

**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, 2020
(UNAUDITED)
WITH
REPORT ON REVIEW OF INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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To the Board of Directors
Metal and Recycling Company K.S.C. (Public) and its subsidiaries
State of Kuwait

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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 September 30, 2020, and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three months and nine months periods then ended, and the related, interim consolidated statements of changes in equity and cash flows for the nine months period then ended. Management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Emphasis of matters


Without qualification on our conclusion, we draw attention to Note (1) regarding the current location of operations; and to Note (18) regarding right of utilization for a land held by an associate and the Parent 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 as amended, its Executive Regulations as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association during the nine months period ended September 30, 2020 that might have had a material effect on the Parent Company's financial position or results of its operation.

Furthermore, during our review we have not become aware of any material violations of the provisions of Law 7 of 2010, as amended, relating to the Capital Markets Authority and its related regulations during the nine months period ended September 30, 2020 that might have had a material effect on the Group's financial position or results of its operations.

State of Kuwait
November 3, 2020


Nayef M. Al-Bazie
License No. 91-A
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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 SEPTEMBER 30, 2020
 (All amounts are in Kuwaiti Dinars)

ASSETS	Notes	September 30, 2020	December 31, 2019 (Audited)	September 30, 2019
Current assets:				
Cash and cash equivalents	3	3,909,087	3,278,803	3,316,797
Time deposits	4	1,042,268	1,017,988	914,668
Murabaha investments	5	29,715	29,715	29,715
Financial assets at fair value through profit and loss	6	99,126	164,986	183,495
Accounts receivable and other debit balances	7	4,319,456	4,319,765	4,405,135
Due from a related parties	8	18,600	-	453,100
Gross amount from customers from contract work			-	46,000
Inventories		1,411,227	1,520,230	2,275,902
Total current assets		10,829,479	10,331,487	11,624,812
Non-current assets:				
Investment in an associate	9	5,456,110	5,456,750	5,457,920
Investment properties		2,390,000	2,390,000	2,386,000
Property, plant and equipment		2,332,667	1,938,197	1,690,420
Right of use assets	10	341,734	511,511	-
Goodwill		406,889	406,889	406,889
Total non-current assets		10,927,400	10,703,347	9,941,229
Total assets		21,756,879	21,034,834	21,566,041
LIABILITIES AND EQUITY				
Current liabilities:				
Due to banks	11	178,050	518,287	637,040
Finance lease payables	12	1,020,000	1,195,000	1,580,000
Term loans		1,681,846	750,000	300,000
Lease obligations – Current portion	13	87,282	259,186	-
Accounts payable and other credit balances	14	4,442,356	3,633,380	3,450,045
Due to related parties	8	811,386	747,610	739,883
Total current liabilities		8,220,920	7,103,463	6,706,968
Non-current liabilities:				
Lease obligations – Non-Current portion	13	271,745	251,802	-
Provision for end of service indemnity		1,005,545	928,282	916,739
Total non-current liabilities		1,277,290	1,180,084	916,739
Total liabilities		9,498,210	8,283,547	7,623,707
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	15	(1,056,623)	(1,056,623)	(1,056,623)
Effect of change in ownership interest of a subsidiary		402,450	402,450	402,450
Foreign currency translation reserve		-	-	11,958
(Accumulated losses) retained earnings		(859,932)	(79,783)	1,231,765
Equity attributable to shareholders of the Parent Company		1,0006,476	10,786,625	12,110,131
Non-controlling interests		2,252,193	1,964,662	1,832,203
Total equity		12,258,669	12,751,287	13,942,334
Total liabilities and equity		21,756,879	21,034,834	21,566,041

The accompanying notes (1) to (22) 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, 2020
(All amounts are in Kuwaiti Dinars)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
Revenue:					
Sales		1,832,433	1,754,180	4,479,676	6,881,980
Service revenue		2,573,376	2,958,908	8,072,291	8,345,625
		<u>4,405,809</u>	<u>4,713,088</u>	<u>12,551,967</u>	<u>15,227,605</u>
Costs:					
Cost of sales		(1,211,496)	(1,443,404)	(3,285,554)	(5,667,852)
Service cost		(1,917,350)	(2,256,093)	(6,051,605)	(6,936,284)
		<u>(3,128,846)</u>	<u>(3,699,497)</u>	<u>(9,337,159)</u>	<u>(12,604,136)</u>
Gross profit		<u>1,276,963</u>	<u>1,013,591</u>	<u>3,214,808</u>	<u>2,623,469</u>
Expenses and charges:					
Staff cost		(331,516)	(347,642)	(1,084,428)	(1,124,081)
General and administrative expenses		(680,331)	(622,712)	(1,992,804)	(1,651,683)
Selling and marketing expenses		(131,741)	(77,909)	(305,406)	(227,097)
Depreciation		(42,833)	(48,343)	(127,147)	(150,080)
Amortization for right of use assets	10	(11,490)	-	(38,419)	-
Provision for expected credit losses	7	-	(11,600)	(102,642)	(46,400)
Provision for slow moving inventories		-	-	(54,458)	-
Finance charges of leased assets		(1,355)	-	(3,970)	-
Total expenses and charges		<u>(1,199,266)</u>	<u>(1,108,026)</u>	<u>(3,707,274)</u>	<u>(3,199,341)</u>
Operating profit (loss)		<u>77,697</u>	<u>(94,435)</u>	<u>(492,466)</u>	<u>(575,872)</u>
Unrealized loss from change in fair value of financial assets at FVTPL	6	-	-	(65,860)	-
Share of result from investment in an associate	9	-	-	(640)	-
Interest and Murabaha income		7,873	10,167	19,729	24,230
Foreign exchange (loss) gain		(6,128)	(869)	(10,192)	3,703
Finance charges		(48,828)	(54,733)	(155,145)	(183,632)
Gain on sale of property, plant and equipment		-	16,000	-	28,000
Other income		105,067	158,833	211,956	130,203
Profit (Loss) for the period		<u>135,681</u>	<u>34,963</u>	<u>(492,618)</u>	<u>(573,368)</u>
Other comprehensive income for the period		-	-	-	-
Total comprehensive income (loss) for the period		<u>135,681</u>	<u>34,963</u>	<u>(492,618)</u>	<u>(573,368)</u>
Attributable to:					
Shareholders of the Parent Company		40,726	(92,372)	(780,149)	(811,982)
Non-controlling interests		94,955	127,335	287,531	238,614
		<u>135,681</u>	<u>34,963</u>	<u>(492,618)</u>	<u>(573,368)</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	16	<u>0.45</u>	<u>(1.03)</u>	<u>(8.66)</u>	<u>(9.01)</u>

The accompanying notes (1) to (22) 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, 2020

(All amounts are in Kuwaiti Dinars)

	Equity attributable to Parent Company's shareholders							Total equity	
	Share capital	Statutory reserve	Treasury shares	Effect of change in ownership interest of a subsidiary	Foreign currency translation reserve	(Accumulated losses) retained earnings	Subtotal		Non-controlling interests
Balance as at January 1, 2020	10,000,000	1,520,581	(1,056,623)	402,450	-	(79,783)	10,786,625	1,964,662	12,751,287
Total comprehensive (loss) income for the period	-	-	-	-	-	(780,149)	(780,149)	287,531	(492,618)
Balance as at September 30, 2020	<u>10,000,000</u>	<u>1,520,581</u>	<u>(1,056,623)</u>	<u>402,450</u>	<u>-</u>	<u>(859,932)</u>	<u>10,006,476</u>	<u>2,252,193</u>	<u>12,258,669</u>
Balance as at January 1, 2019	10,000,000	1,520,581	(1,056,623)	402,450	11,958	2,043,747	12,922,113	1,593,589	14,515,702
Total comprehensive (loss) income for the period	-	-	-	-	-	(811,982)	(811,982)	238,614	(573,368)
Balance as at September 30, 2019	<u>10,000,000</u>	<u>1,520,581</u>	<u>(1,056,623)</u>	<u>402,450</u>	<u>11,958</u>	<u>1,231,765</u>	<u>12,110,131</u>	<u>1,832,203</u>	<u>13,942,334</u>

The accompanying notes (1) to (22) 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, 2020
(All amounts are in Kuwaiti Dinars)

	Note	Nine months ended September 30,	
		2020	2019
Cash flows from operating activities:			
Loss for the period		(492,618)	(573,368)
Adjustments for:			
Depreciation		443,887	405,314
Amortization for right of use assets	10	196,147	-
Unrealized loss from change in fair value of FA at FVTPL	6	65,860	-
Provision for expected credit losses	7	102,642	46,400
Provision for slow moving inventories		54,458	-
Share of results from an associate	9	640	-
Gain on sale of property, plant, and equipment		-	(28,000)
interest and Murabaha income		(19,729)	(24,230)
Finance charges for leased assets	13	17,684	-
Finance charges		155,145	183,632
Provision for end of service indemnity		175,079	182,985
		<u>699,195</u>	<u>192,733</u>
Changes in operating assets and liabilities:			
Accounts receivable and other debit balances		(133,732)	(548,434)
Due from related parties		(18,600)	-
Gross amount from customers from contract work		-	792,842
Inventories		54,545	1,399,506
Accounts payable and other credit balances		791,932	(342,886)
Due to related parties		63,776	41,440
Cash flows generated from operations		<u>1,457,116</u>	<u>1,535,201</u>
Payment for end of service indemnity		(108,624)	(27,690)
Net cash flows generated from operating activities		<u>1,348,492</u>	<u>1,507,511</u>
Cash flows from investing activities:			
(Paid to) proceeds from time deposits		(24,280)	452,915
Net movement in murabaha investments		-	10,000
Paid for additions on property, plant and equipment		(788,929)	(388,278)
Proceeds from sale property, plant and equipment		-	29,904
Interest income and Murabahat received		19,729	24,230
Net cash flows (used in) generated from investing activities		<u>(793,480)</u>	<u>128,771</u>
Cash flows from financing activities:			
Paid to due to banks		(340,237)	342,705
Proceeds from (Paid to) term loans		(175,000)	(250,000)
Paid to Finance lease payables		931,846	(150,000)
Paid to lease obligations	13	(196,015)	-
Finance charges paid		(155,145)	(183,632)
Net cash flows generated from (used in) financing activities		<u>65,449</u>	<u>(240,927)</u>
Net increase in cash and cash equivalents		620,461	1,395,355
Effect of consolidate a subsidiary (*)		9,823	-
Cash and cash equivalents at the beginning of the period		<u>3,278,803</u>	<u>1,921,442</u>
Cash and cash equivalents at the end of the period	3	<u>3,909,087</u>	<u>3,316,797</u>

(*) This movement resulted from acquisition a new subsidiary during the period.

The accompanying notes (1) to (22) form an integral part of the interim condensed consolidated financial information.

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
SEPTEMBER 30, 2020
(All amounts are in Kuwaiti Dinars)

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.

The main activities of the Parent Company are as follows:

- Purchase and sale of used and scrap machinery and vehicles and their spare parts and all kinds of metals and their derivatives as well as representing specialized companies in such activities.
- Purchase and sale of the scrap of houses, industrial and commercial projects, including household tools, machinery, metal construction and other local scrap.
- Shredding, classifying; storing and selling waste and scrap inside and outside Kuwait.
- Importing machinery and materials necessary for recycling, shredding and storing scrap.
- Carrying out all trade, export and production relating to the Company's objectives inside and outside Kuwait.
- Establishing complementary industries to the trade and production of scrap.
- Management and development of areas of sale, purchase, production, and manufacture scrap and used materials and ancillary industries inside and outside State of Kuwait.
- Carrying out all demolishing and removal works for construction and representing companies in such field.
- Utilization of the Company's surplus funds by investing in portfolios managed by specialized companies.
- Holding and managing auctions related to the objectives of the Company locally and internationally and representing companies in such field.
- Developing, preparing, establishing, managing and operating industrial and professional areas.
- Incorporation and partial ownership of industrial companies and industrial management companies inside and outside State of Kuwait.
- Collection, transportation and utilization of trash waste, garbage and wreckage inside and outside State of Kuwait.
- Undertaking all kind of cleaning contracts and commitment for all agencies inside and outside State of Kuwait.
- Undertaking all kinds of services aiming at cleaning, developing and protecting the environment against pollution inside and outside State of Kuwait.
- Establishing, managing or maintaining all drainage and dumping centers and trading in the resulting materials inside and outside State of Kuwait.
- Establishing industries for recycling environmental waste, garbage and wreckage inside and outside Kuwait (with approval of the Public Authority for Industry).

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

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

The Parent Company is currently discussing with the Public 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 was authorized for issue by the Parent Company's Board of Directors on November 3, 2020.

2. Basis of preparation

The interim condensed consolidated financial information of the Group is presented in Kuwaiti Dinars ("KD"), which is also the functional currency of the Parent Company.

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed consolidated financial information for the period are consistent with those used in the preparation of the annual financial statements for the fiscal year ended December 31, 2019.

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)

The interim condensed consolidated financial information do not include all the information and notes required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included in the accompanying interim condensed consolidated financial information. Operating results for the period ended September 30, 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2020. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2019.

3. Cash and cash equivalents

	September 30, 2020	December 31, 2019 (Audited)	September 30, 2019
Cash on hand and at banks	3,909,087	3,153,037	3,197,846
Short term bank deposits	-	125,766	118,951
	<u>3,909,087</u>	<u>3,278,803</u>	<u>3,316,797</u>

At September 30, 2020, the effective rate on short term bank deposits is Nil per annum (December 31, 2019: 2.5% to 2.75% per annum, September 30, 2019: 2.5% to 2.75% per annum), these deposits have an average maturity of 30 days.

As of September 30, 2020, cash restricted by banks amounting to KD 606,789 (December 31, 2019: KD 740,430, September 30, 2019: KD 433,589) held against certain letter of guarantee in favor of the Group (Note 19).

4. Time deposits

The effective rate on time deposits ranged from 2% to 3% per annum (December 31, 2019: 2.875% to 3.125% per annum, September 30, 2019: 1.875% to 3% per annum), those deposits have an average maturity ranged from 185 days to 365 days.

Time deposits amounting to KD 935,202 (December 31, 2019: KD 1,017,988, September 30, 2019: KD 615,637) are pledged against certain letter of guarantee in favor of the Group (Note 19).

5. Murabaha investments

The effective rate on murabaha investments ranged from 1.5% to 2% per annum (December 31, 2019: 2% per annum, September 30, 2019: 1% to 1.43% per annum).

Murabaha investment amounting KD 29,715 (December 31, 2019: KD 29,715, September 30, 2019: KD 29,715) are pledged against certain letter of guarantee in favor of the Group (Note 19).

6. Financial assets at fair value through profit and loss

	September 30, 2020	December 31, 2019 (Audited)	September 30, 2019
Unquoted:			
Equity securities	99,126	164,986	183,495
Total	<u>99,126</u>	<u>164,986</u>	<u>183,495</u>

The movement on this item is as follows:

	September 30, 2020	December 31, 2019 (Audited)	September 30, 2019
Balance at the beginning of the period / year	164,986	183,495	183,495
Redeem	-	(15,255)	-
Disposals	-	(2,054)	-
Change in fair value during the period / year	(65,860)	(1,200)	-
Balance at the end of the period / year	<u>99,126</u>	<u>164,986</u>	<u>183,495</u>

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
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SEPTEMBER 30, 2020
(All amounts are in Kuwaiti Dinars)

7. Accounts receivable and other debit balances

	September 30, 2020	December 31, 2019 (Audited)	September 30, 2019
Trade receivables	10,668,068	10,666,922	10,300,285
Advance payment to suppliers	1,034,083	992,020	1,090,803
Refundable deposits	267,113	154,905	154,556
Retentions	932,099	751,210	799,670
Others	612,716	621,424	896,869
Provision for expected credit losses (a, b)	(9,295,724)	(9,193,082)	(9,323,979)
	4,218,355	3,993,399	3,918,204
Staff receivables	20,212	50,316	67,256
Amount pledged against letter of guarantees	-	-	6,355
Prepaid expenses	80,889	226,050	413,320
Paid to acquire new subsidiary	-	50,000	-
	<u>4,319,456</u>	<u>4,319,765</u>	<u>4,405,135</u>

a) The movement on the provision for expected credit losses during the period / year is as follows:

	September 30, 2020	December 31, 2019 (Audited)	September 30, 2019
Balance at the beginning of the period / year	9,193,082	9,277,579	9,277,579
Charge for the period / year	102,642	198,302	46,400
Effect of disposal of subsidiary	-	(282,799)	-
Balance at the end of the period / year	<u>9,295,724</u>	<u>9,193,082</u>	<u>9,323,979</u>

b) The provision for expected credit losses relates to the following items:

	September 30, 2020	December 31, 2019 (Audited)	September 30, 2019
Trade receivables	7,821,405	7,718,763	7,690,920
Advance payment to suppliers	853,191	853,191	729,131
Refundable deposits	10,222	10,222	10,222
Retentions	149,919	149,919	149,919
Others	460,987	480,987	743,787
	<u>9,295,724</u>	<u>9,193,082</u>	<u>9,323,979</u>

8. Related parties' disclosures

The Group has entered into various transactions with shareholders, Board of Directors, key management personnel, associate and other related parties. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

Balances Included in interim condensed consolidated statement of financial position.

	The Ultimate Parent Company	Associate company	Other	September 30, 2020	December 31, 2019 (Audited)	September 30, 2019
Due from related parties	-	600	18,000	18,600	-	453,100
Due to related parties	811,386	-	-	811,386	747,610	720,695
Accrued expenses	180,000	-	-	180,000	180,000	162,000

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
SEPTEMBER 30, 2020
 (All amounts are in Kuwaiti Dinars)

Amounts due from / to related parties do not carry interest and there is no specific due date.

Transactions included in the interim condensed consolidated statement of profit or loss and other comprehensive income:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
General and administrative expenses	<u>23,780</u>	<u>48,927</u>	<u>73,129</u>	<u>144,252</u>

- All these transactions had occurred with the Ultimate parent company.

Key management remuneration

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Short term benefits	<u>45,020</u>	<u>70,783</u>	<u>149,603</u>	<u>211,966</u>
Terminal benefits	<u>834</u>	<u>3,081</u>	<u>3,996</u>	<u>9,224</u>
	<u>45,854</u>	<u>73,864</u>	<u>153,599</u>	<u>221,190</u>

9. 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. Amghara lands contract has not been renewed as stated in Note (18).

The movement during the period / year as follows:

	September 30, 2020	December 31, 2019 (Audited)	September 30, 2019
Balance at beginning of the period / year	<u>5,456,750</u>	<u>5,457,920</u>	<u>5,457,920</u>
Group share of result from investment in an associate	<u>(640)</u>	<u>(1,170)</u>	<u>-</u>
Balance at ending of the period / year	<u>5,456,110</u>	<u>5,456,750</u>	<u>5,457,920</u>

The Group recognized the group share of result from investment in an associate for the period ended in June 30, 2020, based on the audited financial statement as of the same date.

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10. Rights of utilization

The parent company leases several assets including buildings and land. The average lease term is 5 years. The movement of right to use assets are as follows:

	Buildings	Land	Total
Cost:			
As of September 30, 2019	-	-	-
Balance at initial recognition on January 1, 2019	520,839	152,630	673,469
Additions	64,226	-	64,226
As of December 31, 2019	585,065	152,630	737,695
Additions	136,348	-	
Disposals	(109,978)	-	(109,978)
As of September 30, 2020	611,435	152,630	764,065
Accumulated Amortization			
As of September 30, 2019	-	-	-
Charged for the period	180,749	45,435	226,184
As of December 31, 2019	180,749	45,435	226,184
Charged for the period	164,199	31,948	196,147
As of September 30, 2020	344,948	77,383	422,331
Net Book Value:			
As of September 30, 2020	266,487	75,247	341,734
As of December 31, 2019	404,316	107,195	511,511
As of September 30, 2019	-	-	-

At September 30, 2020, the parent company has expenses related to low value lease and short term lease of KD 25,787 (December 31, 2019: KD 58,665, September 30, 2019: KD Nil) included in the interim condensed consolidated statement of profit or loss and other comprehensive income.

Amortization charged for the period is allocated as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Service Cost	59,464	-	159,728	-
Interim condensed Consolidated Statement of profit or loss and other comprehensive income	11,490	-	36,419	-
	70,954	-	196,147	-

The Parent company adopted IFRS 16 by the end of year 2019, Therefore no effect was shown of the adoption of IFRS 16 for the nine months ended as of September 30, 2019 on the interim condensed consolidated statement of profit or loss and other comprehensive income, Since the group was still in the process of IFRS 16 adoption (Note 13).

11. Due to banks

Due to banks represent overdraft facilities granted by local banks carrying an interest rate of 2.5% per annum over the Central Bank of Kuwait discount rate and repayable on September 30, 2021.

12. Finance lease payables

	September 30, 2020	December 31, 2019 (Audited)	September 30, 2019
Total finance lease payables	1,040,712	1,212,334	1,606,893
Less: Unamortized future finance charges	(20,712)	(17,334)	(26,893)
	1,020,000	1,195,000	1,580,000

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The finance lease payables were granted to the Group by a local bank and investment properties were pledged in exchange. The average effective borrowing rate ranges from 5.33% to 5.44% on September 30, 2020 (December 31, 2019: from 6.18% to 6.25% per annum, September 30, 2019: from 6.18% to 6.25% per annum).

13. Lease Obligations

The movement for lease obligations is as follows:

	September 30, 2020	December 31, 2019 (Audited)	September 30, 2019
Balance at the beginning of the period / year	510,988	-	-
Impact of the adoption of IFRS 16 on January 1, 2019	-	661,469	-
Additions	136,348	64,226	-
Disposals	(109,978)	-	-
Financing charges	17,684	28,173	-
Payments	(196,015)	(242,880)	-
Balance at the end of the period / year	<u>359,027</u>	<u>510,988</u>	<u>-</u>

The lease obligations is classified in the interim condensed consolidated statement of financial position as follows:

	September 30, 2020	December 31, 2019 (Audited)	September 30, 2019
Current portion	87,282	259,186	-
Non-current portion	271,745	251,802	-
	<u>359,027</u>	<u>510,988</u>	<u>-</u>

14. Accounts payable and other credit balances

	September 30, 2020	December 31, 2019 (Audited)	September 30, 2019
Trade payables	801,308	752,848	606,263
Accrued expenses (a)	2,581,177	1,811,442	1,623,357
Staff payables	69,992	10,360	37,860
Accrued staff leave	577,815	409,158	417,295
Advance payments from customers	412,064	649,574	765,270
	<u>4,442,356</u>	<u>3,633,380</u>	<u>3,450,045</u>

a) The accrued expenses include an amount of KD 2,024,075 relating to the provision of lease obligation for Amghara land contract from the date of June 1, 2018.

15. Treasury shares

	September 30, 2020	December 31, 2019 (Audited)	September 30, 2019
Number of shares (shares) (A)	9,899,225	9,899,225	9,899,225
Percentage of paid up shares (%)	9.89%	9.89%	9.89%
Market value (KD)	388,050	494,961	350,235
Cost (KD)	1,056,623	1,056,623	1,056,623

(A)The Parent Company's management has allotted an amount equal to the balance of treasury shares from other reserves as of the date of the interim condensed consolidated financial information. Such amount will not be available for distribution during treasury shares holding period.

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16. Basic 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,	
	2020	2019	2020	2019
Profit (loss) for the period attributable to Parent Company's Shareholders (KD)	<u>40,726</u>	<u>(92,372)</u>	<u>(780,149)</u>	<u>(811,982)</u>
	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>
<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	<u>(9,899,225)</u>	<u>(9,899,225)</u>	<u>(9,899,225)</u>	<u>(9,899,225)</u>
Weighted average number of shares outstanding	<u>90,100,775</u>	<u>90,100,775</u>	<u>90,100,775</u>	<u>90,100,775</u>
	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>
Basic earnings (loss) per share attributable to Shareholders of the Parent Company	<u>0.45</u>	<u>(1.03)</u>	<u>(8.66)</u>	<u>(9.01)</u>

17. Segments information

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

A. Metal shredding and used spare parts department

This represents importing machines and material necessary for shredding, sorting, cutting, and shearing of metals, selling waste scrap inside and outside State of Kuwait, cutting and shearing of metals, recycling of waste, plastic, rubbles, environmental waste, and trading in the recycled materials.

B. Services Department- HVAC

This represent 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

It includes cleaning roads and buildings, cities cleaning contracts, and security services.

D. Other

This item includes all types of investments, goodwill, and other activities.

Financial details of the above operating segments are as follows:

	September 30, 2020		December 31, 2019 (Audited)		September 30, 2019	
	Segment assets	Segment liabilities	Segment assets	Segment liabilities	Segment assets	Segment liabilities
Waste Management & Recycling	5,720,888	6,213,582	5,528,439	4,684,545	6,389,483	4,014,821
Services Department- HVAC	9,007,081	2,993,331	8,587,174	3,346,137	8,109,444	3,266,693
Services Department – Cleaning	1,108,381	278,360	933,131	229,439	989,693	321,082
Others	5,920,529	12,937	5,986,090	23,426	6,077,421	21,111
	<u>21,756,879</u>	<u>9,498,210</u>	<u>21,034,834</u>	<u>8,283,547</u>	<u>21,566,041</u>	<u>7,623,707</u>

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	Three months ended September 30,		2019		2020		Nine months ended September 30,		2019	
	2020	Segment results	Segment revenue	Segment results	2020	Segment revenue	Segment results	2019	Segment revenue	Segment results
Waste Department - Metal Shredding	1,185,380	93,724	1,244,237	(238,577)	3,134,709	354,310	4,096,988	262,669		
Waste Department - Plastic Recycling	561,387	(44,743)	344,010	(386,966)	1,279,301	(93,181)	2,619,059	54,573		
Waste Department - Medical Waste Services Department- HVAC (Heating ventilation and Air conditioning)	62,710	(85,699)	46,500	(29,573)	192,936	(178,503)	139,500	6,785		
Services Department -- Cleaning	1,942,063	291,966	2,280,197	457,901	5,867,461	796,438	6,320,799	703,544		
Others	393,925	18,417	632,211	(25,086)	1,620,583	121,501	1,885,326	68,878		
	240,344	(135,984)	165,933	257,264	456,977	(1,493,183)	165,933	(1,669,617)		
	4,405,809	135,661	4,713,088	34,963	12,551,967	(492,618)	15,227,606	(573,368)		

18. Rights of utilization

The Parent Company's operations are constructed on land leased by an associate, for which the right of utilization, contract was renewed on June 19, 2013 with the Public Authority for Industry for 5 years ended on May 13, 2018.

During 2018, the company completed the procedures for receiving additional land area in Mina Abdullah area as a replacement to this land.

19. Contingent liabilities

At September 30, 2020, the Group is contingently liabilities in respect of the following:

	September 30, 2020	December 31, 2019 (Audited)	September 30, 2019
Letters of guarantee	9,022,239	8,943,596	8,779,821
Letters of credit	21,000	-	-
	9,043,239	8,943,596	8,779,821

Certain letters of guarantee are secured by cash and cash equivalent, time deposits and murabaha investments (Note 3, 4, 5)

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20. 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.

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

	September 30, 2020		
	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	-	99,126	99,126
Investment properties	949,000	1,441,000	2,390,000
Total	949,000	1,540,126	2,489,126
	December 31, 2019		
	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	-	164,986	164,986
Investment properties	949,000	1,441,000	2,390,000
Total	949,000	1,605,986	2,554,986
	September 30, 2019		
	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	-	183,495	183,495
Investment properties	-	2,386,000	2,386,000
Total	-	2,569,495	2,569,495

At September 30, the fair values of financial instruments approximate their carrying amounts, the management of the Group has assessed that fair value of its financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

21. Shareholders' Annual General Assembly

The Shareholders' Annual Ordinary General Assembly held on June 25, 2020 approved the consolidated financial statements for the fiscal year ended December 31, 2019. There was no profit distributions or bonus shares or board of directors' remuneration for the year ended December 31, 2019.

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The Shareholders' Annual Ordinary General Assembly held on May 5, 2019 approved the consolidated financial statements for the fiscal year ended December 31, 2018. There was no profit distributions or bonus shares or board of directors' remuneration for the year ended December 31, 2018.

22. Going concern and COVID-19 pandemic:

The COVID-19 pandemic has developed rapidly in 2020. The resulting impact of the virus on the operations and measures taken by various governments to contain the virus have negatively affected the group's results in the reporting period. The currently known impacts of COVID-19 on the group are:

- A decline in revenues for the first nine months of 2020 compared with the same period in 2019 of 37%.
- The group calculated provisions of receivables and inventories in an amount of KD 102,642 and KD 54,458 respectively in the first nine months of 2020.
- Due to government measures taken a closure of the group's production facilities and sales locations in Amgahra, Shuwaikh, Hawailly and Naaem for at least three months.
- The Group's incurred unrealized losses from the financial assets at fair value through profit or loss for the period ended September 30, 2020 estimated around an amount of KD 65,860.
- The delay in implementing government procedures, affected the operational process of the group in terms of issuing licenses and export orders for the group's operational processes.
- A significant delay in the implementation of our future projects such as Medical waste incineration project in KABD 1 area.

Also, the Steps taken by the group to contain negative economic effects resulting from the COVID-19 pandemic outbreak as per the following:

- The group restructured operation cost, which reduced costs of 26% Approx.
- The Shareholders' Annual General Assembly meeting did not announced dividends for the year ended as of December 31, 2019 and board of directors currently are not planning for any dividends for the year ended as of December 31, 2020.
- The Group obtained approval for additional facilities of KD 10 million from one of our main Shareholders as convertible loan.
- To avoid Risk that the counterparty will not meet its obligations under a financial instrument or customer contracts considering current pandemic and lockdown situation, the group have started obtaining security documents in the form of letter of guarantee from customer to cover the credit risk.
- Management work continuously to reviewing the key contractual terms with customers and suppliers to avoid the deficit in liquidity of the Group.

Based on the above described situation till the date of preparing the interim condensed consolidated financial information, and as represent in the interim condensed consolidated statement of financial information the current liabilities didn't exceed the current assets, Although it is still not certain that these efforts will be successful. However, the management of parent company has determined that the actions that it has taken are sufficient to mitigate the uncertainty and has therefore prepared the interim condensed consolidated financial information on a going concern basis.