit balances amount to KD 710,000, resulted from gross amount due to customers for contract work in one of subsidiaries.

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

SEPTEMBER 30, 2017

(All amounts are in Kuwaiti Dinars)

10. Treasury shares

	September 30, 2017	December 31, 2016 (Audited)	September 30, 2016
Number of shares (shares)	7,779,046	7,779,046	7,779,046
Percentage of paid up shares (%)	9.43%	9.43%	9.43%
Market value (KD)	777,905	505,638	513,417
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.

11. 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,	
	2017	2016	2017	2016
Net profit (loss) for the period attributable to Parent Company' Shareholders (KD)	<u>53,955</u>	<u>23,421</u>	<u>(15,887)</u>	<u>141,807</u>
	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>
Number of outstanding shares:				
Number of issued and fully paid shares	82,556,507	82,556,507	82,556,507	82,556,507
Less: Weighted average number of treasury shares	<u>(7,779,046)</u>	<u>(7,779,046)</u>	<u>(7,779,046)</u>	<u>(7,779,046)</u>
Weighted average number of shares outstanding	<u>74,777,461</u>	<u>74,777,461</u>	<u>74,777,461</u>	<u>74,777,461</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	<u>0.72</u>	<u>0.31</u>	<u>(0.21)</u>	<u>1.90</u>

12. Related parties disclosures

The Group has entered into various transactions with shareholders, Board of Directors, key management personnel, associate, entities under common control 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:

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
 NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
 SEPTEMBER 30, 2017

(All amounts are in Kuwaiti Dinars)

Balances included in interim condensed consolidated statement of financial position.

	<u>The Ultimate Parent Company</u>	<u>Entities under common control</u>	<u>September 30, 2017</u>	<u>December 31, 2016 (Audited)</u>	<u>September 30, 2016</u>
Due from related parties (Note 6)	-	453,057	453,057	456,359	7,519
Due to related parties	396,454	111,060	507,514	411,532	386,435

Compensation to key management personnel:

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Short term benefits	32,726	53,936	178,209	168,308
Terminal benefits	438	1,369	4,826	4,392

13. 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.

D. Shear and baler

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

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
SEPTEMBER 30, 2017
 (All amounts are in Kuwaiti Dinars)

Financial details of the above operating segments are as follows:

	September 30, 2017		December 31, 2016 (Audited)		September 30, 2016	
	Segment assets	Segment liabilities	Segment assets	Segment liabilities	Segment assets	Segment liabilities
Metal shredding and used spare parts department	9,389,671	-	10,605,433	-	11,209,632	-
Commercial department	883,184	-	224,024	-	228,007	-
Waste plastic recycling department	1,103,075	-	1,668,813	-	1,815,411	-
Shear and baler	571,928	-	461,204	-	-	-
Unallocated assets and liabilities	11,371,622	6,449,453	9,221,466	5,544,935	9,209,521	6,093,947
	<u>23,319,480</u>	<u>6,449,453</u>	<u>22,180,940</u>	<u>5,544,935</u>	<u>22,462,571</u>	<u>6,093,947</u>
	Three months ended					
	September 30,		2016		2017	
	Segment revenue	Segment results	Segment revenue	Segment results	Segment revenue	Segment results
Metal shredding and used spare parts department	1,060,266	424,042	1,251,094	349,037	4,386,206	1,423,532
Commercial Department	185,730	61,607	21,062	4,229	420,062	185,828
Waste plastic recycling department	421,043	91,768	183,446	99,651	524,647	310,515
Shear and baler	-	-	-	-	272,022	44,099
Others	3,058,457	(405,893)	1,507,331	(368,674)	7,456,444	(1,716,465)
	<u>4,725,496</u>	<u>171,524</u>	<u>2,962,933</u>	<u>84,243</u>	<u>13,059,381</u>	<u>247,509</u>
	Nine months ended					
	September 30,		2016		2017	
	Segment revenue	Segment results	Segment revenue	Segment results	Segment revenue	Segment results
Metal shredding and used spare parts department	3,414,329	1,046,724	3,414,329	1,046,724	3,414,329	1,046,724
Commercial Department	69,448	9,433	69,448	9,433	69,448	9,433
Waste plastic recycling department	552,955	288,607	552,955	288,607	552,955	288,607
Shear and baler	-	-	-	-	-	-
Others	4,552,074	(994,723)	4,552,074	(994,723)	4,552,074	(994,723)
	<u>8,588,806</u>	<u>350,041</u>	<u>8,588,806</u>	<u>350,041</u>	<u>8,588,806</u>	<u>350,041</u>

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

SEPTEMBER 30, 2017

(All amounts are in Kuwaiti Dinars)

14. 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.

15. Contingent liabilities

At September 30, 2017, the Group is contingently liable in respect of the following:

	September 30, 2017	December 31, 2016 (Audited)	September 30, 2016
Letters of guarantee	7,762,531	7,250,527	5,445,760
Letters of credit	225,000	24,133	-
	<u>7,987,531</u>	<u>7,274,660</u>	<u>5,445,760</u>

Certain letters of guarantee are secured by time deposits and murabaha investments (Note 4 · 5)

16. 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.

17. Shareholders' Annual General Assembly

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.

The Shareholders' Annual Ordinary General Assembly held on June 12, 2016 approved the consolidated financial statements for the fiscal year ended December 31, 2015. There are no any cash profit distributions or bonus shares or board of directors' remuneration for the year ended.

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

SEPTEMBER 30, 2017

(All amounts are in Kuwaiti Dinars)

18. Legal claims

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 issued legal claim amounting to KD 220,000 in addition to its legal interest with a rate of 7% from the date of the claim until the date of payment, expenses and actual fees amounted to KD 65,075. In addition, another legal claim amounting to KD 170,212 in addition to expenses and lawyer's fees amounting to KD 3,879 and letter of guarantees amounted to KD 20,000 in favor the project owner of one of the mentioned legal cases. The parent company has paid KD 479,166 to settle these two legal claims, and its interest, expenses and actual fees. The parent company is working on disputing these two legal claims.

19. Subsequent events

Subsequent to date of interim condensed consolidated financial information the parent company had notarized on the commercial registry on October 9, 2017, pursuant to Extraordinary General Assembly held on September 20, 2017, to amend article No.(6) from Article of Association and article No.(5) of Memorandum of Incorporation to increase the issued and paid up Company's share capital from KD 8,255,650 to KD 10,000,000. after approving the following:

- A- Convert full share premium amounted to KD 5,089,036 to voluntary reserve to become KD 5,576,896.
- B- Approval to convert full voluntary reserve amounted to KD 5,576,896 to retained earnings.
- C- Approval to convert an amount of to KD 1,744,350 from retained earnings to share capital to become KD 100,000,000.
- D- Approve the issuance of bonus share to shareholders with a percentage of 21.12% against converting part of retained earnings to share capital.