

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

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

31 MARCH 2022





Ernst & Young
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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 31 March 2022, and the related interim condensed consolidated statements of profit or loss, interim condensed consolidated statements of comprehensive income, interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the three-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 the basis of preparation set out in Note 2. 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 17,714 thousand on the interim condensed consolidated statement of financial position as 31 March 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 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.

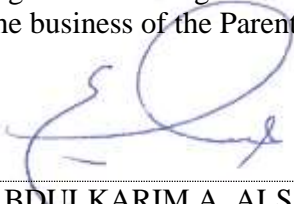
The ultimate outcome of the above matters cannot be determined presently, and as a result, no provision for any liability that may result has been recognised in the interim condensed consolidated financial information as at 31 March 2022.

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 three-month period ended 31 March 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. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the three-month period ended 31 March 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

12 May 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 31 March 2022

	Notes	Three months ended 31 March	
		2022 KD	2021 KD
INCOME			
Revenue from contracts with customers		219,171	156,770
Cost of sales		(95,980)	(64,383)
GROSS PROFIT		123,191	92,387
Murabaha income		22,091	25,309
Gain on sale of financial assets at fair value through profit or loss		74,852	18,649
Net change in fair value of financial assets at fair value through profit or loss		2,652	20,948
Share of results of associates	5	286,173	134,682
Dividend income		2,906	6,254
Rental income		284,678	282,953
Management fees		48,820	60,802
Net foreign exchange differences		14,279	(8,861)
Other income		268	185,103
TOTAL INCOME		859,910	818,226
EXPENSES			
Staff costs		(310,104)	(270,005)
Depreciation of property and equipment and right-of-use assets		(60,809)	(73,678)
Amortisation of intangible assets		(14,943)	(14,943)
Finance costs		(46,401)	(50,449)
Other expenses		(163,331)	(156,910)
TOTAL EXPENSES		(595,588)	(565,985)
PROFIT FOR THE PERIOD		264,322	252,241
Attributable to:			
Equity holders of the Parent Company		223,392	213,235
Non-controlling interests		40,930	39,006
		264,322	252,241
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	3	0.50 fils	0.48 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 31 March 2022

		<i>Three months ended</i>	
		<i>31 March</i>	
	<i>Note</i>	2022	2021
		KD	KD
PROFIT FOR THE PERIOD		264,322	252,241
Other comprehensive income:			
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>			
Net gain on equity instruments at fair value through other comprehensive income		5,379,816	176,536
Share of other comprehensive income of associates	5	7,314	129,174
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		5,387,130	305,710
<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	54,777	(46,489)
Exchange differences on translation of foreign operations		3,357	(2,226)
Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods		58,134	(48,715)
Other comprehensive income		5,445,264	256,995
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		5,709,586	509,236
Attributable to:			
Equity holders of the Parent Company		5,667,081	471,294
Non-controlling interests		42,505	37,942
		5,709,586	509,236

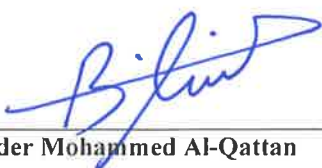
The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2022

		31 March 2022	(Audited) 31 December 2021	31 March 2021
	Notes	KD	KD	KD
ASSETS				
Cash and cash equivalents	4	8,538,431	10,480,550	12,328,908
Financial assets at fair value through profit or loss	11	370,498	346,401	1,121,134
Other current assets		2,988,830	1,052,107	2,366,678
Inventories		299,162	204,392	216,359
Financial assets at fair value through other comprehensive income	11	31,022,097	25,642,281	21,303,302
Investment in associates	5	23,074,833	23,163,402	24,210,669
Investment properties		11,090,734	11,057,963	10,353,331
Property, plant and equipment		2,587,871	2,636,011	2,387,589
Goodwill and other intangible assets		712,995	727,938	772,766
TOTAL ASSETS		80,685,451	75,311,045	75,060,736
LIABILITIES AND EQUITY				
LIABILITIES				
Murabaha payables	6	2,838,954	2,886,758	2,967,704
Other liabilities		2,680,782	2,761,988	2,698,271
Provision for legal claims		17,713,833	17,777,249	19,449,233
End of service benefits		991,597	972,548	904,149
TOTAL LIABILITIES		24,225,166	24,398,543	26,019,357
EQUITY				
Share capital	7	44,597,874	44,597,874	44,597,874
Treasury shares reserve		-	-	1,172,661
Fair value reserve		3,699,266	(1,687,864)	(5,517,513)
Foreign currency translation reserve		1,010,157	953,598	966,218
Retained earnings		4,624,213	4,400,821	4,363,098
Equity attributable to equity holders of the Parent Company		53,931,510	48,264,429	45,582,338
Non-controlling interests		2,528,775	2,648,073	3,459,041
TOTAL EQUITY		56,460,285	50,912,502	49,041,379
TOTAL LIABILITIES AND EQUITY		80,685,451	75,311,045	75,060,736



Bader Mohammed Al-Qattan
Chairman



Mohammed G. Al-Tayyar
Acting 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 31 March 2022

	<i>Attributable to equity holders of the Parent Company</i>							<i>Non-controlling interests</i> KD	<i>Total equity</i> KD
	<i>Share capital</i> KD	<i>Treasury shares</i> KD	<i>Treasury shares reserve</i> KD	<i>Fair value reserve</i> KD	<i>Foreign currency translation reserve</i> KD	<i>Retained earnings</i> KD	<i>Sub-total</i> KD		
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	-	-	-	-	-	223,392	223,392	40,930	264,322
Other comprehensive income for the period	-	-	-	5,387,130	56,559	-	5,443,689	1,575	5,445,264
Total comprehensive income for the period	-	-	-	5,387,130	56,559	223,392	5,667,081	42,505	5,709,586
Net movement in non-controlling interests	-	-	-	-	-	-	-	(161,803)	(161,803)
At 31 March 2022	44,597,874	-	-	3,699,266	1,010,157	4,624,213	53,931,510	2,528,775	56,460,285
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	-	-	-	-	-	213,235	213,235	39,006	252,241
Other comprehensive income (loss) for the period	-	-	-	305,710	(47,651)	-	258,059	(1,064)	256,995
Total comprehensive income (loss) for the period	-	-	-	305,710	(47,651)	213,235	471,294	37,942	509,236
Net movements in non-controlling interests	-	-	-	-	-	-	-	(206,869)	(206,869)
Partial extinguishment of accumulated losses (Note 7)	(20,509,181)	108,816	53,977	-	-	20,346,388	-	-	-
At 31 March 2021	44,597,874	-	1,172,661	(5,517,513)	966,218	4,363,098	45,582,338	3,459,041	49,041,379

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 CASHFLOWS

(UNAUDITED)

For the period ended 31 March 2022

		<i>Three months ended</i>	
		<i>31 March</i>	
	<i>Notes</i>	<i>2022</i>	<i>2021</i>
		<i>KD</i>	<i>KD</i>
OPERATING ACTIVITIES			
Profit for the period		264,322	252,241
<i>Adjustments to reconcile profit for the period to net cash flows:</i>			
Murabaha income		(22,091)	(25,309)
Realised gain on sale of financial assets at fair value through profit or loss		(74,852)	(18,649)
Net change in fair value of financial assets at fair value through profit or loss		(2,652)	(20,948)
Share of results of associates	5	(286,173)	(134,682)
Dividends income		(2,906)	(6,254)
Net foreign exchange differences		(14,279)	8,861
Depreciation of property and equipment and right-of-use assets		60,809	73,678
Amortisation of intangible assets		14,943	14,943
Finance costs		46,401	50,449
Provision for employees' end of service benefits		19,038	19,933
		<u>2,560</u>	<u>214,263</u>
<i>Working capital adjustments:</i>			
Other assets		(1,920,595)	(2,448)
Financial assets at fair value through profit or loss		(119,318)	(417,550)
Inventories		(94,770)	(34,438)
Other liabilities		(25,215)	(262,964)
Provision for legal claims		(63,416)	-
		<u>(2,220,754)</u>	<u>(503,137)</u>
Cash used in operations		(2,220,754)	(503,137)
Murabaha income received		20,947	14,763
Finance costs paid		(74,016)	-
Employees' end of service benefits paid		-	(20,390)
		<u>(2,273,823)</u>	<u>(508,764)</u>
Net cash flows used in operating activities			
INVESTING ACTIVITIES			
Dividend income received		2,906	3,230
Dividends received from associates	5	436,833	486,833
Proceeds from sale of asset held for sale		-	1,028,370
Purchase of items of property and equipment		(12,640)	(43,383)
		<u>427,099</u>	<u>1,475,050</u>
Net cash flows from investing activities			
FINANCING ACTIVITIES			
Proceeds from murabaha payables		-	35,280
Repayment of murabaha payables		(59,724)	-
Dividends paid to equity holders of the Parent Company		-	(138)
Net movement in non-controlling interests		10,451	(206,869)
Payment of principle portion of lease liabilities		(46,122)	(46,122)
		<u>(95,395)</u>	<u>(217,849)</u>
Net cash flows used in financing activities			
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(1,942,119)</u>	748,437
Cash and cash equivalents at 1 January		10,480,550	11,580,471
CASH AND CASH EQUIVALENTS AT 31 MARCH		<u>8,538,431</u>	<u>12,328,908</u>
Non-cash items excluded from the interim condensed consolidated statement of cash flows			
Disposal of financial assets at fair value through profit or loss		172,254	-
Net movements in non-controlling interests		(172,254)	-

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 31 March 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 three months ended 31 March 2022 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 12 May 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 regulated by the Central Bank of Kuwait (“CBK”) as an investment and finance company and 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.

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 three months ended 31 March 2022 has been prepared in accordance with IAS 34 *Interim Financial Reporting* except as noted below.

The interim condensed consolidated financial information for the three months ended 31 March 2022 was prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (“CBK”) in the State of Kuwait. These regulations require expected credit loss (“ECL”) to be measured at the higher of the ECL on financing facilities computed under IFRS 9: Financial Instruments (“IFRS 9”) in accordance to the CBK guidelines or the provisions as required by CBK instructions; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (“IASB”) (collectively referred to as IFRS, as adopted for use by the State of Kuwait).

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.

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.

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 31 March 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>31 March</i>	
	2022	<i>2021</i>
Profit for the period attributable to the equity holders of the Parent Company (KD)	223,392	213,235
Weighted average number of shares outstanding during the period	445,978,742	445,978,742
Basic earnings per share (fils)	0.50	0.48

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>31 March</i>	<i>31 December</i>	<i>31 March</i>
	2022	<i>2021</i>	<i>2021</i>
	KD	<i>KD</i>	<i>KD</i>
Cash on hand	7,813	2,503	3,219
Cash at banks	2,211,730	2,250,936	3,288,532
Murabaha deposits with original maturity of three months or less	4,988,818	6,779,474	8,709,320
Cash held in portfolios	1,330,070	1,447,637	327,837
Cash and cash equivalents	8,538,431	10,480,550	12,328,908

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 1.2 % to 1.55 % (31 December 2021: 0.75% and 1.6% and 31 March 2021: 0.88% to 1.4%) per annum.

First Energy Resource Company K.S.C. (Closed), a local subsidiary under liquidation (the “subsidiary”), had a cash distribution amounting to KD 7,469,250 to the shareholders. As a result of the liquidation, the Parent Company received KD 2,480,687. Distribution to non-controlling interests amounted to KD 4,988,563.

As at 31 March 2022, some of the shareholders did not collect their share of the distribution; accordingly, certain bank balances amounting to KD 433,766 (31 December 2021: KD 438,204 and 31 March 2021: KD 217,683) 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 31 March 2022

5 INVESTMENT IN ASSOCIATES

	<i>County of incorporation</i>	<i>31 March 2022</i>		<i>(Audited) 31 December 2021</i>		<i>31 March 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%	3,504,776	14.66%	3,397,018
Arkan Al-Kuwait Real Estate Company K.S.C.P.	Kuwait	28.99%	5,562,907	28.99%	5,924,117	28.99%	5,390,975
First Education Company K.S.C. (Closed)	Kuwait	22.19%	3,255,657	22.19%	3,242,733	22.19%	3,703,340
Taameer Investment Company S.A.O.C. (“Taameer”) ²	Oman	24.82%	4,770,844	24.82%	4,723,495	24.82%	6,086,155
Al Jazeera Al Oula Real Estate W.L.L.	Saudi Arabia	20.90%	2,135,292	20.90%	2,100,691	20.90%	2,267,300
Al-Subeih Medical Company (Khalid Hamad Al-Subeih & Partners) W.L.L.	Kuwait	25%	3,273,904	25%	3,200,641	25%	2,973,493
Sons of Yousef Al-Subeih Real Estate Company (Khalid Hamad Al-Subeih & Partners) W.L.L.	Kuwait	25%	571,453	25%	574,707	25%	584,156
			23,074,833		23,163,402		24,210,669

¹ The Group exercises significant influence over BDC through its representation on the board of directors of the investee. The Group has considered 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.

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 31 March 2022.

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 31 March 2022

5 INVESTMENT IN ASSOCIATES (continued)

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

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2022</i>	<i>2021</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
At the beginning of the period/year	23,163,402	24,480,135	24,480,135
Capital redemption*	-	(499,200)	-
Share of results	286,173	(441,802)	134,682
Dividends received from associates	(436,833)	(593,532)	(486,833)
Foreign currency translation adjustment	54,777	(59,012)	(46,489)
Share of other comprehensive income	7,314	276,813	129,174
At the end of the period/year	23,074,833	23,163,402	24,210,669

* 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>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2022</i>	<i>2021</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Gross amount	3,711,599	3,755,852	4,114,104
Less: Deferred finance costs	(872,645)	(869,094)	(1,146,400)
	2,838,954	2,886,758	2,967,704

As at 31 March 2022, murabaha payables amounting to KD 2,527,923 (31 December 2021: KD 2,575,727 and 31 March 2021: KD 2,667,809) are denominated in Omani Riyal and have an effective profit rate of 6.5 % (31 December 2021: 6.5% and 31 March 2021: 6.5%) per annum.

Murabaha payables amounting to KD 2,838,954 (31 December 2021: KD 2,886,758 and 31 March 2021: KD 2,967,704) are secured against the following:

- ▶ Investment properties with a carrying amount of KD 7,113,394 (31 December 2021: KD 7,080,624 and 31 March 2021: KD 7,078,283).
- ▶ Property, plant and equipment with a carrying amount of KD 2,007,033 (31 December 2021: KD 2,012,325 and 31 March 2021: KD 1,609,642).

7 SHARE CAPITAL

At 31 March 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 31 March 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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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 three-month ended at 31 March 2022 and 2021, as well as balances with related parties as at 31 March 2022, 31 December 2021 and 31 March 2021.

	<i>Three months ended</i>		
	<i>31 March</i>		
	<i>2022</i>	<i>2021</i>	
	<i>KD</i>	<i>KD</i>	
<i>Consolidated statement of profit or loss:</i>			
Management fees	1,836	1,172	
		<i>(Audited)</i>	
	<i>31 March</i>	<i>31 December</i>	<i>31 March</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	252	30,743	30,428

Key management personnel compensation:

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

The aggregate value of transactions related to key management personnel were as follows:

	<i>Transaction values for the</i>		
	<i>period ended 31 March</i>		
	<i>2022</i>	<i>2021</i>	
	<i>KD</i>	<i>KD</i>	
Salaries and short-term benefits	37,095	46,215	
End of service benefits	3,406	6,207	
	40,501	52,422	
		<i>Balance outstanding</i>	
		<i>(Audited)</i>	
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2022</i>	<i>2021</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Salaries and short-term benefits	23,650	23,650	3,873
End of service benefits	204,601	201,195	172,462
Board committees' remuneration	63,000	63,000	-
	291,251	287,845	176,335

Other transactions

The Group also manages investment portfolios on behalf of related parties amounting to KD 12,883 (31 December 2021: KD 26,518 and 31 March 2021: KD 22,966) which are not reflected in the Group's interim condensed consolidated statement of financial position.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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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 three months ended 31 March 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	398,943	461,943	122,381	68,359	337,370	114,785	1,216	173,139	859,910	818,226
Expenses	(277,845)	(300,916)	(56,294)	(37,593)	(213,220)	(206,977)	(48,229)	(20,499)	(595,588)	(565,985)
Segment results	121,098	161,027	66,087	30,766	124,150	(92,192)	(47,013)	152,640	264,322	252,241

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 31 March 2022

9 SEGMENT INFORMATION (continued)

The following table presents assets and liabilities information for the Group's operating segments as at 31 March 2022, 31 December 2021 and 31 March 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>31 March</i>	<i>31 December</i>	<i>31 March</i>	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>	<i>31 March</i>	<i>31 December</i>	<i>31 March</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	25,265,095	25,605,901	27,939,889	12,110,954	6,584,569	7,092,767	32,352,773	32,055,201	30,794,120	10,956,629	11,065,374	9,233,960	80,685,451	75,311,045	75,060,736
Segment liabilities	(4,084,726)	(4,263,017)	(4,587,883)	(7,554)	(12,463)	(9,739)	(1,010,677)	(1,001,833)	(815,864)	(19,122,209)	(19,121,230)	(20,605,871)	(24,225,166)	(24,398,543)	(26,019,357)
Other disclosures:															
Total non-current assets ¹	24,724,289	25,047,632	27,337,249	11,772,427	6,480,871	3,242,627	30,902,577	30,697,521	27,618,508	1,089,237	1,001,571	829,273	68,488,530	63,227,595	59,027,657
Additions to non-current assets	-	883,740	-	1,546	1,339	-	11,094	2,834,161	261,897	-	-	-	12,640	3,719,240	261,897
Share of results from associates (Note 6)	72,258	(778,247)	125,480	-	-	-	213,915	336,445	9,202	-	-	-	286,173	(441,802)	134,682

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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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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As at and for the period ended 31 March 2022

9 SEGMENT INFORMATION (continued)

Geographic information

	<i>Three months ended</i>		
	<i>31 March</i>		
	<i>2022</i>	<i>2021</i>	
	<i>KD</i>	<i>KD</i>	
Income			
Kuwait	609,818	490,482	
Kingdom of Saudi Arabia (KSA)	70,605	151,064	
Sultanate of Oman	179,487	176,680	
	859,910	818,226	
Segment results			
Kuwait	113,297	17,729	
Kingdom of Saudi Arabia (KSA)	68,569	146,829	
Sultanate of Oman	82,456	87,683	
	264,322	252,241	
		<i>(Audited)</i>	
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2022</i>	<i>2021</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Segment assets			
Kuwait	45,625,518	40,240,798	40,023,951
Kingdom of Saudi Arabia (KSA)	22,176,003	22,288,231	20,404,366
Sultanate of Oman	12,044,553	11,943,748	13,297,815
Others	839,377	838,268	1,334,604
	80,685,451	75,311,045	75,060,736
Segment liabilities			
Kuwait	(20,723,333)	(20,828,340)	(22,184,657)
Kingdom of Saudi Arabia (KSA)	(729,413)	(750,137)	(738,885)
Sultanate of Oman	(2,772,420)	(2,820,066)	(3,095,815)
	(24,225,166)	(24,398,543)	(26,019,357)

10 COMMITMENTS AND CONTINGENCIES

As at 31 March 2022, The Group has provided a guarantee to third party amounting to SAR 105 million (equivalent to KD 8.42 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)

As at and for the period ended 31 March 2022

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 31 March 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	0.40-1.37 (0.97)	10% increase (decrease) in the Sector PBV multiple would result in an increase (decrease) in fair value by KD 823,350
		DLOM *	20% - 40%	5% increase (decrease) in the DLOM would result in (decrease) increase in fair value by KD 183,701
	Adjusted NAV	DLOM *	0% - 50%	5% increase (decrease) in the DLOM would result in (decrease) increase in fair value by KD 779,827

* 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)

As at and for the period ended 31 March 2022

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:				
31 March 2022				
Quoted equity securities	195,225	-	-	195,225
Unquoted funds	-	175,273	-	175,273
	<u>195,225</u>	<u>175,273</u>	<u>-</u>	<u>370,498</u>
31 December 2021				
Unquoted funds	-	346,401	-	346,401
31 March 2021				
Quoted equity securities	803,471	-	-	803,471
Unquoted funds	-	317,663	-	317,663
	<u>803,471</u>	<u>317,663</u>	<u>-</u>	<u>1,121,134</u>
Financial assets at FVOCI:				
31 March 2022				
Quoted equity securities	11,751,530	-	-	11,751,530
Unquoted equity securities	-	-	19,270,567	19,270,567
	<u>11,751,530</u>	<u>-</u>	<u>19,270,567</u>	<u>31,022,097</u>
31 December 2021				
Quoted equity securities	6,371,714	-	-	6,371,714
Unquoted equity securities	-	-	19,270,567	19,270,567
	<u>6,371,714</u>	<u>-</u>	<u>19,270,567</u>	<u>25,642,281</u>
31 March 2021				
Quoted equity securities	794,996	-	-	794,996
Unquoted equity securities	-	-	20,508,306	20,508,306
	<u>794,996</u>	<u>-</u>	<u>20,508,306</u>	<u>21,303,302</u>

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the period.

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

	<i>(Audited)</i>		
	<i>31 March 2022 KD</i>	<i>31 December 2021 KD</i>	<i>31 March 2021 KD</i>
As at 1 January	19,270,567	20,254,502	20,254,502
Remeasurement recognised in OCI	-	486,848	35,290
Purchases / (sales), net	-	658,281	218,514
Transfer from level 3 to level 1	-	(2,129,064)	-
At the end of the period/ year	19,270,567	<u>19,270,567</u>	<u>20,508,306</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2022

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 department of expert issued its report and the case was adjourned to a session scheduled on 16 June 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 1,876 thousand (2021: KD 971 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 17,714 thousand in the consolidated statement of financial position as at 31 March 2022 (31 December 2021: KD 17,777 thousand and 31 March 2021: KD 19,449 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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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 12 May 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 of Appeal is expected to consider this matter on 16 June 2022.

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