

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

INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2016
(UNAUDITED)

WITH
REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

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STATE OF KUWAIT

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REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

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 March 31, 2016 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three months period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim 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 Financial Information Performed by the Independent Auditor of the Company." A review of interim 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

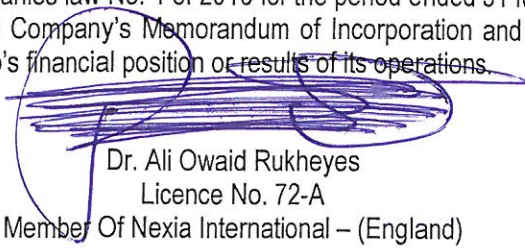
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.

Emphasis of matters


Without qualifying our conclusion, we draw attention to Notes 5, 13, and 17 to the accompanying interim consolidated financial information.

Report on other Legal and Regulatory Requirements

Furthermore, the interim consolidated financial information is in agreement with the Parent Company's books of account. 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 for the period ended 31 March 2016 or the Executive Regulations of Law No. 25 of 2012, or of the Company's Memorandum of Incorporation and Articles of Association which might have materially affected the Group's financial position or results of its operations.



Dr. Ali Owaid Rukheyes
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Member Of Nexia International – (England)
ALWaha Auditing Office



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METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS OF MARCH 31, 2016
(All amounts are in Kuwaiti Dinars)

<u>ASSETS</u>	Note	March 31, 2016	December 31, 2015 (Audited)	March 31, 2015
Current assets:				
Cash and cash equivalents	3	3,429,736	3,034,546	2,493,817
Time deposits		185,000	185,000	437,409
Murabaha investments	4	1,910,000	1,910,000	1,910,000
Accounts receivable and other debit balances	5	5,313,176	5,921,080	7,154,258
Inventory		950,424	1,005,546	1,964,690
Total current assets		11,788,336	12,056,172	13,960,174
Non current assets:				
Investments available for sale		263,563	263,563	263,563
Investment in an associate	6	4,909,890	4,909,890	5,002,694
Investment properties		2,755,500	2,755,500	1,626,786
Property, plant and equipment		2,338,671	2,428,231	2,687,470
Goodwill		313,615	313,615	313,615
Total non current assets		10,581,239	10,670,799	9,894,128
Total assets		22,369,575	22,726,971	23,854,302
<u>LIABILITIES AND EQUITY</u>				
Current liabilities:				
Due to banks	7	846,788	1,208,600	1,352,892
Term loans	8	800,000	800,000	1,030,000
Short term finance lease installment contract		1,730,000	1,730,000	960,000
Accounts payable and other credit balances		2,167,621	2,238,994	1,430,282
Total current liabilities		5,544,409	5,977,594	4,773,174
Non current liabilities:				
Provision for end of service indemnity		428,235	419,293	374,811
Total non current liabilities		428,235	419,293	374,811
Total liabilities		5,972,644	6,396,887	5,147,985
Equity:				
Share capital		8,255,650	8,255,650	8,255,650
Share premium		11,690,245	11,690,245	11,690,245
Statutory reserve		1,475,763	1,475,763	1,475,763
Voluntary reserve		487,860	487,860	487,860
Treasury shares	9	(1,056,623)	(1,056,623)	(1,056,623)
Foreign currency translation adjustments		11,958	11,958	11,958
Effect of change in a subsidiary's equity		(86,191)	(86,191)	(86,191)
Accumulated losses		(6,584,407)	(6,601,209)	(4,135,567)
Equity attributable to Shareholders of the Parent Company		14,194,255	14,177,453	16,643,095
Non controlling interests		2,202,676	2,152,631	2,063,222
Total equity		16,396,931	16,330,084	18,706,317
Total liabilities and equity		22,369,575	22,726,971	23,854,302

The accompanying notes (1) to (18) form an integral part of the interim 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
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
MARCH 31, 2016
(All amounts are in Kuwaiti Dinars)

5. Accounts receivable and other debit balances

	March 31, 2016	December 31, 2015 (Audited)	March 31, 2015
Trade receivables	3,624,276	4,219,945	3,375,530
Provision for doubtful debts	(1,250,059)	(1,232,659)	(888,674)
	<u>2,374,217</u>	<u>2,987,286</u>	<u>2,486,856</u>
Due from related parties (Note 11)	159,930	85,514	352,190
Advance to suppliers	1,157,777	1,254,459	1,391,703
Advance towards a project	56,963	56,963	56,963
Qatar Project Receivables	495,245	495,245	495,245
Refundable deposits	19,016	19,016	259,399
Advance payment to purchase investments	1,427,477	1,427,477	1,427,447
Due from joint venture – Kuwait Oil Company	1,013,913	1,013,913	1,013,913
Due from Metalex-Turkey	2,812,829	2,812,829	2,833,906
Receivables on sale of investments	433,200	433,200	433,200
Retentions	261,680	261,680	331,945
Others	1,071,902	1,044,471	1,093,925
	<u>11,284,149</u>	<u>11,892,053</u>	<u>12,176,692</u>
Provisions against other debit balances	(5,970,973)	(5,970,973)	(5,022,434)
	<u>5,313,176</u>	<u>5,921,080</u>	<u>7,154,258</u>

The above balances include debit amounts of KD 5,217,700 relating to a project for Kuwait Oil Company. The collection of these balances 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 extension relating to the project executed for Kuwait Oil Company. Further, the Parent Company's management believes that the work related to the contract which is signed between Kuwait Oil Company and Metalex Turkey is still in the maintenance period, and current discussions are going on between the two companies to estimate the value of the additional works and variation orders related to the period of the project.

6. 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 (13).

7. Due to banks

Due to banks represents overdraft facilities and carrying an average interest rate ranging from 1.5% to 2% per annum (December 31, 2015: 1.5% to 2% per annum, March 31, 2015: 1.5% to 2% per annum) over the Central Bank of Kuwait discount rate and repayable on demand.

8. Term loans

Term loans represent loans granted by local banks carrying an interest rate ranging from 1.5% to 2% per annum (December 31, 2015 : 1.5% to 2% per annum, March 31, 2015: 1.5% to 2% per annum) over the Central Bank of Kuwait discount rate and repayable on August 13, 2016.

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

9. Treasury shares

	March 31, 2016	December 31, 2015 (Audited)	March 31, 2015
Number of shares (shares)	7,789,158	7,789,158	7,789,158
Percentage of paid up shares (%)	9.43%	9.43%	9.43%
Market value (KD)	560,819	576,398	677,657
Cost (KD)	1,056,623	1,056,623	1,056,623

Based on Capital Markets Authority resolution dated December 30, 2013, the parent Company's management has allotted an amount equal to treasury shares balance from the reserves as of March 31, 2016. Such amount will not be available for distribution during treasury shares holding period by the Group.

10. Earnings (loss) per share

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 March 31,	
	2016	2015
Net profit (loss) for the period attributable to Parent Company' Shareholders (KD)	<u>16,802</u>	<u>(163,654)</u>
	<u>Share</u>	<u>Share</u>
<u>Number of outstanding shares:</u>		
Number of issued and fully paid shares	82,556,506	82,556,506
Less: Weighted average number of treasury shares (share)	<u>(7,789,158)</u>	<u>(7,789,158)</u>
Weighted average number of shares out standing	<u>74,767,348</u>	<u>74,767,348</u>
	<u>Fils</u>	<u>Fils</u>
Earnings (loss) per share (Fils)	<u>0.22</u>	<u>(2.19)</u>

11. Related party disclosures

The Group has entered into various transactions with related parties, i.e. ultimate Parent Company, Board of Directors, key management personnel, associate, 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:

Balance included in consolidated statement of financial position

	The Parent Company	Entities under common control	March 31, 2016	December 31, 2015 (Audited)	March 31, 2015
Accounts receivable and other debit balances (Note 5)	3,871	156,059	159,930	85,514	352,190
Accounts payable and other credit balances	301,397	151,623	453,020	383,377	234,460

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
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	Three months ended March 31,	
	2016	2015
Compensation to key management personnel:		
Salaries and other short term benefits	60,601	55,451
Terminal benefits	1,661	1,716

12. 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.

Financial details of the above operating segments are as follows:

	March 31, 2016		December 31, 2015 (Audited)		March 31, 2015	
	Segment assets	Segment liabilities	Segment assets	Segment liabilities	Segment assets	Segment liabilities
Metal Shredding and used spare parts department	10,865,828	-	11,034,426	-	13,480,117	-
Commercial department	190,706	-	167,119	-	272,625	-
Waste plastic recycling department	1,165,324	-	1,401,256	-	1,242,435	-
Shear and baler	-	-	60,602	-	184,624	-
Unallocated assets and liabilities	10,147,717	5,972,644	10,063,568	6,396,887	8,674,501	5,147,985
	<u>22,369,575</u>	<u>5,972,644</u>	<u>22,726,971</u>	<u>6,396,887</u>	<u>23,854,302</u>	<u>5,147,985</u>

	Three months ended March 31,			
	2016		2015	
	Segment revenue	Segment results	Segment revenue	Segment results
Metal Shredding and used spare parts department	1,218,927	324,449	1,720,212	175,527
Commercial Department	21,393	2,456	34,790	14,696
Waste Plastic Recycling Department	130,726	66,820	158,548	63,343
Shear and Baler Department	-	-	23,560	3,932
Others	1,346,277	(326,878)	1,143,973	(391,710)
	<u>2,717,323</u>	<u>66,847</u>	<u>3,081,083</u>	<u>(134,212)</u>

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13. 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.

14. Contingent liabilities

At March 31, 2016, the Group is contingently liable in respect of the following:

	March 31, 2016	December 31, 2015 (Audited)	March 31, 2015
Letters of guarantee	<u>5,628,991</u>	<u>5,867,939</u>	<u>5,200,391</u>
	<u>5,628,991</u>	<u>5,867,939</u>	<u>5,200,391</u>

Certain letters of guarantee amounting to KD 1,412,454 are secured by murabaha investment (Note 4).

15. Fair value measurement

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, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

At March 31, the fair values of financial instruments approximate their carrying amounts, with the exception of certain financial assets available for sale carried at cost. The management of the Company 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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

16. The General Assembly

The shareholders' Ordinary General Assembly has not been held till the date of the interim consolidated financial information and accordingly, the consolidated financial statements for the year ended December 31, 2015 has have not yet been approved. The interim consolidated financial information for the period ended March 31, 2016 do not include any adjustments which might be required if the consolidated financial statements for the year ended December 31, 2015 have been approved by the shareholder's General Assembly.

The Annual shareholders' Ordinary General Assembly held on June 8, 2015 approved the Board of Directors' recommendation not to distribute cash dividends for the year ended December 31, 2014.

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

MARCH 31, 2016

(All amounts are in Kuwaiti Dinars)

17. Going concern

The Interim Consolidated Financial Information has been prepared on a going concern basis, which assumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business. The Interim Consolidated Financial Information do not include any adjustments that might arise due to uncertainty of the Group's ability to continue as a going concern.

As of March 31, 2016, the Group's accumulated losses amounted to KD 6,584,407, As per article 271 of the Companies' Law No. 1 of 2016, when the company's accumulated losses reach 75% of its paid up share capital, the Board of Directors has to call for an extraordinary shareholders' general assembly meeting to decide about either the company's continuity, early dissolution, or otherwise taking other necessary actions in that regard.

The Group's ability to continue as a going concern depends on its ability to make profits, enhance its future cash flows, restructure its credit facilities, and the financial support of its major shareholders, management of the Parent Company also expects that the accumulated losses will be amortized shortly after the required approval of the Shareholders General Assembly. In addition, the major shareholders will provide the financial support to the group as and when required.

18. Comparative figures

Certain of the comparative figures have been reclassified to conform to the amounts of current period presentation. Which have no impact on total equity and net profit of the group.