

**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, 2023
(UNAUDITED)
WITH
REPORT ON REVIEW OF INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**

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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)
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 June 30, 2023, and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three months and six months period then ended, statements of changes in equity and cash flows for the six months period then ended. Management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim condensed consolidated financial Information Performed by the Independent Auditor of the Entity." A review of interim condensed consolidated financial information consists of making inquiries primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Emphasis of matter

Without qualifying our conclusion, we draw attention to Note (9) regarding right of utilization for a land leased by the Group and held within the Associate Company.

Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016 and its Executive Regulations as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association as amended during the six months period ended June 30, 2023, that might have had a material effect on the Parent Company's financial position or results of its operation, except for the Group ownership of investment properties and conducting rental activities, not disclosed in the Parent Company Articles of Association.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the six months period ended June 30, 2023, that might have had a material effect on the Parent Company's financial position or results of its operations.

State of Kuwait
August 10, 2023



Dr. Shuaib A. Shuaib
License 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 AT JUNE 30, 2023

(All amounts are in Kuwaiti Dinars)

ASSETS	Notes	June 30, 2023	December 31, 2022 (Audited)	June 30, 2022
Current assets:				
Cash and cash equivalents	3	1,763,388	2,565,034	4,446,926
Time deposits	4	3,580,359	3,072,276	1,094,165
Accounts receivable and other debit balances		5,874,591	4,973,648	4,555,728
Due from related parties	5	124,276	163,776	313,376
Inventories		95,578	80,850	105,252
Total current assets		11,438,192	10,855,584	10,515,447
Non-current assets:				
Financial assets at fair value through profit and loss		34,972	34,972	34,972
Investment in associate		6,797,486	6,797,486	6,023,828
Investment property		1,420,000	1,420,000	1,420,000
Property, plant and equipment		6,288,928	5,533,122	4,088,310
Right of use assets		1,969,569	2,015,042	2,247,064
Goodwill		406,889	406,889	406,889
Total non-current assets		16,917,844	16,207,511	14,221,063
Total assets		28,356,036	27,063,095	24,736,510
LIABILITIES AND EQUITY				
Current liabilities:				
Due to banks		-	-	167,562
Ijara payables		-	-	300,000
Term loans	6	1,058,000	1,058,000	1,058,000
Lease liabilities		421,815	439,019	350,422
Accounts payable and other credit balances		3,209,173	2,964,795	3,073,378
Due to related parties	5	3,513,718	3,266,084	2,238,296
Total current liabilities		8,202,706	7,727,898	7,187,658
Non-current liabilities:				
Term loans	6	6,999,775	6,096,525	4,577,425
Lease liabilities		1,936,917	1,976,600	2,258,937
Provision for end of service indemnity		1,140,831	1,063,141	1,032,936
Total non-current liabilities		10,077,523	9,136,266	7,869,298
Total liabilities		18,280,229	16,864,164	15,056,956
Equity:				
Share capital		10,000,000	10,000,000	10,000,000
Statutory reserve		1,520,581	1,520,581	1,520,581
Treasury shares	7	(1,056,623)	(1,056,623)	(1,056,623)
Effect of change in subsidiary's equity		402,450	402,450	402,450
Accumulated losses		(3,250,904)	(3,411,967)	(3,892,620)
Equity attributable to shareholders of the Parent				
Company		7,615,504	7,454,441	6,973,788
Non-controlling interests		2,460,303	2,744,490	2,705,766
Total equity		10,075,807	10,198,931	9,679,554
Total liabilities and equity		28,356,036	27,063,095	24,736,510

The accompanying notes from (1) to (14) form an integral part of the interim condensed consolidated financial information.

Msaed Ibrahim Al Houwly
Chairman



Tarek Ibrahim Mohamed Al-Mousa
Vice Chairman and Chief Executive Officer

METAL AND RECYCLING COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2023
(All amounts are in Kuwaiti Dinars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2023	2022	2023	2022
Revenues:					
Net sales		-	45,066	5,436	845,706
Service revenue		2,793,394	2,423,473	5,422,023	4,947,333
Rental income		427,186	353,389	852,652	612,686
		<u>3,220,580</u>	<u>2,821,928</u>	<u>6,280,111</u>	<u>6,405,725</u>
Expenses:					
Cost of sales		-	(61,166)	(7,131)	(695,377)
Service costs		(1,893,754)	(1,722,951)	(3,839,662)	(3,758,180)
Rental costs		(285,420)	(209,759)	(534,423)	(392,776)
		<u>(2,179,174)</u>	<u>(1,993,876)</u>	<u>(4,381,216)</u>	<u>(4,846,333)</u>
Gross profit		<u>1,041,406</u>	<u>828,052</u>	<u>1,898,895</u>	<u>1,559,392</u>
Staff costs		(258,364)	(293,020)	(504,701)	(580,045)
General and administrative expenses		(163,937)	(147,097)	(310,185)	(235,438)
Selling and marketing expenses		(2,112)	(11,494)	(4,365)	(51,197)
Depreciation		(113,308)	(175,247)	(223,918)	(192,685)
Amortization of right of use assets		(116,294)	(166,325)	(239,098)	(236,360)
		<u>(654,015)</u>	<u>(793,183)</u>	<u>(1,282,267)</u>	<u>(1,295,725)</u>
Profit from operations		<u>387,391</u>	<u>34,869</u>	<u>616,628</u>	<u>263,667</u>
Interest income		18,406	12,214	37,782	17,681
Foreign exchange gain		104	(20,621)	104	1,094
Gain on sale of property, plant, and equipment		650	-	1,650	54,050
Finance cost		(125,640)	(91,485)	(307,135)	(175,296)
Tax accruals		-	-	-	(116,902)
Other income		19,234	90,981	46,506	152,213
Profit for the period before contributions to National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration		<u>300,145</u>	<u>25,958</u>	<u>395,535</u>	<u>196,507</u>
NLST		(4,578)	-	(6,185)	-
Contribution to Zakat		(1,831)	-	(2,474)	-
Board of Directors' remuneration		(20,000)	-	(20,000)	-
Profit for the period		<u>273,736</u>	<u>25,958</u>	<u>366,876</u>	<u>196,507</u>
Other comprehensive income		-	-	-	-
Total comprehensive profit for the period		<u>273,736</u>	<u>25,958</u>	<u>366,876</u>	<u>196,507</u>
Attributable to:					
Shareholders of the Parent Company		133,690	(117,394)	161,063	(64,510)
Non-controlling interests		140,046	143,352	205,813	261,017
		<u>273,736</u>	<u>25,958</u>	<u>366,876</u>	<u>196,507</u>
		<u>Fils</u>	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>
Basic earnings (loss) per share attributable to Shareholders of the Parent Company	8	<u>1.48</u>	<u>(1.30)</u>	<u>1.79</u>	<u>(0.72)</u>
Diluted earnings per share attributable to shareholders of the Parent Company	8	<u>1.31</u>	<u>-</u>	<u>2.27</u>	<u>0.23</u>

The accompanying notes from (1) to (14) 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 JUNE 30, 2023

(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company						Non - controlling interests	Total equity
	Share capital	Statutory reserve	Treasury shares	Effect of change in subsidiary's equity	Accumulated losses	Subtotal		
Balance as at January 1, 2023	10,000,000	1,520,581	(1,056,623)	402,450	(3,411,967)	7,454,441	2,744,490	10,198,931
Total comprehensive income for the period	-	-	-	-	161,063	161,063	205,813	366,876
Cash dividends to non-controlling interests	-	-	-	-	-	-	(490,000)	(490,000)
Balance as at June 30, 2023	10,000,000	1,520,581	(1,056,623)	402,450	(3,250,904)	7,615,504	2,460,303	10,075,807
Balance as at January 1, 2022	10,000,000	1,520,581	(1,056,623)	402,450	(3,828,110)	7,038,298	2,444,749	9,483,047
Total comprehensive (loss) income for the period	-	-	-	-	(64,510)	(64,510)	261,017	196,507
Balance as at June 30, 2022	10,000,000	1,520,581	(1,056,623)	402,450	(3,892,620)	6,973,788	2,705,766	9,679,554

The accompanying notes from (1) to (14) 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, 2023
(All amounts are in Kuwaiti Dinars)

	Note	Six months ended June 30,	
		2023	2022
Cash flows from operating activities:			
Profit for the period before contributions to National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration		395,535	196,507
Adjustments for:			
Depreciation		223,918	192,685
Gain on sale of property, plant and equipment		(1,650)	(54,050)
Gain on disposal of leases		-	(293)
Amortization of right of use assets		239,098	236,360
Interest income		(37,782)	(17,681)
Finance cost		307,135	175,296
Provision for end of service indemnity		108,021	103,574
Tax accruals		-	116,902
		<u>1,234,275</u>	<u>949,300</u>
Changes in operating assets and liabilities:			
Accounts receivable and other debit balances		(900,943)	(60,217)
Net movement in related parties		87,592	(40,326)
Inventories		(14,728)	652,738
Accounts payable and other credit balances		235,719	(25,182)
Cash flows generated from operations		<u>641,915</u>	<u>1,476,313</u>
Payment for end of service indemnity		(30,331)	(184,883)
Payment for Board of Directors' remuneration		(20,000)	-
Net cash flows generated from operating activities		<u>591,584</u>	<u>1,291,430</u>
Cash flows from investing activities:			
Time deposits		(508,083)	(3,869)
Paid for property, plant, and equipment		(980,020)	(1,174,474)
Proceeds from sale of property, plant and equipment		1,946	54,050
Interest income received		37,782	17,681
Net cash flows used in investing activities		<u>(1,448,375)</u>	<u>(1,106,612)</u>
Cash flows from financing activities:			
Net movement in due to banks		-	(43,219)
Net movement in finance lease payables		-	(50,000)
Net movement in term loans		903,250	701,242
Payment of lease liabilities		(300,300)	(278,354)
Cash dividends to non-controlling interests		(490,000)	-
Finance cost paid		(57,805)	(129,834)
Net cash flows generated from financing activities		<u>55,145</u>	<u>199,835</u>
Net (decrease) increase in cash and cash equivalents		(801,646)	384,653
Net movement in restricted cash		(148,497)	(279,861)
Cash and cash equivalents at the beginning of the period		1,948,894	3,455,484
Cash and cash equivalents at the end of the period	3	<u>998,751</u>	<u>3,560,276</u>

The accompanying notes from (1) to (14) 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, 2023

(All amounts are in Kuwaiti Dinars)

1. Incorporation and activities

Metal and Recycling Company "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 September 10, 1987, and its subsequent amendments, the latest of which was notarized in the commercial registration under Ref. No. 12320 on June 21, 2022.

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

The Parent company is owned by 66.48% by Agility Public Warehousing Company – K.S.C.P. listed on the Kuwait Stock Exchange (The ultimate Parent Company).

The interim condensed consolidated financial information was authorized for issue by the Parent Company's Board of Directors on August 10, 2023.

2. Basis of preparation

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed consolidated financial information for the period are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2022.

The Group has not early adopted any other standards, interpretations or amendments that has been issued but is not yet effective. Other amendments and interpretations apply for the first time on January 1, 2023, but do not have an impact on the interim condensed consolidated financial information of the Group.

The interim condensed consolidated financial information does not include all the information and notes required for complete financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunctions with the Group's annual consolidated financial statements for the year ended December 31, 2022. 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, 2023, are not necessarily indicative of the results that may be expected for the year ending December 31, 2023. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2022.

3. Cash and cash equivalents

	June 30, 2023	December 31, 2022 (Audited)	June 30, 2022
Cash on hand and at banks	1,613,388	1,515,034	2,034,438
Short term bank deposits	150,000	1,050,000	2,412,488
	1,763,388	2,565,034	4,446,926
Less: restricted cash against letters of guarantee	(764,637)	(616,140)	(886,650)
Cash and cash equivalents as presented in the consolidated statement of cash flows	998,751	1,948,894	3,560,276

The effective interest rate on short term bank deposits was 4.125% per annum (December 31, 2022: 4%, June 30, 2022: 1.4% to 1.9%). These deposits are denominated in Kuwaiti Dinars and have an average maturity of 30 - 90 days.

As of June 30, 2023, cash restricted by banks against letters of guarantee amounted to KD 764,637 (Note 10) (December 31, 2022: KD 616,140, June 30, 2022: KD 886,650).

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

JUNE 30, 2023

(All amounts are in Kuwaiti Dinars)

4. Time deposits

The effective interest rate on time deposits ranged from 3.25% to 5.2% per annum (December 31, 2022: 2.125% to 4.250% per annum, June 30, 2022: 1.125% to 1.250% per annum), these deposits have an average maturity of 185 to 365 days.

Time deposits amounting to KD 890,186 (December 31, 2022: KD 885,412, June 30, 2022: KD 773,587) were pledged against letters of guarantee (Note 10).

5. Related parties' disclosures

The Group has entered into various transactions with related parties i.e., Major shareholders, Board of Directors, key management personnel, associate, entities under common control and other related parties in the normal course of business. Prices and terms of payment are approved by the Group's management.

Significant related party balances and transactions are as follows:

Balances included in interim condensed consolidated statement of financial position:

	<u>Major shareholder</u>	<u>Entities under common control</u>	<u>Associate</u>	<u>Others</u>	<u>June 30, 2023</u>	<u>December 31, 2022 (Audited)</u>	<u>June 30, 2022</u>
Due from related parties	-	-	1,900	122,376	124,276	163,776	313,376
Accounts receivable and other debit balances	-	-	-	-	-	82,868	-
Due to related parties	(2,835,479)	(678,239)	-	-	(3,513,718)	(3,266,084)	(2,238,296)
Accrued expenses	(180,000)	-	-	-	(180,000)	(180,000)	(180,000)
Term loans (Note 6)	-	(6,558,850)	-	-	(6,558,850)	(5,451,600)	(3,728,500)

The Shareholders' Annual Ordinary General Assembly held on June 25, 2021, approved a convertible loan agreement for a ceiling amount of KD 10,000,000, from Agility International Investment Company - W.L.L. (Subsidiary of the Ultimate Parent Company). During the period ended June 30, 2023, the Parent Company withdrew an additional amount of KD 1,107,250 from the loan amount. The loan is due after 60 months from April 12, 2021, in cash or if the lender elects to convert it to ordinary shares (Note 6) and carries annual interest rate of 4% over the CBK discount rate.

Transactions included in interim condensed consolidated statement of profit or loss

	<u>Major shareholder</u>	<u>Entities under common control</u>	<u>Six months ended June 30,</u>	
			<u>2023</u>	<u>2022</u>
Finance cost	-	(199,542)	(199,542)	(96,903)
General and administrative expenses	(43,206)	-	(43,206)	(38,592)

Compensation to key management personnel

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Short term benefits	86,486	78,771	172,442	156,779
End of service benefits	3,609	3,378	7,212	6,755
Board of Directors' remuneration	20,000	-	20,000	-
	110,095	82,149	199,654	163,534

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

JUNE 30, 2023

(All amounts are in Kuwaiti Dinars)

6. Term loans

	<u>Due date</u>	<u>Currency</u>	<u>June 30, 2023</u>	<u>December 31, 2022 (Audited)</u>	<u>June 30, 2022</u>
Term loan from local bank carrying interest rate of 2.5% over the Central Bank of Kuwait discount rate.	August 31, 2023	KWD	650,000	650,000	650,000
Term loan from local bank carrying interest rate of 3% over the Central Bank of Kuwait discount rate.	June 30, 2025	KWD	848,925	1,052,925	1,256,925
Term loan from a related party carrying interest rate of 4% over the Central Bank of Kuwait discount rate. (A)	April 12, 2026	KWD	6,558,850	5,451,600	3,728,500
			<u>8,057,775</u>	<u>7,154,525</u>	<u>5,635,425</u>

Term loans are secured by assignment letters for certain project revenues.

(A) On April 12, 2021, the Parent Company signed a loan agreement with a related party (company under common control) (Note 5), for a maximum amount of KD 10,000,000, bearing interest rate 4% per annum, over the Central Bank of Kuwait discount rate, due upon which of the following occurs first:

A.

- After the expiration of 5 years from, date April 12, 2021, or,
- When there is a change in the control of the Ultimate Parent company over the Parent Company.

B.

- Upon an early payment request in the event of insolvency or early payment.

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

During the period ended June 30, 2023, the Parent Company withdrew an additional amount of KD 1,107,250 from the original loan facility.

The term loans are classified as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022 (Audited)</u>	<u>June 30, 2022</u>
Current portion	1,058,000	1,058,000	1,058,000
Non-current portion	6,999,775	6,096,525	4,577,425
	<u>8,057,775</u>	<u>7,154,525</u>	<u>5,635,425</u>

7. Treasury shares

	<u>June 30, 2023</u>	<u>December 31, 2022 (Audited)</u>	<u>June 30, 2022</u>
Number of shares	9,899,225	9,899,225	9,899,225
Percentage of paid-up shares	9.89%	9.89%	9.89%
Market value	772,140	494,961	782,039
Cost	(1,056,623)	(1,056,623)	(1,056,623)

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
JUNE 30, 2023

(All amounts are in Kuwaiti Dinars)

In accordance with the decision of the Capital Markets Authority on December 30, 2013, The Parent Company's management has allotted an amount equal to the treasury shares balance from the statutory reserve as of June 30, 2023. Such amount will not be available for distribution during the treasury shares holding period.

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume allotment of all dilutive potential ordinary shares, and to adjust the profit (loss) for the year with the assumed effect of those potential dilutive shares had they been issued.

The information necessary to calculate basic and diluted earnings (loss) per share is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Profit (loss) for the period attributable to Parent Company's Shareholders	133,690	(117,394)	161,063	(64,510)
Interest on convertible loan (net of tax)	70,377	50,437	192,558	93,511
	204,067	(66,957)	353,621	29,001
	Shares	Shares	Shares	Shares
<u>Number of outstanding shares:</u>				
Number of issued and fully paid shares	100,000,000	100,000,000	100,000,000	100,000,000
Less: Weighted average number of treasury shares	(9,899,225)	(9,899,225)	(9,899,225)	(9,899,225)
Weighted average number of shares outstanding used in calculating basic earnings (loss) per share	90,100,775	90,100,775	90,100,775	90,100,775
Adjustment for convertible loans	65,588,500	37,285,000	65,588,500	37,285,000
Weighted average number of shares for diluted earnings per share	155,689,275	127,385,775	155,689,275	127,385,775
	Fils	Fils	Fils	Fils
Basic earnings (loss) per share attributable to shareholders of the Parent Company	1.48	(1.30)	1.79	(0.72)
Diluted earnings per share attributable to shareholders of the Parent Company	1.31	-	2.27	0.23

As at June 30, 2023, there is a term loan convertible into ordinary shares (Note 6), has a dilutive effect on earnings (loss) per share for the three months period ended June 30, 2023, and an antidilutive effect on the earnings per share for the six months period June 30, 2023, due to its nature.

9. Rights of utilization

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

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10. Contingent liabilities

The Group is contingently liable against the following:

	June 30, 2023	December 31, 2022 (Audited)	June 30, 2022
Letters of guarantee	10,901,021	9,620,873	8,784,532
Letters of credit	119,938	-	-
	11,020,959	9,620,873	8,784,532

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

11. Shareholders' Annual General Assembly

The Shareholders' Annual Ordinary General Assembly held on May 1, 2023, approved the consolidated financial statements for the year ended December 31, 2022, and resolved not to distribute cash dividends or remuneration to the Board of Directors for the year ended December 31, 2022.

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

12. Legal claims

On June 13, 2017, the Parent Company submitted a financial claim for KD 25,415,961 which is currently under the consideration of Public Authority for Industry and the Ministry of Commerce, who referred the matter to the Council of Ministers who in turn referred it to a competent committee to assess the compensation. The management believes that the Parent Company is eligible for compensation in accordance with the principles of compensation established by Law No. 105/1980 regarding state property and its executive regulations; and also based on the contract concluded by virtue of contract no 27/103 dated 19 September 2013 concluded with the Public Authority for Industry regarding the exploitation of the land, according to similar cases in the same geographical location.

In a meeting held on 29 September 2019 between the Parent Company and the Public Authority for Industry, it was decided to provide alternative land to the Parent Company for shifting its administrative building, factory and scrap yard from South Amghara and that the transfer to the new site will take place only after the installation of power, and implementation of organizational structure. However, the Administrative Authority issued an order on 25 January 2021 to displace the Parent Company from this land before alternate arrangements were completed, violating the original decision.

Accordingly, the Parent Company considers that the violation by the Administrative Authority has caused further damages and as a result it prepared a supplementary financial claim to the previous one bringing the total claim to KD 58,500,000.

The matter was further taken to the Court of Law, where On June 22, 2022, the First Instance Court ruled accepting the claim in form and rejected it in substance. The Parent Company appealed the ruling before the Court of Appeal, which ruled on November 21, 2022, to accept the appeal in form and reject it in substance, and to uphold the appealed judgement.

Furthermore, there are certain lawsuits raised by / against the Group, the results of which cannot be assessed until finally cleared by the respective courts. In the opinion of the Group's management there will not be any material adverse ruling against the Group arising from such legal cases.

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13. Segments information

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

A. Waste Management & Recycling

Represents importing machines and material necessary for shredding, sorting, cutting, and shearing of metals, selling waste scrap inside and outside State of Kuwait, cutting and shearing of metals, recycling waste, plastic, rubbles, environmental waste, and trading in the recycled materials. Includes recycling, treatment, and disposal of metallic, plastic and medical waste.

B. Services Department – HVAC

Represents maintenance of tools and technical supplies, electric generators, cleaning services, metal pipes, constructions ceiling maintenance, bridges erection, cleaning and sanitary contracts, selling and buying cleaning powders, extinguishing tool works, fire alarm machines and air conditions contracts and maintenance.

C. Services Department – Cleaning

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

D. Other

Includes all types of investments, goodwill, land rentals and other activities.

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Financial details of the above operating segments are as follows

	June 30, 2023		December 31, 2022 (Audited)		June 30, 2022	
	Segments assets	Segments liabilities	Segments assets	Segments liabilities	Segments assets	Segments liabilities
Waste Management & Recycling Services Department – HVAC	11,275,348	16,052,057	10,106,347	14,777,435	8,344,066	12,546,818
Services Department – HVAC	8,902,236	1,907,476	8,692,509	1,817,826	8,940,039	2,232,765
Services Department – Cleaning	985,687	290,491	1,069,948	237,232	1,031,742	236,254
Others	7,192,765	30,205	7,194,291	31,671	6,420,663	41,119
	28,356,036	18,280,229	27,063,095	16,864,164	24,736,510	15,056,956

	Three months ended June 30,				Six months ended June 30,			
	2023		2022		2023		2022	
	Segments revenues	Segments result	Segments revenue	Segments result	Segments revenue	Segments result	Segments revenue	Segments result
Waste Department – Metal Shredding	-	(5,596)	6,818	(60,908)	5,436	(2,451)	614,866	101,429
Waste Department – Plastic Recycling	-	(4,093)	38,249	(90,081)	-	(4,784)	230,841	(198,980)
Waste Department – Medical Waste	474,968	89,038	129,934	(119,804)	919,830	184,990	237,827	(189,324)
Services Department – HVAC	2,215,176	515,201	1,942,347	406,013	4,306,896	818,410	4,007,591	760,785
Services Department – Cleaning	103,250	(36,287)	351,191	53,871	195,297	(99,276)	701,914	81,953
Real estate Department - Rental	427,186	(36,772)	353,389	68,111	852,652	34,347	612,686	135,297
Others	-	(247,755)	-	(231,244)	-	(564,360)	-	(494,653)
	3,220,580	273,736	2,821,928	25,958	6,280,111	366,876	6,405,725	196,507

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14. Fair value of financial instruments

The Group measures financial assets at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

The following table shows an analysis of captions recorded at fair value by level of the fair value hierarchy:

	June 30, 2023	
	Level 3	Total
Financial assets at fair value through profit and loss	34,972	34,972
Investment property	1,420,000	1,420,000
Total	1,454,972	1,454,972
	December 31, 2022	
	Level 3	Total
Financial assets at fair value through profit and loss	34,972	34,972
Investment property	1,420,000	1,420,000
Total	1,454,972	1,454,972
	June 30, 2022	
	Level 3	Total
Financial assets at fair value through profit and loss	34,972	34,972
Investment property	1,420,000	1,420,000
Total	1,454,972	1,454,972

During the period ended June 30, 2023, there were no transfers among levels of fair value hierarchy.