

**First Investment Company K.S.C.P.
and its Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)**

30 SEPTEMBER 2022

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF FIRST INVESTMENT COMPANY K.S.C.P.

Report on the Interim Condensed Consolidated Financial Information

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of First Investment Company K.S.C.P. (the “Parent Company”) and its Subsidiaries (collectively, the “Group”) as at 30 September 2022, and the related interim condensed consolidated statements of profit or loss, interim condensed consolidated statements of comprehensive income for the three-month and nine-month periods then ended, interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the nine-month period then ended. The 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 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 the basis of preparation set out in Note 2.

Emphasis of Matter

- i) We draw attention to the Note 12(b) to the interim condensed consolidated financial information, which describes the material uncertainty related to the final outcome of ongoing litigation claims. As stated in Note therein, the Parent Company is the defendant in legal proceedings brought by several portfolio clients (“clients”) in respect of certain investment transactions executed in a fiduciary capacity by the Parent Company in prior years. The legal actions commenced by the clients against the Parent Company are in various phases of litigation. The Group has recorded a total provision of KD 16,555 thousand on the interim condensed consolidated statement of financial position as 30 September 2022 against the litigation claims, reflecting management’s best estimate of the most likely outcome of these litigation claims as at the authorisation date of this interim condensed consolidated financial information.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF FIRST INVESTMENT COMPANY K.S.C.P. (continued)

Report on the Interim Condensed Consolidated Financial Information (continued)

Emphasis of Matter (continued)

ii) We draw attention to the Note 5 to the interim condensed consolidated financial information which describes that the contract for construction of a Beach Resort between a subsidiary of an Associate, Taameer Investment Company SAOC (“Taameer”) of the Parent Company, at the Governorate of Dhofar, Sultanate of Oman, executed between Ghantoot Transport & Gen. Cont. LLC (“the Contractor”) and Taameer has been terminated. The termination occurred due to a dispute between Taameer and the Contractor relating to various matters including inordinate delay in the recommencement of work after a natural disaster at the project site in May 2018. The Contractor has filed a legal suit against Taameer on various grounds relating to the said termination of contract and has requested the court to appoint experts, as a preliminary measure, to file a claim against Taameer. Taameer has filed a claim of OMR 25 million (equivalent to KD 19.7 million) against the Contractor for damages and breach of contract on 10 February 2020. The proceedings of the legal suite are currently on hold and the parties are currently involved in arbitration.

Further, during the year 2019, Taameer has encashed performance bonds amounting to OMR 6.55 million (equivalent to KD 5.2 million) given by the Contractor. The encashment of the bonds is the subject matter of the legal suit with the Contractor, which is also currently in progress.

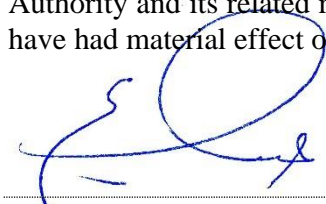
The ultimate outcome of the above matters cannot be determined presently, and as a result, no provision for any liability that may result has been recognised in the interim condensed consolidated financial information as at 30 September 2022.

Our conclusion is not modified in respect of these matters.

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, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association during the nine-month period ended 30 September 2022 that might have had material effect on the business of the Parent Company or on its financial position.

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 nine-month period ended 30 September 2022 that might have had material effect on the business of the Parent Company or on its financial position.



ABDULKARIM A. ALSAMDAN
LICENCE NO. 208- A

EY
AL AIBAN AL OSAIMI & PARTNERS

7 November 2022
Kuwait

First Investment Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(UNAUDITED)

For the period ended 30 September 2022

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2022 KD	2021 KD	2022 KD	2021 KD
INCOME					
Revenue from contracts with customers		172,901	170,672	585,893	495,408
Cost of sales		(85,348)	(74,185)	(262,158)	(211,268)
GROSS PROFIT		87,553	96,487	323,735	284,140
Murabaha income		9,630	25,196	45,869	66,958
(Loss) gain on sale of financial assets at fair value through profit or loss		(152)	147,132	129,434	147,822
Net change in fair value of financial assets at fair value through profit or loss		3,688	(144,073)	6,039	11,002
Share of results of associates	5	300,481	206,254	747,079	534,723
Effect of reclassification of an investment in associate to financial assets at fair value through other comprehensive income	5	-	-	1,404,075	-
Loss on disposal of investment property		-	-	-	(19,575)
Dividend income		-	3,271	57,911	63,426
Rental income		290,141	264,585	858,316	827,180
Management fees		48,061	37,220	144,854	155,841
Net foreign exchange differences		(3,657)	7,209	42,569	(14,097)
Other income		584	1,121	63,938	186,596
TOTAL INCOME		736,329	644,402	3,823,819	2,244,016
EXPENSES					
Staff costs		(379,519)	(316,465)	(1,003,977)	(929,410)
Depreciation of property and equipment and right-of-use assets		(63,288)	(63,915)	(185,467)	(209,272)
Amortisation of intangible assets		(14,942)	(14,942)	(44,828)	(44,828)
Finance costs		(44,955)	(49,550)	(135,808)	(142,713)
Other expenses		(108,747)	(159,743)	(497,921)	(551,765)
TOTAL EXPENSES		(611,451)	(604,615)	(1,868,001)	(1,877,988)
PROFIT FOR THE PERIOD		124,878	39,787	1,955,818	366,028
Attributable to:					
Equity holders of the Parent Company		81,593	(1,487)	1,774,356	234,561
Non-controlling interests		43,285	41,274	181,462	131,467
		124,878	39,787	1,955,818	366,028
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	3	0.183 fils	(0.003) fils	3.979 fils	0.526 fils

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

First Investment Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 September 2022

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2022	2021	2022	2021
		KD	KD	KD	KD
PROFIT FOR THE PERIOD		124,878	39,787	1,955,818	366,028
Other comprehensive (loss) income					
<i>Other comprehensive (loss) income that will not be reclassified to profit or loss in subsequent periods:</i>					
Net (loss) gain on equity instruments at fair value through other comprehensive income		(2,186,352)	475,233	(1,303,457)	1,335,191
Share of other comprehensive income of associates	5	21,210	170,284	33,351	361,077
Net other comprehensive (loss) income that will not be reclassified to profit or loss in subsequent periods		(2,165,142)	645,517	(1,270,106)	1,696,268
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>					
Share of other comprehensive income (loss) of associates accounted for using the equity method	5	168,071	22,652	336,255	(86,307)
Exchange differences on translation of foreign operations		94,792	102,276	127,864	95,059
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		262,863	124,928	464,119	8,752
Other comprehensive (loss) income		(1,902,279)	770,445	(805,987)	1,705,020
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		(1,777,401)	810,232	1,149,831	2,071,048
Attributable to:					
Equity holders of the Parent Company		(1,852,911)	721,079	912,912	1,895,806
Non-controlling interests		75,510	89,153	236,919	175,242
		(1,777,401)	810,232	1,149,831	2,071,048


The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

First Investment Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2022

		(Audited)	
	30 September	31 December	30 September
	2022	2021	2021
	Notes	KD	KD
ASSETS			
Cash and cash equivalents	4	8,199,792	12,144,638
Financial assets at fair value through profit or loss	11	178,808	323,965
Other assets		1,929,459	1,589,144
Inventories		317,809	265,544
Financial assets at fair value through other comprehensive income	11	29,246,435	23,472,641
Investment in associates	5	20,238,478	24,303,595
Investment properties		11,252,243	10,154,329
Property, plant and equipment		2,485,595	2,295,942
Goodwill and other intangible assets		683,110	742,881
TOTAL ASSETS		74,531,729	75,292,679
LIABILITIES AND EQUITY			
LIABILITIES			
Murabaha payables	6	2,713,332	2,926,572
Other liabilities		2,358,322	2,539,658
Provision for legal claims		16,554,947	19,296,069
End of service benefits		1,004,598	955,823
TOTAL LIABILITIES		22,631,199	25,718,122
EQUITY			
Share capital	7	44,597,874	44,597,874
Treasury shares reserve		-	1,172,661
Fair value reserve		(2,775,276)	(4,126,955)
Foreign currency translation reserve		1,362,260	978,846
Retained earnings		5,992,483	4,384,424
Equity attributable to equity holders of the Parent Company		49,177,341	47,006,850
Non-controlling interests		2,723,189	2,567,707
TOTAL EQUITY		51,900,530	49,574,557
TOTAL LIABILITIES AND EQUITY		74,531,729	75,292,679


 Bader Mohammed Al-Qattan
 Chairman


 Mohammad AL-Tayyar
 Chief Executive Officer

First Investment Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2022

	<i>Attributable to equity holders of the Parent Company</i>								
	<i>Share capital KD</i>	<i>Treasury shares KD</i>	<i>Treasury shares reserve KD</i>	<i>Fair value reserve KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Retained earnings KD</i>	<i>Sub- total KD</i>	<i>Non- controlling interests KD</i>	<i>Total equity KD</i>
As at 1 January 2022 (Audited)	44,597,874	-	-	(1,687,864)	953,598	4,400,821	48,264,429	2,648,073	50,912,502
Profit for the period	-	-	-	-	-	1,774,356	1,774,356	181,462	1,955,818
Other comprehensive (loss) income for the period	-	-	-	(1,270,106)	408,662	-	(861,444)	55,457	(805,987)
Total comprehensive (loss) income for the period	-	-	-	(1,270,106)	408,662	1,774,356	912,912	236,919	1,149,831
Transfer on derecognition of financial assets at FVOCI	-	-	-	182,694	-	(182,694)	-	-	-
Net movement in non-controlling interests	-	-	-	-	-	-	-	(161,803)	(161,803)
At 30 September 2022	44,597,874	-	-	(2,775,276)	1,362,260	5,992,483	49,177,341	2,723,189	51,900,530
As at 1 January 2021 (Audited)	65,107,055	(108,816)	1,118,684	(5,823,223)	1,013,869	(16,196,525)	45,111,044	3,627,968	48,739,012
Profit for the period	-	-	-	-	-	234,561	234,561	131,467	366,028
Other comprehensive income (loss) for the period	-	-	-	1,696,268	(35,023)	-	1,661,245	43,775	1,705,020
Total comprehensive income (loss) for the period	-	-	-	1,696,268	(35,023)	234,561	1,895,806	175,242	2,071,048
Net movement in non-controlling interests	-	-	-	-	-	-	-	(1,235,503)	(1,235,503)
Partial extinguishment of accumulated losses (Note 7)	(20,509,181)	108,816	53,977	-	-	20,346,388	-	-	-
At 30 September 2021	44,597,874	-	1,172,661	(4,126,955)	978,846	4,384,424	47,006,850	2,567,707	49,574,557

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

First Investment Company K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2022

	Notes	Nine months ended 30 September	
		2022 KD	2021 KD
OPERATING ACTIVITIES			
Profit for the period		1,955,818	366,028
<i>Adjustments to reconcile profit for the period to net cash flows:</i>			
Murabaha income		(45,869)	(66,958)
Realised gain on sale of financial assets at fair value through profit or loss		(129,434)	(147,822)
Net change in fair value of financial assets at fair value through profit or loss		(6,039)	(11,002)
Share of results of associates	5	(747,079)	(534,723)
Effect of reclassification of an investment in associate to financial assets at fair value through other comprehensive income	5	(1,404,075)	-
Loss on disposal of investment property		-	19,575
Dividend income		(57,911)	(63,426)
Net foreign exchange differences		(42,569)	14,097
Depreciation of property and equipment and right-of-use assets		185,468	209,272
Amortisation of intangible assets		44,828	44,828
Finance costs		135,808	142,713
Provision for employees' end of service benefits		54,380	128,318
		(56,674)	100,900
<i>Working capital adjustments:</i>			
Other assets		(780,938)	(339,637)
Financial assets at fair value through profit or loss		132,249	496,231
Inventories		(113,417)	(83,623)
Other liabilities		(242,869)	(255,303)
Provision for legal claims		(1,222,302)	(153,164)
Cash used in operations		(2,283,951)	(234,596)
Murabaha income received		46,619	56,806
Finance costs paid		(163,327)	(202,027)
Employees' end of service benefits paid		(22,401)	(77,094)
Net cash flows used in operating activities		(2,423,060)	(456,911)
INVESTING ACTIVITIES			
Dividend income received		4,954	63,426
Dividends received from associates	5	536,833	486,833
Proceeds from capital redemption of investment in an associate		-	499,200
Proceeds from sale of an investment property		-	161,873
Proceeds from sale of asset held for sale		-	1,308,370
Purchase of items of property and equipment		(34,817)	(87,355)
Net cash flows from investing activities		506,970	2,432,347
FINANCING ACTIVITIES			
Proceeds from murabaha payables		-	35,280
Repayment of murabaha payables		(237,580)	(34,515)
Dividends paid to equity holders of the Parent Company		(93)	(1,550)
Net movement in non-controlling interests		11,371	(1,235,503)
Payment of principle portion of lease liabilities		(138,366)	(174,981)
Net cash flows used in financing activities		(364,668)	(1,411,269)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(2,280,758)	564,167
Cash and cash equivalents at 1 January		10,480,550	11,580,471
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	4	8,199,792	12,144,638
Non-cash items excluded from the interim condensed consolidated statement of cash flows			
Disposal of financial assets at fair value through profit or loss		173,174	-
Net movement in non-controlling interest		(173,174)	-

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

First Investment Company K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2022

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of First Investment Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, the “Group”) for the nine months ended 30 September 2022 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 7 November 2022.

The consolidated financial statements of the Group for the year ended 31 December 2021 were approved in the Annual General Assembly meeting (AGM) of the shareholders held on 9 May 2022.

The Parent Company is a Kuwaiti shareholding company incorporated and domiciled in Kuwait and whose shares are publicly traded on Boursa Kuwait. The Parent Company is subject to the supervision of Capital Markets Authority (“CMA”).

The Parent Company’s registered office is located at Al Hamra Tower 68th floor, Al Shuhada Street, Kuwait City, Kuwait.

The Parent Company is principally engaged in the provision of investment and financial services in accordance with Islamic Shari’a principles as approved by the Group’s Fatwa and Shari’a Supervisory Board. The principal activities of the Group are described in Note 9.

The Parent’s Company Extraordinary assembly meeting (EGM) held on 10 August 2022 approved certain amendments on the Parent Company’s Memorandum of Incorporation and Articles of Association. These amendments include cancelling the finance activity which the company used to operate under the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations. On 25 August 2022, the Central Bank of Kuwait delisted the Parent Company from its records of investment companies.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information for the nine months ended 30 September 2022 has been prepared in accordance with IAS 34 “*Interim Financial Reporting*”.

The Group has prepared the interim condensed consolidated financial information on the basis that it will continue to operate as a going concern. The management considers that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2021.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The adoption of these standards did not have any effect on the financial performance or financial position of the Group.

First Investment Company K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2022

3 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted EPS are identical.

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
Profit (loss) for the period attributable to the equity holders of the Parent Company (KD)	81,593	(1,487)	1,774,356	234,561
Weighted average number of shares outstanding during the period	445,978,742	445,978,742	445,978,742	445,978,742
Basic and diluted EPS earnings (loss) (Fils)	0.183	(0.003)	3.979	0.526

There have been no transactions involving ordinary shares between the reporting date and the date of authorisation of this interim condensed consolidated financial information which would require the restatement of EPS.

4 CASH AND CASH EQUIVALENTS

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	<i>(Audited)</i>		
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
	<i>2022</i>	<i>2021</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Cash on hand	10,934	2,503	6,236
Cash at banks	2,940,877	2,250,936	2,445,591
Murabaha deposits with original maturity of three months or less	3,990,641	6,779,474	8,168,515
Cash held in portfolios	1,257,340	1,447,637	1,524,296
Cash and cash equivalents	8,199,792	10,480,550	12,144,638

Murabaha deposits represent murabaha contracts with local Islamic banks with an original maturity of three months or less. Murabaha deposits yield an effective rate of return ranging from 1.37% to 2.85% (31 December 2021: 0.75% and 1.6% and 30 September 2021: 0.30% to 1.6%) per annum.

First Energy Resource Company K.S.C. (Closed), a local subsidiary under liquidation (the “subsidiary”), had a cash distributions.

As at 30 September 2022, some of the shareholders did not collect their share of the distribution; accordingly, certain bank balances amounting to KD 363,643 (31 December 2021: KD 438,204 and 30 September 2021: KD 451,242) have been restricted for the purpose of distribution to the shareholders of the subsidiary.

First Investment Company K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2022

5 INVESTMENT IN ASSOCIATES

	<i>County of incorporation</i>	<i>30 September 2022</i>		<i>(Audited) 31 December 2021</i>		<i>30 September 2021</i>	
		<i>Equity interest %</i>	<i>Carrying amount KD</i>	<i>Equity interest %</i>	<i>Carrying amount KD</i>	<i>Equity interest %</i>	<i>Carrying amount KD</i>
Burgan Company for Well Drilling K.S.C.P (“BDC”) ¹	Kuwait	-	-	14.66%	3,397,018	14.66%	3,393,513
Arkan Al-Kuwait Real Estate Company K.S.C.P.	Kuwait	28.99%	6,107,594	28.99%	5,924,117	28.99%	5,723,342
First Education Company K.S.C. (Closed)	Kuwait	22.19%	3,248,954	22.19%	3,242,733	22.19%	3,374,624
Taameer Investment Company S.A.O.C. (“Taameer”) ²	Oman	24.82%	4,962,996	24.82%	4,723,495	24.82%	6,064,483
Al Jazeera Al Oula Real Estate W.L.L.	Saudi Arabia	20.90%	2,070,764	20.90%	2,100,691	20.90%	2,083,037
Al-Subeih Medical Company (Khalid Hamad Al-Subeih & Partners) W.L.L.	Kuwait	25%	3,283,444	25%	3,200,641	25%	3,086,826
Sons of Yousef Al-Subeih Real Estate Company (Khalid Hamad Al-Subeih & Partners) W.L.L.	Kuwait	25%	564,726	25%	574,707	25%	577,770
			20,238,478		23,163,402		24,303,595

¹ The Group used to exercises significant influence over BDC through its representation on the board of directors of the investee. The Group was considering that significant influence can be achieved through voting rights which gives it the practical ability to influence the relevant activities over the investee company, despite the fact of owning an equity interest of less than 20% shareholding.

On 22 June 2022, the Group’s representatives on the investee’s board of directors resigned as a result the Group lost its significant influence over the investee accordingly reclassified the investment to financial assets at FVOCI. On the date of reclassification, the Group recognised an income of KD 1,404,075 represents the difference between the carrying value amounting to KD 3,504,776 and the fair value amounting to KD 4,908,851.

First Investment Company K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2022

5 INVESTMENT IN ASSOCIATES (continued)

² Legal claim contingency in respect of Taameer

The contract for construction of a Beach Resort, through a subsidiary of the Associate, Dhofar Beach Resort LLC ("the Subsidiary of Taameer"), at the Governorate of Dhofar, Sultanate of Oman, executed between Ghantoot Transport & Gen. Cont. LLC ("the Contractor") and Taameer has been terminated. The termination occurred due to a dispute between Tameer and the Contractor relating to various matters including inordinate delay in the recommencement of work after a natural disaster at the project site in May 2018. The Contractor has filed a legal suit against Taameer on various grounds relating to the said termination of contract and has requested the court to appoint experts, as a preliminary measure, to file a claim against Taameer. Taameer has filed a claim of OMR 25 million (equivalent to KD 19.7 million) against the Contractor for damages and breach of contract on 10 February 2020. The proceedings of the legal suite are currently on hold and the parties are currently involved in arbitration.

Further, during the year 2019, Taameer has encashed performance bonds amounting to OMR 6.55 million (equivalent to KD 5.2 million) given by the Contractor. The encashment of the bonds is the subject matter of the legal suit with the Contractor, which is also currently in progress.

Taameer has been advised by its legal counsel that it is only possible, but not probable, that the action against Taameer will succeed. Accordingly, Taameer has not recognised any provision for any liability that may arise in its interim condensed consolidated financial information for the period ended 30 September 2022.

The movement in the carrying amount of investment in associates is, as follows:

	<i>30 September</i> <i>2022</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD</i>	<i>30 September</i> <i>2021</i> <i>KD</i>
At the beginning of the period/year	23,163,402	24,480,135	24,480,135
Capital redemption*	-	(499,200)	(499,200)
Transfer to financial assets FVOCI	(3,504,776)	-	-
Share of results	747,079	(441,802)	534,723
Dividends received from associates	(536,833)	(593,532)	(486,833)
Foreign currency translation adjustment	336,255	(59,012)	(86,307)
Share of other comprehensive income	33,351	276,813	361,077
At the end of the period/year	20,238,478	23,163,402	24,303,595

* On 1 April 2021, the extra ordinary general assembly meeting (EGM) of First Education Company K.S.C. (Closed) approved a capital reduction by KD 2.25 Million (from KD 15 Million to 12.750 Million). The distribution on account of the capital reduction was in form of cash transferred to the shareholders on 1 June 2021.

6 MURABAHA PAYABLES

	<i>30 September</i> <i>2022</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD</i>	<i>30 September</i> <i>2021</i> <i>KD</i>
Gross amount	3,437,595	3,755,852	3,766,399
Less: Deferred finance costs	(724,263)	(869,094)	(839,827)
	2,713,332	2,886,758	2,926,572

As at 30 September 2022, murabaha payables amounting to KD 2,402,301 (31 December 2021: KD 2,575,727 and 30 September 2021: KD 2,626,677) are denominated in Omani Riyal, have an effective profit rate of 6.5% (31 December 2021: 6.5% and 30 September 2021: 6.5%) per annum and secured against an investment property with a carrying amount of KD 7,274,903 (31 December 2021: KD 7,080,624 and 30 September 2021: KD 7,060,729).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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6 MURABAHA PAYABLES (continued)

As at 30 September 2022, murabaha payables amounting to KD 311,031 (31 December 2021: KD 311,031 and 30 September 2021: KD 299,895) are denominated in Kuwaiti Dinars, have an effective profit rate of 3.5% (31 December 2021: 3.5% and 30 September 2021: 3.5%) per annum and secured against property, plant and equipment with a carrying amount of KD 1,992,160 (31 December 2021: KD 2,012,325 and 30 September 2021: KD 1,626,739).

7 SHARE CAPITAL

At 30 September 2022, the authorised, issued and fully paid-up capital of the Parent Company comprises of 445,978,742 (31 December 2021: 445,978,742 and 30 September 2021: 445,978,742) shares of 100 fils each. All shares are paid in cash.

The Board of Directors of the Parent Company in their meeting held on 03 June 2020 proposed to extinguish accumulated losses of KD 42,912,813 as at 31 December 2019 in the following manner:

1. Partial extinguishment of accumulated losses through utilising share options reserve of KD 3,016,890 which was subsequently approved by the shareholders of the Parent Company at the AGM held on 28 June 2020.
2. Partial extinguishment of accumulated losses through utilising:
 - Share premium of KD 18,250,362.
 - Statutory reserve of KD 1,299,173.
3. Capital reduction from KD 65,107,055 to KD 44,597,874 as follows:
 - Partial capital reduction of KD 20,346,388 through extinguishing part of the accumulated losses.
 - Cancellation of treasury shares amounting to KD 162,793.

This proposal has been approved by the shareholders at the extraordinary general assembly meeting (“EGM”) held on 29 December 2020. The capital reduction was authenticated in the commercial register on 09 February 2021 under registration number 71828.

8 RELATED PARTY DISCLOSURES

Related parties represent associated companies, managed funds, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company’s management.

The following table provides the total amount of transactions that have been entered into with related parties during the nine-month ended at 30 September 2022 and 2021, as well as balances with related parties as at 30 September 2022, 31 December 2021 and 30 September 2021.

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Consolidated statement of profit or loss:</i>				
Management fees	30	141	1,894	1,487
			<i>(Audited)</i>	
		<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
		<i>2022</i>	<i>2021</i>	<i>2021</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Consolidated statement of financial position:</i>				
Management fees and other receivables		311	30,958	30,743

First Investment Company K.S.C.P. and its Subsidiaries

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9 SEGMENT INFORMATION

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments. For management purposes, the Group is organised into four operating segments:

- ▶ Real Estate
- ▶ Financial
- ▶ Services
- ▶ Others

The Group does not have any inter-segment transactions.

The following tables present revenue and profit information for the Group's operating segments for the nine months ended 30 September 2022 and 2021, respectively:

	<i>Real Estate</i>		<i>Financial</i>		<i>Services</i>		<i>Others</i>		<i>Total</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Income	1,539,255	1,371,680	241,148	145,181	1,989,239	430,786	54,177	296,369	3,823,819	2,244,016
Expenses	(821,794)	(963,529)	(187,026)	(134,535)	(697,732)	(706,614)	(161,449)	(73,310)	(1,868,001)	(1,877,988)
Segment profit (loss)	717,461	408,151	54,122	10,646	1,291,507	(275,828)	(107,272)	223,059	1,955,818	366,028

First Investment Company K.S.C.P. and its Subsidiaries

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9 SEGMENT INFORMATION (continued)

The following table presents assets and liabilities information for the Group's operating segments as at 30 September 2022, 31 December 2021 and 30 September 2021, respectively:

	<i>Real Estate</i>			<i>Financial</i>			<i>Services</i>			<i>Others</i>			<i>Total</i>		
	<i>(Audited)</i>			<i>(Audited)</i>			<i>(Audited)</i>			<i>(Audited)</i>			<i>(Audited)</i>		
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
	<i>2022</i>	<i>2021</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Segment assets	25,617,306	25,605,901	28,474,775	9,715,990	6,584,569	12,636,487	33,366,580	32,055,201	29,644,598	5,831,853	11,065,374	4,536,819	74,531,729	75,311,045	75,292,679
Segment liabilities	(3,836,413)	(4,263,017)	(4,292,472)	(16,742)	(12,463)	(11,596)	(916,910)	(1,001,833)	(950,089)	(17,861,134)	(19,121,230)	(20,463,965)	(22,631,199)	(24,398,543)	(25,718,122)
Other disclosures:															
Total non-current assets ¹	25,146,075	25,047,632	27,702,564	6,225,633	6,480,871	4,373,458	31,871,615	30,697,521	27,955,855	662,539	1,001,571	937,511	63,905,862	63,227,595	60,969,388
Additions to non-current assets	-	883,740	-	3,016	1,339	-	31,801	2,834,161	1,315,214	-	-	-	34,817	3,719,240	1,315,214
Share of results from associates (Note 5)	551,422	(778,247)	419,115	-	-	-	195,657	336,445	115,608	-	-	-	747,079	(441,802)	534,723

¹ Non-current assets for this purpose consist of goodwill and other intangible assets, property and equipment, investment properties, investment in associates and financial assets at FVOCI

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9 SEGMENT INFORMATION (continued)

Geographic information

	<i>Nine months ended</i>		
	<i>30 September</i>		
	<i>2022</i>	<i>2021</i>	
	<i>KD</i>	<i>KD</i>	
Income			
Kuwait	3,295,413	1,616,177	
Kingdom of Saudi Arabia (KSA)	19,393	86,901	
Sultanate of Oman	509,013	540,938	
	3,823,819	2,244,016	
Segment profit (loss)			
Kuwait	1,670,692	(8,376)	
Kingdom of Saudi Arabia (KSA)	14,880	70,294	
Sultanate of Oman	270,246	304,110	
	1,955,818	366,028	
		<i>(Audited)</i>	
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
	<i>2022</i>	<i>2021</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Segment assets			
Kuwait	38,814,841	40,240,798	39,144,495
Kingdom of Saudi Arabia (KSA)	22,281,881	22,288,231	21,621,104
Sultanate of Oman	12,396,054	11,943,748	13,258,166
Others	1,038,953	838,268	1,268,914
	74,531,729	75,311,045	75,292,679
Segment liabilities			
Kuwait	(19,294,455)	(20,828,340)	(22,098,363)
Kingdom of Saudi Arabia (KSA)	(729,235)	(750,137)	(742,522)
Sultanate of Oman	(2,607,509)	(2,820,066)	(2,877,237)
	(22,631,199)	(24,398,543)	(25,718,122)

10 COMMITMENTS AND CONTINGENCIES

As at 30 September 2022, The Group has provided a guarantee to third party amounting to SAR 105 million (equivalent to KD 8.70 million) for the performance in a contract in the Kingdom of Saudi Arabia. No material liability is expected to arise.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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11 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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.

Fair value hierarchy

All financial instruments for which fair value is recognized or disclosed are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

The Group uses the following hierarchy for determining and disclosing the fair values of financial assets carried at fair value by valuation technique:

- ▶ 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

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

Description of significant unobservable inputs to valuation

Set out below are the significant unobservable inputs to valuation as at 30 September 2022:

	<i>Valuation techniques</i>	<i>Significant unobservable inputs</i>	<i>Range (weighted average)</i>	<i>Sensitivity of the input to fair value</i>
Unquoted equity securities	Market multiple approach	Sector PBV Multiple	0.40-1.04 (0.72)	10% increase (decrease) in the Sector PBV multiple would result in an increase (decrease) in fair value by KD 988,316.
		DLOM *	20% - 40%	5% increase (decrease) in the DLOM would result in (decrease) increase in fair value by KD 169,329
	Adjusted NAV	DLOM *	0% - 50%	5% increase (decrease) in the DLOM would result in (decrease) increase in fair value by KD 800,367

* Discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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11 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

The following table provides the fair value measurement hierarchy of the Group's financial instruments measured at fair value.

	<i>Fair value measurement using</i>			<i>Total KD</i>
	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant observable inputs (Level 2) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	
Financial assets at FVTPL:				
30 September 2022				
Unquoted funds	-	178,808	-	178,808
31 December 2021				
Unquoted funds	-	346,401	-	346,401
30 September 2021				
Unquoted funds	-	323,965	-	323,965
Financial assets at FVOCI:				
30 September 2022				
Quoted equity securities	9,852,497	-	-	9,852,497
Unquoted equity securities	-	-	19,393,938	19,393,938
	9,852,497	-	19,393,938	29,246,435
31 December 2021				
Quoted equity securities	6,371,714	-	-	6,371,714
Unquoted equity securities	-	-	19,270,567	19,270,567
	6,371,714	-	19,270,567	25,642,281
30 September 2021				
Quoted equity securities	927,518	-	-	927,518
Unquoted equity securities	-	-	22,545,123	22,545,123
	927,518	-	22,545,123	23,472,641

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

	30 September 2022 KD	<i>(Audited)</i> 31 December 2021 KD	30 September 2021 KD
As at 1 January	19,270,567	20,254,502	20,254,502
Remeasurement recognised in OCI	123,371	486,848	1,061,423
Purchases / (sales), net	-	658,281	1,229,198
Transfer from level 3 to level 1	-	(2,129,064)	-
At the end of the period/ year	19,393,938	19,270,567	22,545,123

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12 LEGAL CLAIMS

- a) During the years ended 31 December 2006 and 31 December 2007, the Parent Company has entered into agreements to purchase 14,500,000 shares of Al Muttahed for Investment and Real Estate Development Company S.S.C.C (the investee company) from existing shareholders (the sellers). During that period, the purchase consideration for 10,500,000 shares, was paid by the Parent Company in full.

During the year ended 31 December 2007, the Parent Company noted that the sellers have not fulfilled their commitment of transferring certain assets to the investee company as part of their share of increase in the capital of the investee company. Accordingly, the Parent Company withheld the payment for the remaining consideration related to 4,000,000 shares and filed a lawsuit against the sellers claiming for a temporary compensation. On the other hand, the sellers filed a counterclaim against the Parent Company demanding payment for the remaining consideration. However, the counterclaim was rejected by the Court of First Instance, Court of Appeal and the Court of Cassation on 11 April 2016.

Despite the decision from the Court of Cassation, the sellers filed another lawsuit against the Parent Company demanding the payment of KD 13,814,991 related to the remaining purchase consideration.

On 17 January 2017, the Court of First Instance has ruled in favour of the Parent Company rejecting the claim filed by the sellers based on the earlier verdict that was adjudicated by the Court of Cassation on 11 April 2016. The sellers further appealed against the ruling of the Court of First Instance and a verdict was issued on 21 September 2017, accepting the appeal and cancelling the earlier verdict issued by the Court of First Instance and referring the case to the Money Markets Circle.

On 9 January 2018, a verdict was issued dismissing the case of the sellers on inadmissibility ground for the being previously adjudicated. However, the Sellers appealed the previous verdict before the Court of Appeal. On 4 July 2019, the Court of Appeal issued a ruling to refer the case to the Department of Expert at the Ministry of Justice. The Court of Appeal is expected to consider this matter on 14 November 2022.

Based on the advice from the Group's legal counsel, the amount claimed by the sellers is unrealistic and has no merit. In addition, the sellers are not entitled to any compensation due to the judicial ruling of the previous legal case that was adjudicated by the Court of Cassation. Accordingly, no provision for any liability has been made in the consolidated financial statements.

- b) The Parent Company is the defendant in legal proceedings brought by several portfolio clients ("clients") in respect of certain investment transactions executed in a fiduciary capacity by the Parent Company in prior years. The legal actions commenced by the clients against the Parent Company are in various phases of litigation.

During the current year, some unfavourable appeal judgments were issued against the Parent Company in respect of legal claims filed by certain clients. Further, the Parent Company's request to suspend the appeal verdicts was denied, and accordingly the verdicts issued in favour of some clients became legally enforceable. As a result, the Parent Company executed the underlying judgements and settled an amount of KD 1,888 thousand (2021: KD 266 thousand) at the Sentences Execution Department of the Ministry of Justice as of date. However, the Parent Company filed an appeal before the Court of Cassation on the basis of several errors in the appeal verdicts in the application and interpretation of the law and flawed reasoning and other legal reasons.

The recognised provision of KD 16,555 thousand in the consolidated statement of financial position as at 30 September 2022 (31 December 2021: KD 17,777 thousand and 30 September 2021: KD 19,296 thousand) reflects the management's best estimate of the most likely outcome of the Group's liability as of that date in respect of the legal claims for which first instance and appeal verdicts have been issued, and the outcome of these claims is not expected to exceed the amount provided for. Notwithstanding the facts therein, the underlying verdicts are not final and are still subject to review by the Court of Cassation despite some verdicts being executed and therefore an estimate of the financial effect of such events cannot be made at the end of the reporting period with a reasonable degree of certainty.

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12 LEGAL CLAIMS (continued)

- c) During the year ended 31 December 2016, the sellers referred to in point (a) filed a lawsuit against the Parent Company and another Company calling for a joint compensation against the seizure of certain securities held under investment portfolio. Based on the Expert's report, the Court of First Instance ruled in favour of the sellers on 25 November 2020 and obliged the Parent Company and the other Company jointly to pay the sellers an amount of KD 2,087,500. However, after taking appropriate legal advice, the Parent Company has decided to appeal against the decision. The Court of Appeal is expected to consider this matter on 7 November 2022.

- d) During the year ended 31 December 2017, the aforementioned sellers filed another lawsuit against the Parent Company calling for a compensation against the seizure of certain securities held under investment portfolio. After deliberation by the Court and Department of Expert on the lawsuit, on 24 December 2019, the ruling of the court of first instance was issued dismissing the case of the sellers on inadmissibility ground for being previously adjudicated by virtue of final verdicts issued by the Court of Cassation. The sellers were not satisfied by the verdict and appealed for it. The Court is expected to consider this matter on 14 November 2022.

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