

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

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

31 MARCH 2021





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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 2021, and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement 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 14(c) 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 19,449 thousand on the interim condensed consolidated statement of financial position as 31 March 2021 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 6 to the interim condensed consolidated financial information which describes that the contract for construction of a beach resort of an associate of the Parent Company, Taameer Investment Company SAOC (“Taameer”), situated in 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. Further, during 2019, Taameer encashed performance bonds amounting to OMR 6.55 million (equivalent to KD 5.2 million) given by the Contractor. In response, the Contractor has filed a legal suit against Taameer during 2019, 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 counterclaim of OMR 25 million (equivalent to KD 19.7 million) against the Contractor for damages and breach of contract during February 2020. As at the date of authorisation of the interim condensed consolidated financial information, the trial proceedings are in progress at the High Court. The ultimate outcome of the matter 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 2021.

Our conclusion is not modified in respect of this matter.

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 2021 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 2021 that might have had material effect on the business of the Parent Company or on its financial position.



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BADER A. AL-ABDULJADER
LICENCE NO. 207- A
EY
AL AIBAN AL OSAIMI & PARTNERS

11 May 2021
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 2021

	Notes	Three months ended 31 March	
		2021 KD	2020 KD
INCOME			
Revenue from contracts with customers		156,770	173,099
Cost of sales		(64,383)	(77,997)
GROSS PROFIT		92,387	95,102
Murabaha income		25,309	11,145
Gain (loss) on sale of financial assets at fair value through profit or loss		18,649	(4,283)
Net change in fair value of financial assets at fair value through profit or loss		20,948	-
Share of results of associates		134,682	186,864
Loss on disposal of investment property	6	-	(16,681)
Dividends income		6,254	-
Rental income		282,953	270,694
Management fees		60,802	40,468
Net foreign exchange differences		(8,861)	50,740
Other income		185,103	1,507
TOTAL INCOME		818,226	635,556
EXPENSES			
Staff costs		(270,005)	(368,234)
Depreciation of property and equipment and right-of-use assets		(73,678)	(73,969)
Amortisation of intangible assets		(14,943)	(14,943)
Finance costs		(50,449)	(72,317)
Other expenses		(156,910)	(86,124)
TOTAL EXPENSES		(565,985)	(615,587)
PROFIT FOR THE PERIOD		252,241	19,969
Attributable to:			
Equity holders of the Parent Company		213,235	(7,356)
Non-controlling interests		39,006	27,325
		252,241	19,969
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	3	0.48 fils	(0.02) fils

The attached notes 1 to 16 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 2021

	Note	Three months ended	
		31 March	
		2021	2020
		KD	KD
PROFIT FOR THE PERIOD		252,241	19,969
Other comprehensive income (loss):			
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:</i>			
Net gain (loss) on equity instruments at fair value through other comprehensive income		176,536	(119,187)
Share of other comprehensive income (loss) of associates		129,174	(13,003)
Net other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods		305,710	(132,190)
<i>Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods:</i>			
Share of other comprehensive (loss) income of associates accounted for using the equity method	6	(46,489)	262,652
Exchange differences on translation of foreign operations		(2,226)	19,925
Net other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods		(48,715)	282,577
Other comprehensive income		256,995	150,387
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		509,236	170,356
Attributable to:			
Equity holders of the Parent Company		471,294	133,617
Non-controlling interests		37,942	36,739
		509,236	170,356

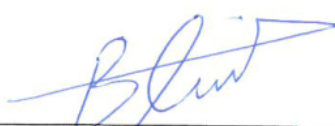
The attached notes 1 to 16 form part of this interim condensed consolidated financial information.


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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2021

			(Audited)	
		31 March	31 December	31 March
		2021	2020	2020
	Notes	KD	KD	KD
ASSETS				
Cash and cash equivalents	4	12,328,908	11,580,471	4,713,753
Financial assets at fair value through profit or loss	5	1,121,134	664,670	66,164
Other current assets		2,366,678	2,227,352	1,798,995
Inventories		216,359	181,921	192,356
Financial assets at fair value through other comprehensive income	5	21,303,302	20,908,252	28,074,034
Investment in associates	6	24,210,669	24,480,135	25,438,724
Properties under development		-	-	310,850
Investment properties		10,353,331	10,373,227	11,383,752
Property, plant and equipment		2,387,589	2,417,912	1,462,090
Goodwill and other intangible assets		772,766	787,709	832,537
		75,060,736	73,621,649	74,273,255
Assets held for sale	7	-	2,924,173	2,924,173
TOTAL ASSETS		75,060,736	76,545,822	77,197,428
LIABILITIES AND EQUITY				
LIABILITIES				
Murabaha payables	8	2,967,704	2,939,923	5,987,065
Other liabilities		2,698,271	3,451,832	2,541,560
Provision for legal claims		19,449,233	19,449,233	20,616,878
End of service benefits		904,149	904,612	966,422
		26,019,357	26,745,600	30,111,925
Liabilities directly associated with the assets held for sale	7	-	1,061,210	1,061,210
TOTAL LIABILITIES		26,019,357	27,806,810	31,173,135
EQUITY				
Share capital	9	44,597,874	65,107,055	65,107,055
Share premium		-	-	18,250,362
Treasury shares	9	-	(108,816)	(108,816)
Statutory reserve	9	-	-	1,299,173
Share options reserve		-	-	3,016,890
Treasury shares reserve		1,172,661	1,118,684	1,118,684
Fair value reserve		(5,517,513)	(5,823,223)	(5,014,153)
Foreign currency translation reserve		966,218	1,013,869	1,274,618
Retained earnings (accumulated losses)		4,363,098	(16,196,525)	(42,920,169)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		45,582,338	45,111,044	42,023,644
Non-controlling interests		3,459,041	3,627,968	4,000,649
TOTAL EQUITY		49,041,379	48,739,012	46,024,293
TOTAL LIABILITIES AND EQUITY		75,060,736	76,545,822	77,197,428


Bader Mohammed Al-Qattan
Chairman


Eisa A. S. Alweggian
Chief Executive Officer

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

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 2021

	<i>Attributable to equity holders of the Parent Company</i>											
	<i>Share capital KD</i>	<i>Share premium KD</i>	<i>Treasury shares KD</i>	<i>Statutory reserve KD</i>	<i>Share options reserve KD</i>	<i>Treasury shares reserve KD</i>	<i>Fair value reserve KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Retained earnings (accumulated losses) KD</i>	<i>Sub-total KD</i>	<i>Non-controlling interests KD</i>	<i>Total equity KD</i>
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 16)	(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
As at 1 January 2020 (audited)	65,107,055	18,250,362	(108,816)	1,299,173	3,016,890	1,118,684	(4,881,963)	1,001,455	(42,912,813)	41,890,027	3,972,206	45,862,233
(Loss) profit for the period	-	-	-	-	-	-	-	-	(7,356)	(7,356)	27,325	19,969
Other comprehensive (loss) income for the period	-	-	-	-	-	-	(132,190)	273,163	-	140,973	9,414	150,387
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(132,190)	273,163	(7,356)	133,617	36,739	170,356
Net movements in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(8,296)	(8,296)
At 31 March 2020	65,107,055	18,250,362	(108,816)	1,299,173	3,016,890	1,118,684	(5,014,153)	1,274,618	(42,920,169)	42,023,644	4,000,649	46,024,293

The attached notes 1 to 16 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 2021

	Notes	Three months ended	
		2021	2020
		KD	KD
OPERATING ACTIVITIES			
Profit for the period		252,241	19,969
<i>Adjustments to reconcile profit for the period to net cash flows:</i>			
Murabaha income		(25,309)	(11,145)
Realised (gain) loss on sale of financial assets at fair value through profit or loss		(18,649)	4,283
Net change in fair value of financial assets at fair value through profit or loss		(20,948)	-
Dividends income		(6,254)	-
Share of results of associates	6	(134,682)	(186,864)
Loss on disposal of investment property		-	16,681
Net foreign exchange differences		8,861	(50,740)
Depreciation of property and equipment and right-of-use assets		73,678	73,969
Amortisation of intangible assets		14,943	14,943
Finance costs		50,449	72,317
Provision for employees' end of service benefits		19,933	97,375
		214,263	50,788
<i>Working capital adjustments:</i>			
Other assets		(2,448)	(46,954)
Financial assets at fair value through profit or loss		(417,550)	38,629
Inventories		(34,438)	(25,440)
Other liabilities		(262,964)	75,975
		(503,137)	92,998
Cash (used in) from operations		14,763	12,664
Murabaha income received		-	(31,200)
Finance costs paid		(20,390)	-
Employees' end of service benefits paid		-	-
Net cash flows (used in) from operating activities		(508,764)	74,462
INVESTING ACTIVITIES			
Dividends income received		3,230	-
Dividends received from associates	6	486,833	682,444
Proceeds from sale of investment property		-	209,281
Proceeds from sale of asset held for sale		1,028,370	-
Purchase of items of property and equipment		(43,383)	(18,860)
Additions to investment in associates	6	-	(219,006)
Net cash flows from investing activities		1,475,050	653,859
FINANCING ACTIVITIES			
Proceeds from murabaha payables		35,280	-
Dividends paid to equity holders of the Parent Company		(138)	(288)
Net movement in non-controlling interests		(206,869)	(8,296)
Payment of lease liabilities		(46,122)	(43,800)
Net cash flows used in financing activities		(217,849)	(52,384)
NET INCREASE IN CASH AND CASH EQUIVALENTS		748,437	675,937
Cash and cash equivalents at 1 January		11,580,471	4,037,816
CASH AND CASH EQUIVALENTS AT 31 March	4	12,328,908	4,713,753

The attached notes 1 to 16 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 2021

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 2021 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 11 May 2021.

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 Sharī’a principles as approved by the Group’s Fatwa and Sharī’a Supervisory Board. The principal activities of the Group are described in Note 11.

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 2021 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 2021 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 financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2020.

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 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2021, but do not have a material impact on the interim condensed consolidated financial information of the Group.

Profit Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free profit rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a profit rate, equivalent to a movement in a market rates.

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 2021

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

Profit Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (continued)

- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim condensed consolidated financial information of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

3 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit (loss) 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 (loss) 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 31 March</i>	
	2021	2020
Profit (loss) for the period attributable to the equity holders of the Parent Company (KD)	213,235	(7,356)
Weighted average number of shares outstanding during the period*	445,978,742	445,978,742
Basic and diluted earnings (loss) per share (fils)	0.48	(0.02)

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the period.

In accordance with International Accounting Standard IAS 33: "Earnings Per Share", the prior year comparative information has been restated as a result of the reduction in share capital (Note 16). EPS for the three-month ended 31 March 2020 was (0.01) fils, before the retrospective adjustment to the weighted average number of shares following the reduction in share capital.

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:

	31 March 2021 KD	<i>(Audited)</i> 31 December 2020 KD	31 March 2020 KD
Cash on hand	3,219	1,708	4,338
Cash at banks	3,288,532	2,035,410	1,863,693
Murabaha deposits with original maturity of three months or less	8,709,320	8,798,011	1,653,207
Cash held in portfolios	327,837	745,342	1,192,515
Cash and cash equivalents	12,328,908	11,580,471	4,713,753

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 2021

4 CASH AND CASH EQUIVALENTS (continued)

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 0.88% to 1.4% (31 December 2020: 0.88% and 1.4% and 31 March 2020: 1.05% to 2.10%) per annum.

Murabaha deposits with a carrying amount of KD Nil (31 December 2020: KD 650,000 and 31 March 2020: KD 650,000) are pledged against murabaha payables (Note 8).

In 2016, First Energy Resource Company K.S.C. (Closed), a local subsidiary under liquidation (the “subsidiary”), had announced the distribution of first liquidation cash payment amounting to KD 6,062,000 to the shareholders. As a result of the liquidation, the Parent Company received KD 2,013,311. Distribution to non-controlling interests amounted to KD 4,048,689. As at 31 March 2021, some of the shareholders did not collect their share of the distribution; accordingly, certain bank balances amounting to KD 217,683 (31 December 2020: KD 217,683 and 31 March 2020: KD 220,714) have been restricted for the purpose of distribution to the shareholders of the subsidiary.

Subsequent to reporting date, the subsidiary has announced the distribution of second liquidation cash payment amounting to KD 1,407,250 to the shareholders. As a result of the liquidation, the Parent Company received KD 467,376. Distribution to non-controlling interests amounted to KD 939,874.

5 INVESTMENT SECURITIES

	31 March 2021 KD	<i>(Audited)</i> 31 December 2020 KD	31 March 2020 KD
<i>Financial assets at FVTPL</i>			
Quoted equity securities	803,471	350,047	-
Unquoted investment fund	317,663	314,623	66,164
	1,121,134	664,670	66,164
<i>Financial assets at FVOCI</i>			
Quoted equity securities	794,996	653,750	565,592
Unquoted equity securities	20,508,306	20,254,502	27,508,442
	21,303,302	20,908,252	28,074,034
Investment securities (at fair value)	22,424,436	21,572,922	28,140,198

The hierarchy for determining and disclosing the fair value of investment securities by valuation techniques are presented in Note 13.

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 2021

6 INVESTMENT IN ASSOCIATES

	<i>County of incorporation</i>	<i>31 March 2021</i>		<i>(Audited) 31 December 2020</i>		<i>31 March 2020</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%	3,205,250	14.66%	3,175,102	14.66%	2,898,569
Arkan Al-Kuwait Real Estate Company K.S.C.P.	Kuwait	28.99%	5,390,975	28.99%	5,704,137	28.99%	5,532,285
First Education Company K.S.C. (Closed)	Kuwait	22.19%	3,703,340	22.19%	3,582,381	22.19%	3,611,400
Taameer Investment Company S.A.O.C. (“Taameer”) ²	Oman	24.82%	6,086,155	24.82%	6,116,918	24.82%	6,678,694
Al Jazeera Al Oula Real Estate W.L.L. ³	Saudi Arabia	20.90%	2,267,300	20.90%	2,350,778	20.90%	3,279,080
Al-Subeih Medical Company (Khalid Hamad Al-Subeih & Partners) W.L.L.	Kuwait	25%	2,973,493	25%	2,964,090	25%	2,850,092
Sons of Yousef Al-Subeih Real Estate Company (Khalid Hamad Al-Subeih & Partners) W.L.L.	Kuwait	25%	584,156	25%	586,729	25%	588,604
			24,210,669		24,480,135		25,438,724

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 During the prior period, 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. Further, during 2019, Taameer encashed performance bonds amounting to OMR 6.55 million (equivalent to KD 5.2 million) given by the Contractor. In response, the Contractor has filed a legal suit against Taameer during 2019, 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 counterclaim of OMR 25 million (equivalent to KD 19.7 million) against the Contractor for damages and breach of contract during February 2020. The proceedings of the legal suit are currently ongoing, and decision is pending from the High Court.

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 2021.

³ During the current period, the Parent Company made non-reciprocal capital contributions amounting to KD Nil (31 December 2020: KD 366,229 and 31 March 2020: KD 219,005). The amounts received by the associates was from all shareholders pro-rated to their equity interest in the associates and there is no requirement to repay the amount under any circumstances and any repayment is entirely at the discretion of the associates. As a result, these amounts are treated as equity in the books of the associate and a contribution to investment in an associate in the Parent Company's books.

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 2021

6 INVESTMENT IN ASSOCIATES (continued)

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

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2021</i>	<i>31 December</i>	<i>31 March</i>
	<i>KD</i>	<i>2020</i>	<i>2020</i>
		<i>KD</i>	<i>KD</i>
At the beginning of the period/year	24,480,135	25,465,649	25,465,649
Additional capital contributions	-	366,229	219,006
Share of results	134,682	(577,631)	186,864
Dividends received from associates	(486,833)	(682,444)	(682,444)
Foreign currency translation adjustment	(46,489)	16,618	262,652
Share of other comprehensive gain/(loss)	129,174	(108,286)	(13,003)
At the end of the period/year	24,210,669	24,480,135	25,438,724

7 ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2019, the management publicly announced its intentions to exit its investments in Q80 International Valve Industries Company W.L.L. (“Q80 Valve”) and Asian Petroleum Facilities Maintenance Company W.L.L. (“Asian Petroleum”) (“subsidiaries”) through selling its equity interest in the subsidiaries to a third-party investor. As a result, the associated assets and liabilities of these subsidiaries were presented as held for sale in the consolidated statement of financial position of the Group. Due to the shutdown of government agencies posed by the COVID-19 outbreak, the legal proceedings to complete the sale were still outstanding as at 31 December 2020.

During the period ended 31 March 2021, legal proceedings for transfer of one of these subsidiaries i.e. Q80 Valve was completed on 18 February 2021. However, legal proceedings in respect to Asian Petroleum are still outstanding as at the date of authorization of this interim condensed consolidated financial information.

8 MURABAHA PAYABLES

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2021</i>	<i>31 December</i>	<i>31 March</i>
	<i>KD</i>	<i>2020</i>	<i>2020</i>
		<i>KD</i>	<i>KD</i>
Gross amount	4,114,104	4,089,343	6,732,183
Less: Deferred finance costs	(1,146,400)	(1,149,420)	(745,118)
	2,967,704	2,939,923	5,987,065

As at 31 March 2021, murabaha payables amounting to KD 2,667,809 (31 December 2020: KD 2,675,308 and 31 March 2020: KD 2,722,065) are denominated in Omani Riyal and have an effective profit rate of 6.5% (31 December 2020: 6.5% and 31 March 2020: 6.5%) per annum.

Murabaha payables amounting to KD 2,967,704 (31 December 2020: KD 2,939,923 and 31 March 2020: KD 5,987,065) are secured against the following:

- ▶ Murabaha deposits with a carrying amount of KD Nil (31 December 2020: KD 650,000 and 31 March 2020: KD 650,000) (Note 4).
- ▶ Assets held for sale with a carrying amount of KD Nil (31 December 2020: KD 650,000 and 31 March 2020: KD 650,000).
- ▶ Investment properties with a carrying amount of KD 7,078,283 (31 December 2020: KD 7,098,180 and 31 March 2020: KD 8,024,707).
- ▶ Property, plant and equipment with a carrying amount of KD 1,609,642 (31 December 2020: KD 1,579,133 and 31 March 2020: KD Nil).

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 2021

9 SHARE CAPITAL AND TREASURY SHARES

9.1 Share capital

At 31 March 2021, the authorised, issued and fully paid-up capital of the Parent Company comprises of 445,978,742 (31 December 2020: 651,070,551 and 31 March 2020: 651,070,551) shares of 100 fils each. All shares are paid in cash.

The Board of Directors of the Parent Company in their meeting held on 22 April 2020 proposed to extinguish accumulated losses as at 31 December 2019 through utilising share premium, statutory reserve, share options reserve and a partial reduction in share capital from KD 65,107,055 to KD 44,597,874. 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 9 February 2021 under registration number 71828.

9.2 Treasury shares

	31 March 2021	<i>(Audited)</i> 31 December 2020	31 March 2020
Number of treasury shares	-	1,627,929	1,627,929
Percentage (%) of share capital	-	0.25%	0.25%
Cost of treasury shares (KD)	-	108,816	108,816
Market value of treasury shares (KD)	-	61,910	44,442

Reserves equivalent to the cost of the treasury shares held are not available for distribution during the holding period of such shares as per CMA guidelines.

For details of movement in treasury shares during the period, refer to Note 16.

10 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 2021 and 2020, as well as balances with related parties as at 31 March 2021, 31 December 2020 and 31 March 2020.

	<i>Three months ended 31 March</i>		
	2021	2020	2020
	KD	KD	KD
Interim condensed consolidated statement of profit or loss			
Management fees	1,172		-
Interim condensed consolidated statement of financial position			
Management fees and other receivables	30,428	29,256	29,256

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 2021

10 RELATED PARTY DISCLOSURES (continued)

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 year ended 31 March</i>	
	2021	2020
	KD	KD
Salaries and short-term benefits	46,215	45,187
End of service benefits	6,207	82,640
	52,422	127,827

	<i>Balance outstanding</i>		
	<i>31 March</i>	<i>(Audited)</i>	
	2021	<i>31 December</i>	<i>31 March</i>
	KD	2020	2020
		KD	KD
Salaries and short-term benefits	3,873	56,905	3,437
End of service benefits	172,462	166,255	233,521
Board Committee attendees' benefits	-	55,000	-
	176,335	278,160	236,958

Other transactions

The Group also manages investment portfolios on behalf of related parties amounting to KD 22,966 (31 December 2020: KD Nil and 31 March 2020: KD 567,019) 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)

As at and for the period ended 31 March 2021

11 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 2021 and 2020, respectively:

	<i>Real Estate</i>		<i>Financial</i>		<i>Services</i>		<i>Others</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</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	461,943	404,262	68,359	59,112	114,785	172,182	173,139	-	818,226	635,556
Expenses	(300,916)	(301,864)	(37,593)	(71,627)	(206,977)	(219,950)	(20,499)	(22,146)	(565,985)	(615,587)
Segment profit (loss)	161,027	102,398	30,766	(12,515)	(92,192)	(47,768)	152,640	(22,146)	252,241	19,969

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 2021

11 SEGMENT INFORMATION (continued)

The following table presents assets and liabilities information for the Group's operating segments as at 31 March 2021, 31 December 2020 and 31 March 2020, respectively:

	<i>Real Estate</i>			<i>Financial</i>			<i>Services</i>			<i>Others</i>			<i>Total</i>		
	<i>(Audited)</i> 31 March 2021 KD	<i>(Audited)</i> 31 December 2020 KD	31 March 2020 KD	<i>(Audited)</i> 31 March 2021 KD	<i>(Audited)</i> 31 December 2020 KD	31 March 2020 KD	<i>(Audited)</i> 31 March 2021 KD	<i>(Audited)</i> 31 December 2020 KD	31 March 2020 KD	<i>(Audited)</i> 31 March 2021 KD	<i>(Audited)</i> 31 December 2020 KD	31 March 2020 KD	<i>(Audited)</i> 31 March 2021 KD	<i>(Audited)</i> 31 December 2020 KD	31 March 2020 KD
Segment assets	27,939,889	28,841,820	32,318,994	7,092,767	8,614,969	11,342,175	30,794,120	31,496,865	28,955,284	9,233,960	7,592,168	4,580,975	75,060,736	76,545,822	77,197,428
Segment liabilities	(4,587,883)	(4,733,814)	(3,966,116)	(9,739)	(13,275)	(3,273,505)	(815,864)	(2,279,838)	(1,804,436)	(20,605,871)	(20,779,883)	(22,129,078)	(26,019,357)	(27,806,810)	(31,173,135)
Other disclosures:															
Total non-current assets ¹	27,337,249	28,060,577	31,687,388	3,242,627	3,242,599	10,240,563	27,618,508	27,272,107	24,899,477	829,273	706,577	674,560	59,027,657	59,281,860	67,501,988
Additions to non-current assets ²	-	405,093	219,006	-	-	-	261,897	161,177	450	-	21,436	20,658	261,897	587,706	240,114
Share of results from associates (Note 6)	125,480	(45,756)	110,062	-	-	-	9,202	(531,875)	76,802	-	-	-	134,682	(577,631)	186,864
Expected credit losses of other receivables	-	(77,404)	-	-	-	-	-	(12,767)	-	-	-	-	-	(90,171)	-

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

² Additions to non-current assets consists of additions of goodwill and other intangible assets, property and equipment, investment properties, properties under development, investment in associates and financial assets at FVOCI

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 2021

11 SEGMENT INFORMATION (continued)

Geographic information

	<i>Three months ended</i>	
	<i>31 March</i>	
	2021	2020
	KD	KD
Income		
Kuwait	490,482	469,202
Kingdom of Saudi Arabia (KSA)	151,064	(20,964)
Sultanate of Oman	176,680	187,318
	818,226	635,556
Segment (loss) profit		
Kuwait	17,729	(42,836)
Kingdom of Saudi Arabia (KSA)	146,829	(58,388)
Sultanate of Oman	87,683	121,193
	252,241	19,969

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	2021	2020	2020
	KD	KD	KD
Segment assets			
Kuwait	40,023,951	41,352,046	39,426,432
Kingdom of Saudi Arabia	20,404,366	20,089,079	21,370,933
Sultanate of Oman	13,297,815	13,772,490	14,954,330
Others	1,334,604	1,332,207	1,445,733
	75,060,736	76,545,822	77,197,428
Segment liabilities			
Kuwait	(22,184,657)	(23,909,644)	(27,273,883)
Kingdom of Saudi Arabia	(738,885)	(779,211)	(802,591)
Sultanate of Oman	(3,095,815)	(3,117,955)	(3,096,661)
	(26,019,357)	(27,806,810)	(31,173,135)

12 COMMITMENTS AND CONTINGENCIES

As at 31 March 2021, the Group has provided bank guarantees amounting to KD Nil (31 December 2020: KD Nil and 31 March 2020: KD 250,000) for which the management anticipates that no material liabilities will arise.

13 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:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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 2021:

	<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	0.42-1.31 (0.87)	10% increase (decrease) in the Sector PBV multiple would result in an increase (decrease) in fair value by KD 498,014
		DLOM *	20% - 40%	5% increase (decrease) in the DLOM would result in (decrease) increase in fair value by KD 351,129
	Adjusted NAV	DLOM *	0% - 50%	5% increase (decrease) in the DLOM would result in (decrease) increase in fair value by KD 661,596

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

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 2021

13 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>	
31 March 2021				
<i>Financial assets at FVTPL:</i>				
- 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>
<i>Financial assets at FVOCI:</i>				
- 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>
Investment securities (at fair value)	<u>1,598,467</u>	<u>317,663</u>	<u>20,508,306</u>	<u>22,424,436</u>
	<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>	
31 December 2020				
<i>Financial assets at FVTPL:</i>				
Quoted equity securities	350,047	-	-	350,047
Unquoted funds	-	314,623	-	314,623
	<u>350,047</u>	<u>314,623</u>	<u>-</u>	<u>664,670</u>
<i>Financial assets at FVOCI:</i>				
Quoted equity securities	653,750	-	-	653,750
Unquoted equity securities	-	-	20,254,502	20,254,502
	<u>653,750</u>	<u>-</u>	<u>20,254,502</u>	<u>20,908,252</u>
Investment securities (at fair value)	<u>1,003,797</u>	<u>314,623</u>	<u>20,254,502</u>	<u>21,572,922</u>

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 2021

13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

	Fair value measurement using			Total KD
	Quoted prices in active markets (Level 1) KD	Significant observable inputs (Level 2) KD	Significant unobservable inputs (Level 3) KD	
<i>31 March 2020</i>				
<i>Financial assets at FVTPL:</i>				
- Unquoted funds	-	66,164	-	66,164
	-	66,164	-	66,164
<i>Financial assets at FVOCI:</i>				
- Quoted equity securities	565,592	-	-	565,592
- Unquoted equity securities	-	-	27,508,442	27,508,442
	565,592	-	27,508,442	28,074,034
Investment securities (at fair value)	565,592	66,164	27,508,442	28,140,198

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

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

	<i>31 March 2021 KD</i>	<i>(Audited) 31 December 2020 KD</i>	<i>31 March 2020 KD</i>
As at 1 January	20,254,502	27,508,442	27,508,442
Remeasurement recognised in OCI	35,290	4,228,488	-
Purchases / (sales), net	218,514	(11,482,428)	-
At the end of the period/ year	20,508,306	20,254,502	27,508,442

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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As at and for the period ended 31 March 2021

14 LEGAL CLAIMS

- a) During the year ended 31 December 2006, the Parent Company has signed a contract with the Public Authority for Housing Welfare (“the Authority”) to provide consultancy services for the construction of Al Khiran project for a period of two years. Accordingly, the Parent Company has provided bank guarantees for an amount of KD 596,868. Both parties have mutually agreed to end the contract during the year ended 31 December 2013.

During the year ended 31 December 2015, the Parent Company has filed a legal case under No. 3884/2015 claiming a compensation against the services rendered to the Authority. On 13 March 2016, the case has been transferred to the Administrative Circuit of the court under No. 1508/2016.

In 2016, the Authority liquidated part of the bank guarantee amounting to KD 347,098. As a result of this event, the Parent Company has made a provision of KD 347,098 included in the profit or loss during the year then ended.

On 8 January 2017, the Administrative Circuit at the court issued a ruling to transfer the case to the Department of Expert at the Ministry of Justice, and assigned the accounting expert his engagement who was supported by engineering expert for investigating the technical deviations of the entity. The Experts’ Department raised its final report on March 2019.

On the other side, on 19 September 2017, the Parent Company filed a lawsuit under No. 6595/201 Administrative/3 to suspend the liquidation of the bank guarantees. The case was then referred to the Administrative Circuit at the court. The court issued a ruling to combine both of the cases to have a single lawsuit. On 27 December 2020, the Court of First Instance issued its ruling in the two cases as follows: (1) obliging the Authority to pay the Parent Company an amount of KD 57,817 representing the value of the last payment for the contract work conducted, (2) obliging the Authority to release and not to liquidate the guarantee relating to the advance payment and performance guarantee (3) obliging the Authority to pay the Parent Company an amount of KD 29,337 as a compensation for damages.

However, after taking appropriate legal advice, the Parent Company have decided to appeal against the decision. Each the Public Authority for Housing Welfare, and Al Motakamel Company ‘as part of the case’ have also appealed that ruling; while the Court of Appeal decided to adjourn consideration of the three appeals to 25 May 2021.

The Group has been advised by its legal counsel that it is very unlikely that the final outcome of the case will have a significant effect on the Group’s interim condensed consolidated financial information. Accordingly, no additional provisions for the liability has been made during the period.

- b) 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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As at and for the period ended 31 March 2021

14 LEGAL CLAIMS (continued)

On 24 December 2019, the Money Markets Circle issued its ruling rejecting the mentioned lawsuit based on the previous adjudication therein. However, the two sellers were not satisfied with the ruling and appealed it before the Court of Appeal. The Court of Appeal decided to issue its judgment in the case on 27 May 2021.

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 hearing has been postponed awaiting experts' report.

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 interim condensed consolidated financial information.

- c) 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 - as a seller and portfolio manager of these clients - in prior years. The legal actions commenced by the clients against the Parent Company are in various phases of litigation.

During the period ended 31 March 2021, and further to the date of the financial information, the Money Market Circuit issued its ruling in favour of a number of clients. Such ruling is currently being appealed.

During the period ended 31 March 2021, 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 Nil thousand (31 December 2020: KD 1,425 thousand, 31 March 2020: KD Nil) (including the legal interests due) 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 19,449 thousand in the interim condensed consolidated statement of financial position as at 31 March 2021 (31 December 2020: KD 19,449 thousand, 31 March 2020: KD 20,617 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 various verdicts have been issued, and the outcome of these claims is not expected to exceed the amount provided for. Notwithstanding the facts therein, many of 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 ultimate financial effect of such events cannot be made at the end of the reporting period with a reasonable degree of certainty.

- d) During the year ended 31 December 2016, the sellers referred to in point (b) 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 24 June 2021.
- e) 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 14 October 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

15 IMPACT OF COVID-19

The COVID-19 pandemic spread rapidly across global geographies causing significant disruption to business and economic activities and bringing unprecedented uncertainty to the global economic environment. Fiscal and monetary authorities worldwide have launched extensive responses designed to mitigate the severe consequences of the pandemic.

Expected Credit Loss (ECL) estimates

The Group considered the potential impact of the uncertainties caused by the Covid-19 pandemic together with the associated economic support and relief measures of governments and central banks in its estimation of ECL requirements for the period ended 31 March 2021, making adjustments to macroeconomic variables as appropriate. The Group has also given specific consideration to the impact of COVID-19 on the relevant qualitative and quantitative factors when determining any significant increase in credit risk (SICR) and in assessing indicators of impairment for exposures to potentially affected sectors.

Other impacts

The Group considered the potential impact of the current economic volatility on the reported amounts of the Group's financial and non-financial assets. The reported amounts best represent management's assessment based on observable information. Markets however remain volatile and asset carrying values remain sensitive to market fluctuations. The impact of the highly uncertain economic environment remains judgmental and the Group will accordingly continue to reassess its position and the related impact on a regular basis.

16 BOARD OF DIRECTORS' RECOMMENDATIONS AND GENERAL ASSEMBLY RESOLUTIONS

The Board of Directors of the Parent Company in their meeting held on 22 April 2020 proposed to extinguish accumulated losses as at 31 December 2019 through utilising share premium, statutory reserve, share options reserve and a partial reduction in share capital. This proposal is subject to the approval of the shareholders at the annual general assembly meeting (AGM) and extraordinary general assembly meeting (EGM).

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 18,250,360.
 - 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.

The above proposal was approved by the shareholders at the EGM held on 29 December 2020 subject to obtaining the necessary regulatory approvals. Subsequently, the capital reduction from KD 65,107,055 to KD 44,597,874 was authenticated in the commercial register on 09 February 2021 under registration number 71828.

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