

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

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

30 SEPTEMBER 2021

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

Report on the Interim Condensed Consolidated Financial Information

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of First Investment Company K.S.C.P. (the “Parent Company”) and its Subsidiaries (collectively, the “Group”) as at 30 September 2021, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three-month and nine-month periods then ended, and the related interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the nine-month period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with 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

- 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 19,296,069 on the interim condensed consolidated statement of financial position as 30 September 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)

- 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 & General Contracting 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 constructionwork 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 lawsuit 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. During February 2020, Taameer has filed a counterclaim of OMR 25 million (equivalent to KD 19.7 million) against the Contractor for damages and breach of contract. On 22 June 2021, the High Court has referred the dispute to the Arbitration Committee which is yet to issue its decision as at the authorisation date of these interim condensed consolidated financial information. 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 30 September 2021.

Our conclusion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association during the nine-month period ended 30 September 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 nine-month period ended 30 September 2021 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

9 November 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 30 September 2021

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2021 KD	2020 KD	2021 KD	2020 KD
INCOME					
Revenue from contracts with customers		170,672	166,220	495,408	469,347
Cost of sales		(74,185)	(71,731)	(211,268)	(207,843)
GROSS PROFIT		96,487	94,489	284,140	261,504
Murabaha income		25,196	22,831	66,958	38,969
Gain (loss) on sale of financial assets at fair value through profit or loss		147,132	(17,001)	147,822	(21,284)
Net change in fair value of financial assets at fair value through profit or loss		(144,073)	154,544	11,002	88,382
Share of results of associates	6	206,254	199,391	534,723	408,568
Loss on disposal of investment property		-	-	(19,575)	(16,681)
Net change in fair value of investment properties		-	-	-	(798,765)
Dividend income		3,271	26,115	63,426	749,255
Rental income		264,585	227,330	827,180	770,588
Management fees		37,220	54,188	155,841	135,218
Net foreign exchange differences		7,209	(14,916)	(14,097)	28,311
Other income		1,121	25,667	186,596	29,563
TOTAL INCOME		644,402	772,638	2,244,016	1,673,628
EXPENSES					
Staff costs		(316,465)	(282,816)	(929,410)	(931,374)
Depreciation of property and equipment and right-of-use assets		(63,915)	(45,522)	(209,272)	(193,289)
Amortisation of intangible assets		(14,942)	(14,942)	(44,828)	(44,828)
Finance costs		(49,550)	(55,753)	(142,713)	(199,924)
Other expenses		(159,743)	(139,752)	(551,765)	(409,549)
TOTAL EXPENSES		(604,615)	(538,785)	(1,877,988)	(1,778,964)
PROFIT (LOSS) FOR THE PERIOD		39,787	233,853	366,028	(105,336)
Attributable to:					
Equity holders of the Parent Company		(1,487)	203,197	234,561	196,545
Non-controlling interests		41,274	30,656	131,467	(301,881)
		39,787	233,853	366,028	(105,336)
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	3	(0.003) fils	0.31 fils	0.526 fils	0.30 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 30 September 2021

	Note	Three months ended 30 September		Nine months ended 30 September	
		2021 KD	2020 KD	2021 KD	2020 KD
PROFIT (LOSS) FOR THE PERIOD		39,787	233,853	366,028	(105,336)
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		475,233	(29,266)	1,335,191	2,798,885
Share of other comprehensive income (loss) of associates		170,284	29,088	361,077	(81,458)
Net other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods		645,517	(178)	1,696,268	2,717,427
<i>Other comprehensive income (loss) 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	6	22,652	(80,049)	(86,307)	162,334
Exchange differences on translation of foreign operations		102,276	(10,489)	95,059	(5,886)
Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods		124,928	(90,538)	8,752	156,448
Other comprehensive income (loss)		770,445	(90,716)	1,705,020	2,873,875
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		810,232	143,137	2,071,048	2,768,539
Attributable to:					
Equity holders of the Parent Company		721,079	119,702	1,895,806	3,080,000
Non-controlling interests		89,153	23,435	175,242	(311,461)
		810,232	143,137	2,071,048	2,768,539


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 30 September 2021

		30 September 2021	(Audited) 31 December 2020	30 September 2020
	Notes	KD	KD	KD
ASSETS				
Cash and cash equivalents	4	12,144,638	11,580,471	12,324,059
Financial assets at FVPL	5	323,965	664,670	825,233
Other current assets		1,589,144	2,227,352	1,796,980
Inventories		265,544	181,921	232,687
Financial assets at FVOCI	5	23,472,641	20,908,252	19,509,678
Investment in associates	6	24,303,595	24,480,135	25,589,926
Properties under development		-	-	308,482
Investment properties		10,154,329	10,373,227	10,525,743
Property, plant and equipment		2,295,942	2,417,912	1,504,679
Goodwill and other intangible assets		742,881	787,709	802,652
		75,292,679	73,621,649	73,420,119
Assets held for sale	7	-	2,924,173	2,924,173
TOTAL ASSETS		75,292,679	76,545,822	76,344,292
LIABILITIES AND EQUITY				
LIABILITIES				
Murabaha payables	8	2,926,572	2,939,923	2,794,631
Other liabilities		2,539,658	3,451,832	2,380,544
Provision for legal claims		19,296,069	19,449,233	20,502,230
End of service benefits		955,823	904,612	983,203
		25,718,122	26,745,600	26,660,608
Liabilities directly associated with the assets held for sale	7	-	1,061,210	1,061,210
TOTAL LIABILITIES		25,718,122	27,806,810	27,721,818
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
Treasury shares reserve		1,172,661	1,118,684	1,118,684
Fair value reserve		(4,126,955)	(5,823,223)	(7,200,418)
Foreign currency translation reserve		978,846	1,013,869	1,167,483
Retained earnings / (accumulated losses)		4,384,424	(16,196,525)	(34,663,496)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		47,006,850	45,111,044	44,970,027
Non-controlling interests		2,567,707	3,627,968	3,652,447
TOTAL EQUITY		49,574,557	48,739,012	48,622,474
TOTAL LIABILITIES AND EQUITY		75,292,679	76,545,822	76,344,292


Bader Mohammed Al-Qattan
Chairman


Mohammed G. Al-Tayyar
Acting 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 30 September 2021

	Attributable to equity holders of the Parent Company											
	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Share options reserve KD	Treasury shares reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Retained earnings/ (accumulated losses) KD	Sub-total KD	Non-controlling interests KD	Total equity KD
As at 1 January 2021 (audited)	65,107,055	-	(108,816)	-	-	1,118,684	(5,823,223)	1,013,869	(16,196,525)	45,111,044	3,627,968	48,739,012
Profit for the period	-	-	-	-	-	-	-	-	234,561	234,561	131,467	366,028
Other comprehensive income (loss) for the period	-	-	-	-	-	-	1,696,268	(35,023)	-	1,661,245	43,775	1,705,020
Total comprehensive income (loss) for the period	-	-	-	-	-	-	1,696,268	(35,023)	234,561	1,895,806	175,242	2,071,048
Net movements in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,235,503)	(1,235,503)
Partial extinguishment of accumulated losses (Note 16)	(20,509,181)	-	108,816	-	-	53,977	-	-	20,346,388	-	-	-
At 30 September 2021	44,597,874	-	-	-	-	1,172,661	(4,126,955)	978,846	4,384,424	47,006,850	2,567,707	49,574,557
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
Profit (loss) for the period	-	-	-	-	-	-	-	-	196,545	196,545	(301,881)	(105,336)
Other comprehensive income (loss) for the period	-	-	-	-	-	-	2,717,427	166,028	-	2,883,455	(9,580)	2,873,875
Total comprehensive income (loss) for the period	-	-	-	-	-	-	2,717,427	166,028	196,545	3,080,000	(311,461)	2,768,539
Net movements in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(8,298)	(8,298)
Transfer of fair value reserve on derecognition of equity instruments designated at FVOCI	-	-	-	-	-	-	(5,035,882)	-	5,035,882	-	-	-
Partial extinguishment of accumulated losses (Note 16)	-	-	-	-	(3,016,890)	-	-	-	3,016,890	-	-	-
At 30 September 2020	65,107,055	18,250,362	(108,816)	1,299,173	-	1,118,684	(7,200,418)	1,167,483	(34,663,496)	44,970,027	3,652,447	48,622,474

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 30 September 2021

		Nine months ended 30 September	
	Notes	2021 KD	2020 KD
OPERATING ACTIVITIES			
Profit (loss) for the period from continuing operations		366,028	(105,336)
<i>Adjustments to reconcile profit (loss) for the period to net cash flows:</i>			
Murabaha income		(66,958)	(38,969)
Realised (gain) loss on sale of financial assets at fair value through profit or loss		(147,822)	21,284
Net change in fair value of financial assets at fair value through profit or loss		(11,002)	(88,382)
Dividends income		(63,426)	(749,255)
Government grant income		-	(24,495)
Share of results of associates	6	(534,723)	(408,568)
Loss on disposal of investment property		19,575	16,681
Net change in fair value of investment properties		-	798,765
Net foreign exchange differences		14,097	(28,311)
Depreciation of property and equipment and right-of-use assets		209,272	193,289
Amortisation of intangible assets		44,828	44,828
Finance costs		142,713	199,924
Provision for employees' end of service benefits		128,318	141,898
		<u>100,900</u>	<u>(26,647)</u>
<i>Working capital adjustments:</i>			
Other assets		(339,637)	(100,687)
Financial assets at fair value through profit or loss		496,231	(652,771)
Inventories		(83,623)	(65,771)
Other liabilities		(255,303)	(14,240)
Provision for legal claims		(153,164)	(114,648)
Cash used in operations		(234,596)	(974,764)
Murabaha income received		56,806	31,029
Finance costs paid		(202,027)	(199,080)
Employees' end of service benefits paid		(77,094)	(28,956)
Receipt of government grants		-	24,495
Net cash flows used in operating activities		<u>(456,911)</u>	<u>(1,147,276)</u>
INVESTING ACTIVITIES			
Dividend income received		63,426	747,293
Purchase of financial assets at fair value through other comprehensive income	5	-	(39,364)
Proceeds from sale of financial assets at fair value through other comprehensive income	5	-	11,570,244
Dividends received from associates	6	486,833	682,444
Proceeds from capital redemption of investment in an associate		499,200	-
Proceeds from sale of investment property		161,873	209,281
Proceeds from sale of asset held for sale		1,308,370	-
Purchase of items of property and equipment		(87,355)	(180,769)
Additions to investment in associates	6	-	(317,277)
Net cash flows from investing activities		<u>2,432,347</u>	<u>12,671,852</u>
FINANCING ACTIVITIES			
Proceeds from murabaha payables	8	35,280	127,898
Repayment of murabaha payables	8	(34,515)	(3,299,245)
Dividends paid to equity holders of the Parent Company		(1,550)	(288)
Net movement in non-controlling interests		(1,235,503)	(8,298)
Payment of principle portion of lease liabilities		(174,981)	(58,400)
Net cash flows used in financing activities		<u>(1,411,269)</u>	<u>(3,238,333)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>564,167</u>	<u>8,286,243</u>
Cash and cash equivalents at 1 January		11,580,471	4,037,816
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	4	<u>12,144,638</u>	<u>12,324,059</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 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 nine months ended 30 September 2021 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 9 November 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 nine months ended 30 September 2021 has been prepared in accordance with IAS 34 *Interim Financial Reporting* except as noted below.

The interim condensed consolidated financial information for the nine months ended 30 September 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 consolidated 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 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)

Interest 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.
- ▶ 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 (LOSS) EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the (loss) 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 (loss) 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.

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
(Loss) profit attributable to equity holders of the Parent Company (KD)	(1,487)	203,197	234,561	196,545
Weighted average number of shares outstanding during the period*	445,978,742	649,442,622	445,978,742	649,442,622
Basic and diluted (loss) earnings per share (fils)	(0.003)	0.31	0.526	0.30

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

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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2021

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:

	30 September 2021 KD	(Audited) 31 December 2020 KD	30 September 2020 KD
Cash on hand	6,236	1,708	8,338
Cash at banks	2,445,591	2,035,410	1,329,634
Murabaha deposits with original maturity of three months or less	8,168,515	8,798,011	10,485,715
Cash held in portfolios	1,524,296	745,342	500,372
Cash and cash equivalents	12,144,638	11,580,471	12,324,059

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 0.30 % to 1.60 % (31 December 2020: 0.88% to 1.4% and 30 September 2020: 0.3% to 1.125%) per annum.

Murabaha deposits with a carrying amount of KD Nil (31 December 2020: KD 650,000 and 30 September 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.

On 25 April 2021, 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.

As at 30 September 2021, some of the shareholders did not collect their share of the distribution; accordingly, certain bank balances amounting to KD 451,242 (31 December 2020: KD 217,683 and 30 September 2020: KD 220,714) have been restricted for the purpose of distribution to the shareholders of the subsidiary.

5 INVESTMENT SECURITIES

	30 September 2021 KD	(Audited) 31 December 2020 KD	30 September 2020 KD
<i>Financial assets at FVTPL</i>			
Quoted equity securities	-	350,047	825,233
Unquoted investment fund	323,965	314,623	-
	323,965	664,670	825,233
<i>Financial assets at FVOCI</i>			
Quoted equity securities	927,518	653,750	574,403
Unquoted equity securities	22,545,123	20,254,502	18,935,275
	23,472,641	20,908,252	19,509,678
Investment securities (at fair value)	23,796,606	21,572,922	20,334,911

On 11 October 2021, certain unquoted equity security designated at FVOCI and carried at KD 3,271,753 at the reporting dates was re-listed in the Kuwait Stock Exchange. The share post re-listing trade in the range of 121 - 157 fils and the estimated gain is approximately 2,660,290 as at the authorisation date of this interim condensed consolidated financial statements.

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 30 September 2021

6 INVESTMENT IN ASSOCIATES

	County of incorporation	30 September 2021		(Audited) 31 December 2020		30 September 2020	
		Equity interest %	Carrying amount KD	Equity interest %	Carrying amount KD	Equity interest %	Carrying amount KD
Burgan Company for Well Drilling K.S.C.P ("BDC") ¹	Kuwait	14.66%	3,393,513	14.66%	3,175,102	14.66%	3,024,011
Arkan Al-Kuwait Real Estate Company K.S.C.P.	Kuwait	28.99%	5,723,342	28.99%	5,704,137	28.99%	5,667,863
First Education Company K.S.C. (Closed)	Kuwait	22.19%	3,374,624	22.19%	3,582,381	22.19%	3,620,482
Taameer Investment Company S.A.O.C. ("Taameer") ²	Oman	24.82%	6,064,483	24.82%	6,116,918	24.82%	6,594,852
Al Jazeera Al Oula Real Estate W.L.L. ³	Saudi Arabia	20.90%	2,083,037	20.90%	2,350,778	20.90%	3,211,223
Al-Subeih Medical Company (Khalid Hamad Al-Subeih & Partners) W.L.L.	Kuwait	25%	3,086,826	25%	2,964,090	25%	2,884,078
Sons of Yousef Al-Subeih Real Estate Company (Khalid Hamad Al-Subeih & Partners) W.L.L.	Kuwait	25%	577,770	25%	586,729	25%	587,417
			<u>24,303,595</u>		<u>24,480,135</u>		<u>25,589,926</u>

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 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 lawsuit 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. During February 2020, Taameer has filed a counterclaim of OMR 25 million (equivalent to KD 19.7 million) against the Contractor for damages and breach of contract. On 22 June 2021, the High Court has referred the dispute to the Arbitration Committee which is yet to issue its decision as at the authorisation date of these interim condensed consolidated financial information.

Taameer has been advised by its legal counsel that it is only possible, but not probable, that the action against Taameer will succeed. Accordingly, Taameer has not recognised any provision for any liability that may arise in its interim condensed consolidated financial information for the period ended 30 September 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 30 September 2020: KD Nil). 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2021

6 INVESTMENT IN ASSOCIATES (continued)

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

	30 September 2021 KD	(Audited) 31 December 2020 KD	30 September 2020 KD
At the beginning of the period/year	24,480,135	25,465,649	25,465,649
Additional capital contributions	-	366,229	317,277
Capital redemption*	(499,200)	-	-
Share of results	534,723	(577,631)	408,568
Dividends received from associates	(486,833)	(682,444)	(682,444)
Foreign currency translation adjustment	(86,307)	16,618	162,334
Share of other comprehensive income/(loss)	361,077	(108,286)	(81,458)
At the end of the period/year	24,303,595	24,480,135	25,589,926

* 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.

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.

The legal proceedings with respect to the ownership transfer of Q80 Valve was completed on 18 February 2021 and with respect to the ownership transfer of Asian Petroleum was completed on 3 August 2021.

8 MURABAHA PAYABLES

	30 September 2021 KD	(Audited) 31 December 2020 KD	30 September 2020 KD
Gross amount	3,766,399	4,089,343	3,548,026
Less: Deferred finance costs	(839,827)	(1,149,420)	(753,395)
	2,926,572	2,939,923	2,794,631

As at 30 September 2021, murabaha payables amounting to KD 2,626,677 (31 December 2020: KD 2,675,308 and 30 September 2020: KD 2,666,733) are denominated in Omani Riyal and have an effective profit rate of 6.5% (31 December 2020: 6.5% and 30 September 2020: 6.5%) per annum.

Murabaha payables amounting to KD 2,926,572 (31 December 2020: KD 2,939,923 and 30 September 2020: KD 2,794,631) are secured against the following:

- ▶ Murabaha deposits with a carrying amount of KD Nil (31 December 2020: KD 650,000 and 30 September 2020: KD 650,000) (Note 4).
- ▶ Assets held for sale with a carrying amount of KD Nil (31 December 2020: KD 650,000 and 30 September 2020: KD 650,000).
- ▶ Investment properties with a carrying amount of KD 7,060,729 (31 December 2020: KD 7,098,180 and 30 September 2020: KD 7,167,230).
- ▶ Property, plant and equipment with a carrying amount of KD 1,626,739 (31 December 2020: KD 1,579,133 and 30 September 2020: KD 1,317,305).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2021

9 SHARE CAPITAL AND TREASURY SHARES**9.1 Share capital**

At 30 September 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 30 September 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

	30 September 2021	<i>(Audited)</i> 31 December 2020	30 September 2020
Number of treasury shares	562	1,627,929	1,627,929
Percentage (%) of share capital	0.0001%	0.25%	0.25%
Cost of treasury shares (KD)	-	108,816	108,816
Market value of treasury shares (KD)	48	61,910	50,954

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 nine-month ended at 30 September 2021 and 2020, as well as balances with related parties as at 30 September 2021, 31 December 2020 and 30 September 2020.

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</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>
Consolidated statement of profit or loss:				
Management fees	141	-	1,487	-
			<i>(Audited)</i>	
	30 September		31 December	30 September
	2021		2020	2020
	<i>KD</i>		<i>KD</i>	<i>KD</i>
Consolidated statement of financial position:				
Management fees and other receivables	30,743		29,256	29,256

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 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>Three months ended 30 September</i>		<i>Nine months ended 30 September</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>
Salaries and short-term benefits	37,545	48,997	180,185	141,870
End of service benefits	8,910	6,345	39,762	95,261
	<u>46,455</u>	<u>55,342</u>	<u>219,947</u>	<u>237,131</u>
	<i>Balance outstanding (Audited)</i>			
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	
	<i>2021</i>	<i>2020</i>	<i>2020</i>	
	<i>KD</i>	<i>KD</i>	<i>KD</i>	
Salaries and short-term benefits	-	56,905	48,997	
End of service benefits	197,716	166,255	6,345	
Board committees' remuneration	-	55,000	-	
	<u>197,716</u>	<u>278,160</u>	<u>55,342</u>	

Other transactions

The Group also manages investment portfolios on behalf of related parties amounting to KD 53,768 (31 December 2020: KD Nil and 30 September 2020: KD Nil) 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 30 September 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 nine months ended 30 September 2021 and 2020, respectively:

	Real Estate		Financial		Services		Others		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Income	1,371,680	207,541	145,181	731,065	430,786	539,006	296,369	196,016	2,244,016	1,673,628
Expenses	(963,529)	(882,306)	(134,535)	(184,185)	(706,614)	(625,322)	(73,310)	(87,151)	(1,877,988)	(1,778,964)
Segment profit (loss)	408,151	(674,765)	10,646	546,880	(275,828)	(86,316)	223,059	108,865	366,028	(105,336)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2021

11 SEGMENT INFORMATION (continued)

The following table presents assets and liabilities information for the Group's operating segments as at 30 September 2021, 31 December 2020 and 30 September 2020, respectively:

	Real Estate		Financial		Services		Others		Total	
	(Audited)		(Audited)		(Audited)		(Audited)		(Audited)	
	30 September 2021	31 December 2020	30 September 2021	31 December 2020	30 September 2021	31 December 2020	30 September 2021	31 December 2020	30 September 2021	31 December 2020
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Segment assets	28,474,775	28,841,820	30,969,992	12,346,315	29,644,598	31,496,865	27,959,614	4,536,819	75,292,679	76,545,822
Segment liabilities	(4,292,472)	(4,733,814)	(3,697,856)	(11,596)	(950,089)	(2,279,838)	(2,146,015)	(20,463,965)	(25,718,122)	(27,806,810)
Other disclosures:										
Total non-current assets ¹	27,702,564	28,060,577	30,327,831	3,351,718	27,955,855	27,272,107	23,915,621	937,511	60,969,388	59,281,860
Additions to non-current assets ²	-	405,093	405,093	-	1,315,214	161,177	161,177	-	1,315,214	587,706
Share of results from associates (Note 6)	419,115	(45,756)	116,054	-	115,608	(531,875)	292,514	-	534,723	(577,631)
ECL on 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 30 September 2021

11 SEGMENT INFORMATION (continued)

Geographic information

	<i>Nine months ended 30 September</i>	
	<i>2021 KD</i>	<i>2020 KD</i>
Income		
Kuwait	1,616,177	1,952,543
Kingdom of Saudi Arabia (KSA)	86,901	(10,493)
Sultanate of Oman	540,938	(264,585)
Others	-	(3,837)
	2,244,016	1,673,628
Segment profit (loss)		
Kuwait	(8,376)	492,473
Kingdom of Saudi Arabia (KSA)	70,294	(133,384)
Sultanate of Oman	304,110	(460,588)
Others	-	(3,837)
	366,028	(105,336)
	<i>(Audited)</i>	
	<i>30 September 2021 KD</i>	<i>31 December 2020 KD</i>
Segment assets		<i>30 September 2020 KD</i>
Kuwait	39,144,495	41,352,046
Kingdom of Saudi Arabia	21,621,104	20,089,079
Sultanate of Oman	13,258,166	13,772,490
Others	1,268,914	1,332,207
	75,292,679	76,545,822
Segment liabilities		
Kuwait	(22,098,363)	(23,909,644)
Kingdom of Saudi Arabia	(742,522)	(779,211)
Sultanate of Oman	(2,877,237)	(3,117,955)
	(25,718,122)	(27,806,810)

12 COMMITMENTS AND CONTINGENCIES

As at 30 September 2021, the Group has no contingencies .

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 30 September 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 30 September 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	0.42-1.30 (0.88)	10% increase (decrease) in the Sector PBV multiple would result in an increase (decrease) in fair value by KD 1,207,312
		DLOM *	20% - 40%	5% increase (decrease) in the DLOM would result in (decrease) increase in fair value by KD 424,894
	Adjusted NAV	DLOM *	0% - 50%	5% increase (decrease) in the DLOM would result in (decrease) increase in fair value by KD 702,362

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 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>	
30 September 2021				
<i>Financial assets at FVTPL:</i>				
- Unquoted funds	-	323,965	-	323,965
<i>Financial assets at FVOCI:</i>				
- Quoted equity securities	927,518	-	-	927,518
- Unquoted equity securities	-	-	22,545,123	22,545,123
	927,518	-	22,545,123	23,472,641
Investment securities (at fair value)	927,518	323,965	22,545,123	23,796,606
	<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 (Audited)				
<i>Financial assets at FVTPL:</i>				
Quoted equity securities	350,047	-	-	350,047
Unquoted funds	-	314,623	-	314,623
	350,047	314,623	-	664,670
<i>Financial assets at FVOCI:</i>				
Quoted equity securities	653,750	-	-	653,750
Unquoted equity securities	-	-	20,254,502	20,254,502
	653,750	-	20,254,502	20,908,252
Investment securities (at fair value)	1,003,797	314,623	20,254,502	21,572,922

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 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	
30 September 2020				
<i>Financial assets at fair value through profit or loss:</i>				
- Quoted equity securities	825,233	-	-	825,233
<i>Financial assets at fair value through other comprehensive income:</i>				
- Quoted equity securities	574,403	-	-	574,403
- Unquoted equity securities	-	-	18,935,275	18,935,275
	574,403	-	18,935,275	19,509,678
Investment securities (at fair value)	1,399,636	-	18,935,275	20,334,911

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:

	30 September 2021 KD	(Audited) 31 December 2020 KD	30 September 2020 KD
As at 1 January	20,254,502	27,508,442	27,508,442
Remeasurement recognised in OCI	1,061,423	4,228,488	2,909,261
Purchases / (sales), net	1,229,198	(11,482,428)	(11,482,428)
At the end of the period/ year	22,545,123	20,254,502	18,935,275

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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As at and for the period ended 30 September 2021

14 LEGAL CLAIMS (continued)

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. The Court of Appeal issued its ruling upholding the verdict issued by Court of First Instance,

The Group has been advised by its legal counsel to appeal before the Court of Cassation against the verdict issued by the Court of Appeal and 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.

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 Experts at the Ministry of Justice. The Department of Experts issued its report and the case was adjourned to a session scheduled on 13 January 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 interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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As at and for the period ended 30 September 2021

14 LEGAL CLAIMS (continued)

- 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 30 September 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 30 September 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 266 thousand (31 December 2020: KD 1,425 thousand, 30 September 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 19,296 thousand in the interim condensed consolidated statement of financial position as at 30 September 2021 (31 December 2020: KD 19,449 thousand, 30 September 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 11 November 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 11 November 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 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 30 September 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 18,250,362.
 - 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.

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.