

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

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

31 MARCH 2019

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

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 2019, and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and 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

We draw attention to the following:

- ▶ Note 11 to the interim condensed consolidated financial information relating to the outcome of the tax demand notice issued by the General Authority of Zakat and Tax (“GAZT”), Kingdom of Saudi Arabia (“tax claim”) for one of the Group’s subsidiaries. The Group has a provision in the books of account as at 31 March 2019 as detailed in Note 11, that represents management’s best estimate of the ultimate liability on the tax claim. Notwithstanding the above, there is a significant uncertainty related to the ultimate outcome of the tax claim.
- ▶ Note 13 to the interim condensed consolidated financial statements, which describes the material uncertainty related to the final outcome of ongoing litigation. As stated in Note 13, 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 and no final court rulings have been issued by the Court of Cessation as of date, and accordingly it is not practical to estimate the potential effect of these claims. As at 31 March 2019, the Group has recognised a provision of KD 110 thousand against the litigation claims for which appeal verdicts have been issued, reflecting management’s best estimate of the most likely outcome of these litigations.

Our conclusion is not modified in respect of these matters.

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

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 2019 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 2019 that might have had material effect on the business of the Parent Company or on its financial position.



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

15 May 2019
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(UNAUDITED)

For the three months ended 31 March 2019

	Notes	Three months ended 31 March	
		2019 KD	2018 KD
Revenue			
Revenue from contracts with customers		414,829	383,574
Cost of sales		(304,903)	(265,418)
GROSS PROFIT		109,926	118,156
Murabaha income		21,616	13,157
(Loss) gain on sale of financial assets at fair value through profit or loss		(28,255)	23,214
Net change in fair value of financial assets at fair value through profit or loss		55,501	(8,033)
Share of results of associates	6	198,279	(51,070)
Gain on disposal of investment in associates		-	157,143
Dividend income		9,860	38,186
Rental income		230,481	254,343
Management fees		54,431	53,563
Net foreign exchange differences		7,759	(18,516)
Other income	11	1,789,319	1,365
TOTAL INCOME		2,448,917	581,508
EXPENSES			
Staff costs		(384,624)	(512,843)
Depreciation		(91,314)	(43,083)
Amortisation of intangible assets		(14,943)	(14,943)
Finance costs		(83,610)	(52,344)
Other expenses		(244,402)	(189,431)
TOTAL EXPENSES		(818,893)	(812,644)
PROFIT (LOSS) FOR THE PERIOD BEFORE TAX		1,630,024	(231,136)
Contribution to Kuwait Foundation for Advancement of Science (KFAS)		(13,496)	-
National Labour Support Tax (NLST)		(38,324)	-
Zakat		(15,329)	-
PROFIT (LOSS) FOR THE PERIOD		1,562,875	(231,136)
Attributable to:			
Equity holders of the Parent Company		1,557,396	(208,838)
Non-controlling interests		5,479	(22,298)
		1,562,875	(231,136)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	3	2.39 fils	(0.32) fils

The attached notes 1 to 14 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 three months ended 31 March 2019

	<i>Three months ended</i>	
	<i>31 March</i>	
<i>Note</i>	2019	2018
	KD	KD
Profit for the period	1,562,875	(231,136)
Other comprehensive loss		
<i>Other comprehensive (loss) income that will not be reclassified to profit or loss in subsequent periods:</i>		
Share of other comprehensive loss of associates	-	(136,980)
Net (loss) gain on equity instruments at fair value through other comprehensive income	(101,255)	48,762
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(101,255)	(88,218)
<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	6 47,229	(171,507)
Exchange differences on translation of foreign operations	18,155	(16,701)
Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods	65,384	(188,208)
Other comprehensive loss	(35,871)	(276,426)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	1,527,004	(507,562)
Attributable to:		
Equity holders of the Parent Company	1,507,569	(476,992)
Non-controlling interests	19,435	(30,570)
	1,527,004	(507,562)

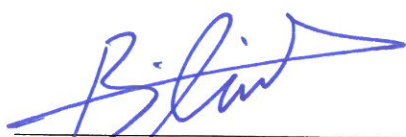
The attached notes 1 to 14 form part of this interim condensed consolidated financial information.


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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2019

		<i>(Audited)</i>	
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2019</i>	<i>2018</i>	<i>2018</i>
	<i>Notes</i>	<i>KD</i>	<i>KD</i>
ASSETS			
Cash and cash equivalents	4	5,136,905	5,978,922
Financial assets at fair value through profit or loss	5	1,624,202	130,504
Other current assets		3,822,262	1,967,874
Inventories		751,376	765,221
Financial assets at fair value through other comprehensive income	5	32,713,120	26,428,957
Investment in associates	6	50,395,928	50,832,184
Properties under development		863,333	913,422
Investment properties		12,604,730	12,571,037
Property, plant and equipment		2,783,653	2,622,318
Goodwill and other intangible assets		1,685,677	1,745,447
TOTAL ASSETS		112,381,186	103,911,058
LIABILITIES AND EQUITY			
LIABILITIES			
Murabaha payables	7	10,391,402	3,823,027
Other liabilities		3,682,487	3,330,537
End of service benefits		910,394	887,595
TOTAL LIABILITIES		14,984,283	8,041,159
EQUITY			
Share capital	8	65,107,055	65,107,055
Share premium		18,250,362	18,250,362
Treasury shares	8	(108,816)	(108,816)
Statutory reserve		1,299,173	1,299,173
Share options reserve		3,016,890	3,016,890
Treasury shares reserve		1,118,684	1,118,684
Fair value reserve		(4,272,450)	(4,163,287)
Foreign currency translation reserve		1,480,869	1,421,533
Retained earnings		7,061,648	5,504,252
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		92,953,415	91,445,846
Non-controlling interests		4,443,488	4,424,053
TOTAL EQUITY		97,396,903	95,869,899
TOTAL LIABILITIES AND EQUITY		112,381,186	108,468,878


 Bader Mohammed Al-Qattan
 Chairman


 Eisa A. S. Alweggian
 Chief Executive Officer

The attached notes 1 to 14 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 three months ended 31 March 2019

	<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 KD</i>	<i>Sub-total KD</i>	<i>Non-controlling interests KD</i>	<i>Total equity KD</i>
As at 1 January 2019 (Audited)	65,107,055	18,250,362	(108,816)	1,299,173	3,016,890	1,118,684	(4,163,287)	1,421,533	5,504,252	91,445,846	4,424,053	95,869,899
Profit for the period	-	-	-	-	-	-	-	-	1,557,396	1,557,396	5,479	1,562,875
Other comprehensive (loss) income for the period	-	-	-	-	-	-	(109,163)	59,336	-	(49,827)	13,956	(35,871)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(109,163)	59,336	1,557,396	1,507,569	19,435	1,527,004
At 31 March 2019	65,107,055	18,250,362	(108,816)	1,299,173	3,016,890	1,118,684	(4,272,450)	1,480,869	7,061,648	92,953,415	4,443,488	97,396,903
As at 1 January 2018 before the adoption of IFRS 9 (Audited)	65,107,055	18,250,362	(108,816)	1,275,223	3,016,890	1,118,684	1,510,289	1,471,906	5,705,139	97,346,732	4,661,423	102,008,155
Transition adjustment on initial application of IFRS 9 at 1 January 2018	-	-	-	-	-	-	(15,505)	-	(416,436)	(431,941)	-	(431,941)
Adjusted balance as at 1 January 2018	65,107,055	18,250,362	(108,816)	1,275,223	3,016,890	1,118,684	1,494,784	1,471,906	5,288,703	96,914,791	4,661,423	101,576,214
Loss for the period	-	-	-	-	-	-	-	-	(208,838)	(208,838)	(22,298)	(231,136)
Other comprehensive loss for the period	-	-	-	-	-	-	(9,381)	(258,773)	-	(268,154)	(8,272)	(276,426)
Total comprehensive loss for the period	-	-	-	-	-	-	(9,381)	(258,773)	(208,838)	(476,992)	(30,570)	(507,562)
Net movements in non-controlling interests	-	-	-	-	-	-	-	-	-	-	11,336	11,336
At 31 March 2018	65,107,055	18,250,362	(108,816)	1,275,223	3,016,890	1,118,684	1,485,403	1,213,133	5,079,865	96,437,799	4,642,189	101,079,988

The attached notes 1 to 14 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 three months ended 31 March 2019

	Notes	Three months ended 31 March	
		2019 KD	2018 KD
OPERATING ACTIVITIES			
Profit (loss) for the period		1,562,875	(231,136)
<i>Adjustments to reconcile profit (loss) for the period to net cash flows:</i>			
Murabaha income		(21,616)	(13,157)
Loss (gain) on sale of financial assets at fair value through profit or loss		28,255	(23,214)
Net change in fair value of financial assets at fair value through profit or loss		(55,501)	8,033
Dividend income		(9,860)	(38,186)
Gain on disposal of investment in associates		-	(157,143)
Share of results of associates	6	(198,279)	51,070
Net foreign exchange differences		(7,759)	18,516
Depreciation		91,314	43,083
Amortisation of intangible assets		14,943	14,943
Finance costs		83,610	52,344
Provision for employees' end of service benefits		25,473	86,280
		1,513,455	(188,567)
<i>Working capital adjustments:</i>			
Other assets		(1,837,172)	(444,130)
Financial assets at fair value through profit or loss		(1,464,484)	411,345
Inventories		13,845	198,114
Other liabilities		74,135	(251,206)
		(1,700,221)	(274,444)
Cash used in operations		(1,700,221)	(274,444)
Murabaha income received		17,685	7,409
Finance costs paid		(55,318)	(52,344)
Employees' end of service benefits paid		(2,750)	(37,560)
		(1,740,604)	(356,939)
Net cash flows used in operating activities			
INVESTING ACTIVITIES			
Dividend income received		2,366	34,784
Purchase of financial assets at fair value through other comprehensive income	5	(6,528,923)	-
Proceeds from sale of financial assets at fair value through other comprehensive income		143,504	-
Proceeds from sale of investment in associates		-	91,481
Dividends received from associates	6	681,764	582,445
Proceeds from sale of properties under development		52,798	-
Additions to investment properties		(7,917)	(536,060)
Purchase of property and equipment		(4,186)	(65,021)
Consideration paid towards acquisition of associates		-	(1,625,000)
		(5,660,594)	(1,517,371)
Net cash flows used in investing activities			
FINANCING ACTIVITIES			
Net proceeds from murabaha payables	7	6,559,431	385,469
Dividends paid to equity holders of the Parent Company		(250)	(1,072)
Net movement in non-controlling interests		-	11,336
		6,559,181	395,733
Net cash flows from financing activities			
NET DECREASE IN CASH AND CASH EQUIVALENTS		(842,017)	(1,478,577)
Cash and cash equivalents at 1 January		5,978,922	7,215,102
CASH AND CASH EQUIVALENTS AT 31 MARCH		5,136,905	5,736,525

The attached notes 1 to 14 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 31 March 2019

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 2019 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 15 May 2019.

The Parent Company is a Kuwaiti shareholding company incorporated and domiciled in Kuwait and whose shares are publicly traded on Boursa Kuwait. The Parent Company is regulated by the Central Bank of Kuwait (“CBK”) as an investment and finance company and is subject to the supervision of Capital Markets Authority (“CMA”). The Parent Company’s registered office is located at Al Hamra Tower 68th floor, Al Shuhada Street, Kuwait City, Kuwait.

The Parent Company is principally engaged in the provision of investment and financial services in accordance with Islamic Shari’a principles as approved by the Group’s Fatwa and Shari’a Supervisory Board. The principal activities of the Group are described in Note 10.

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 2019 have 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 2019 were 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 2018.

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 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16: Leases (“IFRS 16”)

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2019

**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)

IFRS 16: Leases ("IFRS 16") (continued)

Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between finance cost and reduction of the lease liability.

In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the interim condensed consolidated statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other assets and other liabilities, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases where the Group is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019 and accordingly, the comparative information is not restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adopting IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	<i>KD</i>
ASSETS	
Property and equipment	268,915
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LIABILITIES	
Other liabilities	268,915
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a) Nature of the effect of adoption of IFRS 16

The group has discounted its future lease obligations using its incremental borrowing rate which is determined at 4.75% at the reporting date.

	<i>Three months ended 31 March 2019 KD</i>
Depreciation expense of right-of-use assets	42,460
Finance cost on lease liabilities (other expenses)	2,640
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Total amounts recognised in interim condensed consolidated statement of profit or loss	45,100
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2019

**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)

IFRS 16: Leases ("IFRS 16") (continued)

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

▶ *Right of use assets*

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

▶ *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental profit rate at the lease commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

▶ *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases (leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e., below KD 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

▶ *Significant judgement in determining the lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

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 2019

3 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year 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 earnings per share are identical.

	<i>Three months ended</i>	
	<i>31 March</i>	
	2019	2018
	KD	KD
Profit (loss) for the period attributable to the equity holders of the Parent Company (KD)	1,557,396	(208,838)
Weighted average number of shares outstanding during the period *	649,442,622	649,442,622
Basic and diluted EPS (fils)	2.39 fils	(0.32) fils

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

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

4 CASH AND CASH EQUIVALENTS

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

	<i>(Audited)</i>		
	31 March	31 December	31 March
	2019	2018	2018
	KD	KD	KD
Cash on hand	12,336	11,714	7,925
Bank balances	1,611,927	2,175,261	1,903,967
Murabaha deposits with original maturity of three months or less	3,430,147	2,991,651	3,520,443
Cash held in portfolios	82,495	800,296	304,190
Cash and cash equivalents	5,136,905	5,978,922	5,736,525

Murabaha deposits with a carrying amount of KD 1,300,000 (31 December 2018: KD 1,300,000 and 31 March 2018: KD 1,300,000) are pledged as security against murabaha payables (Note 7).

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 2.63% to 2.88% (31 December 2018: 2.30% and 2.75% and 31 March 2018: 1.05 % to 1.94 %) per annum.

In 2016, First Energy Resource Company K.S.C.C. (Under Liquidation), a local subsidiary of the Group (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 2019, some of the shareholders did not collect their share of the distribution; accordingly, certain bank balances amounting to KD 277,085 (31 December 2018: KD 312,255 and 31 March 2018: KD 340,746) have been restricted for the purpose of distribution to the shareholders of the subsidiary.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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As at and for the period ended 31 March 2019

5 INVESTMENT SECURITIES

	<i>31 March</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>31 March</i> <i>2018</i> <i>KD</i>
<i>Financial assets at FVTPL</i>			
Quoted equity securities	1,559,116	65,139	442,815
Unquoted investment fund	65,086	65,365	99,163
	1,624,202	130,504	541,978
<i>Financial assets at FVOCI</i>			
Quoted equity securities	729,200	830,458	1,433,014
Unquoted equity securities *	31,983,920	25,598,499	31,152,799
	32,713,120	26,428,957	32,585,813
Investment securities (at fair value)	34,337,322	26,559,461	33,127,791

* On 17 February 2019, the Parent Company through a consortium comprised of local investment companies and an international operator won the bid to acquire 44% equity stake in Boursa Kuwait Securities Company ("Boursa Kuwait") for 237 fils per share and a total amount of KD 19.9 million of which the Parent Company's share is 14.4%. Management assessed that the transaction price is a reasonable approximation of fair value as at the reporting date.

The hierarchy for determining and disclosing the fair value of investment securities by valuation techniques are presented in Note 12.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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6 INVESTMENT IN ASSOCIATES

	<i>County of incorporation</i>	<i>31 March 2019</i>		<i>(Audited) 31 December 2018</i>		<i>31 March 2018</i>	
		<i>Equity interest</i>	<i>Carrying amount</i>	<i>Equity interest</i>	<i>Carrying amount</i>	<i>Equity interest</i>	<i>Carrying amount</i>
		<i>%</i>	<i>KD</i>	<i>%</i>	<i>KD</i>	<i>%</i>	<i>KD</i>
Burgan Company for Well Drilling K.S.C.P (“BDC”) ¹	Kuwait	14.66%	12,479,740	14.66%	12,450,793	14.66%	12,067,631
Arkan Al-Kuwait Real Estate Company K.S.C.P.	Kuwait	28.99%	12,493,255	28.99%	12,994,150	28.99%	12,177,505
First Education Company K.S.C. (Closed)	Kuwait	22.19%	3,627,062	22.19%	3,631,654	22.19%	3,924,258
Taameer Investment Company O.L.L.C.	Oman	37.40%	14,021,435	37.40%	13,954,180	37.40%	12,826,383
Al Jazeera Al Oula Real Estate W.L.L.	Saudi Arabia	20.90%	4,420,296	20.90%	4,418,992	20.90%	3,863,408
Al-Subeih Medical Company (Khalid Hamad Al-Subeih & Partners) W.L.L.	Kuwait	25%	2,764,305	25%	2,792,580	25%	2,667,770
Sons of Yousef Al-Subeih Real Estate Company (Khalid Hamad Al-Subeih & Partners)W.L.L.	Kuwait	25%	589,835	25%	589,835	25%	582,343
			50,395,928		50,832,184		48,109,298

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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As at and for the period ended 31 March 2019

6 INVESTMENT IN ASSOCIATES (continued)

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

	<i>31 March</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>31 March</i> <i>2018</i> <i>KD</i>
At the beginning of the period/year	50,832,184	49,382,284	49,382,284
IFRS 9 transition adjustments	-	(246,647)	(246,647)
Additions	-	2,016,094	-
Disposals	-	(71,318)	(71,318)
Dividends received from associates	(681,764)	(898,845)	(732,444)
Foreign currency translation adjustment	55,137	80,053	(113,365)
Share of other comprehensive loss	(7,908)	(10,977)	(58,142)
Share of results	198,279	581,540	(51,070)
At the end of the period/year	50,395,928	50,832,184	48,109,298

7 MURABAHA PAYABLES

	<i>31 March</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>31 March</i> <i>2018</i> <i>KD</i>
Gross amount	11,729,318	5,169,579	4,498,059
Less: Deferred finance costs	(1,337,916)	(1,346,552)	(1,101,265)
	10,391,402	3,823,027	3,396,794

During the period, the Parent Company obtained revolving murabaha facilities from a local financial institution amounting to KD 6,530,000 to acquire a stake in Boursa Kuwait (Note 5). The effective profit rate on these facilities is 4.00% per annum.

As at 31 March 2019, murabaha payables amounting to KD 2,974,180 (31 December 2018: KD 3,014,317 and 31 March 2018: KD 2,691,641) are denominated in Omani Riyal and have an effective profit rate of 6.5% (31 December 2018: 6.5% and 31 March 2018: 6.5%) per annum.

Murabaha payables amounting to KD 3,861,402 (31 December 2018: KD 3,823,027 and 31 March 2018: KD 3,396,794) are secured against the following:

- ▶ Murabaha deposits with a carrying amount of KD 1,300,000 (31 December 2018: KD 1,300,000 and 31 March 2018: KD 1,300,000) (Note 4).
- ▶ Properties under development with a carrying amount of KD Nil (31 December 2018: KD Nil and 31 March 2018: KD 1,534,194).
- ▶ Investment properties with a carrying amount of KD 8,315,068 (31 December 2018: KD 8,282,574 and 31 March 2018: KD 7,349,623).

8 SHARE CAPITAL AND TREASURY SHARES

(i) Share capital

At 31 March 2019, the authorised, issued and fully paid-up capital of the Parent Company comprises of 651,070,551 (31 December 2018: 651,070,551 and 31 March 2018: 651,070,551) shares of 100 fils each. All shares are paid in cash.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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8 SHARE CAPITAL AND TREASURY SHARES (continued)

(ii) Treasury shares

	31 March 2019	<i>(Audited)</i> 31 December 2018	31 March 2018
Number of treasury shares	1,627,929	1,627,929	1,627,929
Percentage of share capital	0.25%	0.25%	0.25%
Cost of treasury shares (KD)	108,816	108,816	108,816
Market value of treasury shares (KD)	56,978	62,187	61,861

The balance in the treasury share reserve account is not available for distribution.

An amount of KD 108,816 (31 December 2018: KD 108,816 and 31 March 2018: KD 108,816) equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable from statutory reserve and share premium throughout the holding period of treasury shares as per CMA requirements.

9 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 months 31 March 2019 and 2018, as well as balances with related parties as at 31 March 2019, 31 December 2018 and 31 March 2018.

	<i>Three months ended 31 March</i>	
	2019	2018
	KD	KD
Statement of profit or loss		
Management fees	1,504	504
	<i>(Audited)</i>	
	31 March 2019	31 December 2018
	KD	KD
Statement of financial position		
Management fees and other receivables	24,549	23,045
	18,417	

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 31 March</i>	
	2019	2018
	KD	KD
<i>Key management personnel compensation</i>		
Salaries and other short-term benefits	22,627	28,204
Post-employment benefits	2,781	7,628
	25,408	35,832

Other transactions

The Group also manages investment portfolios on behalf of related parties amounting to KD 559,339 (31 December 2018: KD 561,875 and 31 March 2018: KD 1,568,386).

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 2019

10 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 2019 and 2018, respectively:

	Real Estate		Financial		Services		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Income	382,779	278,299	38,373	28,850	243,947	274,014	1,783,818	345	2,448,917	581,508
Expenses	(366,986)	(371,990)	(20,894)	(12,935)	(399,994)	(391,028)	(31,019)	(36,691)	(818,893)	(812,644)
Results – profit (loss) for the period	15,793	(93,691)	17,479	15,915	(156,047)	(117,014)	1,752,799	(36,346)	1,630,024	(231,136)

The following table presents assets and liabilities information for the Group's operating segments as at 31 March 2019 and 31 December 2018, respectively:

	Real Estate			Financial			Services			Others			Total		
	<i>(Audited)</i>			<i>31</i>			<i>31</i>			<i>31</i>			<i>31</i>		
	<i>31 March</i>	<i>December</i>	<i>31 March</i>	<i>31 March</i>	<i>December</i>	<i>31 March</i>	<i>31 March</i>	<i>December</i>	<i>31 March</i>	<i>31 March</i>	<i>December</i>	<i>31 March</i>	<i>31 March</i>	<i>December</i>	<i>31 March</i>
	2019	2018	2018	2019	2018	2018	2019	2018	2018	2019	2018	2018	2019	2018	2018
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Segment assets	50,362,521	50,754,393	47,893,304	11,915,425	3,702,955	5,882,508	44,101,704	43,822,029	49,010,992	6,001,536	5,631,681	5,682,074	112,381,186	103,911,058	108,468,878
Segment liabilities	(5,237,167)	(5,109,284)	(4,972,429)	(6,561,611)	(10,223)	(5,363)	(1,751,935)	(1,629,897)	(1,420,283)	(1,433,570)	(1,291,755)	(990,815)	(14,984,283)	(8,041,159)	(7,388,890)
Other disclosures:															
Investment in associates	31,524,821	31,957,157	28,867,296	-	-	-	18,871,107	18,875,027	19,242,002	-	-	-	50,395,928	50,832,184	48,109,298

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2019

10 SEGMENT INFORMATION (continued)

Geographic information

	<i>Three months ended</i>		
	<i>31 March</i>		
	2019	2018	
	KD	KD	
Income			
Kuwait	2,287,868	490,188	
Kingdom of Saudi Arabia	789	16,586	
Sultanate of Oman	164,805	(112,195)	
Others	(4,545)	186,929	
	2,448,917	581,508	
Results – profit (loss) for the period			
Kuwait	1,574,298	(171,015)	
Kingdom of Saudi Arabia	(36,603)	(71,461)	
Sultanate of Oman	96,874	(175,589)	
Others	(4,545)	186,929	
	1,630,024	(231,136)	
		<i>(Audited)</i>	
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2019</i>	<i>2018</i>	<i>2018</i>
	KD	KD	KD
Segment assets			
Kuwait	60,027,352	51,737,740	51,299,353
Kingdom of Saudi Arabia	28,338,520	28,183,762	33,033,502
Sultanate of Oman	22,414,344	22,313,423	21,790,428
Others	1,600,970	1,676,133	2,345,595
	112,381,186	103,911,058	108,468,878
Segment liabilities			
Kuwait	(9,996,591)	(2,940,664)	(2,455,135)
Kingdom of Saudi Arabia	(1,541,367)	(1,601,506)	(1,852,137)
Oman	(3,446,325)	(3,498,989)	(3,081,618)
	(14,984,283)	(8,041,159)	(7,388,890)

11 COMMITMENTS AND CONTINGENCIES

Contingencies

- a) As at 31 March 2019, the Group has provided bank guarantees amounting to KD 650,251 (31 December 2018: KD 623,838 and 31 March 2018: KD 710,205) for which the management anticipates that no material liabilities will arise.
- b) During the prior year, one of the subsidiaries of the Group received a notification from the General Authority of Zakat and Tax (“GAZT”) in KSA to settle a tax obligation for the fiscal period from 2008 to 2014 amounting to SAR 7,997,618 which is equivalent to KD 647,711 out of which the Parent Company’s share as at 31 March 2019 approximates SAR 4,897,618 which is equivalent to KD 397,825 (13 December 2018: SAR 7,741,199 which is equivalent to KD 626,944). The management of the subsidiary believes that the zakat dues notified by GAZT do not reflect the correct application of tax laws in KSA and accordingly, has appointed a tax consultant in KSA to review the tax claim and file an appeal with GAZT. The initial appeal was filed by the tax consultant on 24 January 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2019

11 COMMITMENTS AND CONTINGENCIES (continued)

The management of the Parent Company, has estimated and recorded a potential tax liability in the consolidated statement of financial position as at 31 March 2019 of KD 190,010 (31 December 2018: KD 190,010 and 31 March 2018: KD 189,091) which management believes to be the best estimate of the appeal outcome. Notwithstanding the above, there is a significant uncertainty as to the outcome of the tax claim.

- c) On 13 November 2018, the Court of Cassation rejected an appeal request which was filed by Kuwait Awqaf Public Foundation (“Awqaf”) against a verdict that was issued by the Court of Appeal in favour of the Parent Company. Accordingly, the verdict issued by the Court of Appeal became final and non-appealable which obliges Awqaf to compensate the Parent Company for approximately an amount of KD 1,761,322. Subsequent to the reporting date, the Parent Company collected the compensation. Accordingly, the Group recognised accrued income of KD 1,786,905 within ‘other income’ in the interim condensed consolidated statement of profit or loss for the period ended 31 March 2019, and incurred legal expenses amounting to KD 89,395 recorded within ‘general and administrative expenses’ for the period then ended.

12 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 categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
 Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
 Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

Description of significant unobservable inputs to valuation

Set out below are the significant unobservable inputs to valuation as at 31 March 2019:

	<i>Valuation techniques</i>	<i>Significant unobservable inputs</i>	<i>Range</i>	<i>Sensitivity of the input to fair value</i>
Unquoted equity securities	Market approach	DLOM *	20%	Increase (decrease) in the discount would decrease (increase) the fair value.
	Adjusted NAV	DLOM *	0% - 50%	

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

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12 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.

	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	
31 March 2019				
<i>Financial assets at fair value through profit or loss:</i>				
- Quoted equity securities	1,559,116	-	-	1,559,116
- Unquoted funds	-	65,086	-	65,086
	1,559,116	65,086	-	1,624,202
<i>Financial assets at fair value through other comprehensive income:</i>				
- Quoted equity securities	729,200	-	-	729,200
- Unquoted equity securities	-	-	31,983,920	31,983,920
	729,200	-	31,983,920	32,713,120
Investment securities (at fair value)	2,288,316	65,086	31,983,920	34,337,322
	Fair value measurement using			
	Quoted prices in active markets (Level 1) KD	Significant observable inputs (Level 2) KD	Significant unobservable inputs (Level 3) KD	Total KD
31 December 2018				
<i>Financial assets at fair value through profit or loss:</i>				
- Quoted equity securities	65,139	-	-	65,139
- Unquoted funds	-	65,365	-	65,365
	65,139	65,365	-	130,504
<i>Financial assets at fair value through other comprehensive income:</i>				
- Quoted equity securities	830,458	-	-	830,458
- Unquoted equity securities	-	-	25,598,499	25,598,499
	830,458	-	25,598,499	26,428,957
Investment securities (at fair value)	895,597	65,365	25,598,499	26,559,461

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As at and for the period ended 31 March 2019

12 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	
31 March 2018				
<i>Financial assets at fair value through profit or loss:</i>				
- Quoted equity securities	442,815	-	-	442,815
- Unquoted funds	-	99,163	-	99,163
	<u>442,815</u>	<u>99,163</u>	<u>-</u>	<u>541,978</u>
<i>Financial assets at fair value through other comprehensive income:</i>				
- Quoted equity securities	1,433,014	-	-	1,433,014
- Unquoted equity securities	-	-	31,152,799	31,152,799
	<u>1,433,014</u>	<u>-</u>	<u>31,152,799</u>	<u>32,585,813</u>
Investment securities (at fair value)	<u>1,875,829</u>	<u>99,163</u>	<u>31,152,799</u>	<u>33,127,791</u>

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:

	31 March 2019 KD	(Audited) 31 December 2018 KD	31 March 2018 KD
As at 1 January	25,598,499	29,409,490	29,409,490
IFRS 9 transition adjustment	-	(227,197)	(227,197)
Remeasurement recognised in OCI	-	(5,569,805)	-
Purchases / (sales), net	6,385,421	1,986,011	1,970,506
At the end of the period	<u>31,983,920</u>	<u>25,598,499</u>	<u>31,152,799</u>

13 LEGAL CASES

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.

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 to verify the elements of the claim and issue an expert report. The session has been postponed to 26 May 2019 awaiting experts’ report.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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13 LEGAL CASES (continued)

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.

The Parent Company filed a lawsuit under No. 6595/2017 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 transfer the case to the Department of Expert where it is postponed to the session scheduled on 26 May 2019.

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 consolidated financial statements. 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 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 rejecting the claim filed by the sellers based on earlier verdicts. Sellers appealed the verdict. The claim was circulated before the Court of Appeal and it is currently postponed for the session scheduled on 13 June 2019 for review and response.

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 in prior years. The legal actions commenced by the clients against the Parent Company are in various phases of litigation and no final court rulings have been issued by the Court of Cessation as of date and therefore, an uncertainty exists relating to the outcome of these claims.

During the prior year, the Court of Appeal has ruled in favour of certain clients. Accordingly, the Group has a provision of KD 110 thousand (31 December 2018: KD 110 thousand, 31 March 2018: Nil) representing management's best estimate of the Group's liability relating to the claims for which appeal verdicts have been issued, after obtaining an independent legal advice of its legal counsel.

14 ANNUAL GENERAL ASSEMBLY

The consolidated financial statements for year ended 31 December 2018 were approved by the shareholders of the Parent Company at the Annual General Assembly meeting (AGM) held on 12 May 2019. No dividends have been declared.