

**KUWAIT INVESTMENT COMPANY
K.S.C.P. AND ITS SUBSIDIARIES**

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

31 MARCH 2019

INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF KUWAIT 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 Kuwait Investment Company K.S.C.P. ("the Parent Company") and its subsidiaries (together referred to as "the Group") as at 31 March 2019, and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three-month period then ended. The Parent Company's management 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, it 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.

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, as amended, during the three-month period ended 31 March 2019 that might have had a material effect on the business of the Parent Company or on its financial position.

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AL AIBAN, AL OSAIMI & PARTNERS
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**INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF
KUWAIT INVESTMENT COMPANY K.S.C.P. (continued)**

Report on Other Legal and Regulatory Requirements (continued)

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

28 April 2019
Kuwait

EY ERNST & YOUNG
AL AIBAN, AL OSAIMI & PARTNERS
See Our Report Dated

28 APR 2019

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2019

		(Audited)	
	31 March	31 December	31 March
	2019	2018	2018
Notes	KD	KD	KD
ASSETS			
Cash and cash equivalents	4	17,600,553	13,332,508
Term deposits		14,333,801	15,028,150
Accounts receivable and other assets		16,624,633	15,869,232
Wakala receivables		2,208,326	2,186,779
Loans and advances		2,861,001	2,852,537
Investment securities	5	127,537,618	124,252,600
Investment in associates		15,584,572	15,471,798
Investment properties		25,461,234	24,567,437
Intangible assets		11,042,602	11,042,602
Property and equipment		28,885,506	28,508,969
Right-of-use assets		10,503,244	-
Total assets		272,643,090	253,112,612
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks and customers		76,737,944	73,308,285
Islamic finance payables		10,168,913	9,272,828
Accounts payable and other liabilities		20,056,606	15,884,078
Term loans		3,756,612	3,813,724
Lease liability		10,542,291	-
Total liabilities		121,262,366	102,278,915
Equity			
Share capital		55,125,000	55,125,000
Treasury shares	6	(734,629)	(734,629)
Statutory reserve		29,960,206	29,960,206
Voluntary reserve		19,994,320	19,994,320
Asset revaluation surplus		4,742,731	4,742,731
Fair value reserve		(8,810,344)	(6,511,141)
Foreign currency translation reserve		1,929,202	1,856,027
Retained earnings		14,350,848	12,275,168
Equity attributable to equity holders of the Parent Company		116,557,334	116,707,682
Non-controlling interests		34,823,390	34,126,015
Total equity		151,380,724	150,833,697
Total liabilities and equity		272,643,090	253,112,612



Dr. Yousef M. Al Ali
Chairman



Bader N. AlSubaiee
Chief Executive Officer

The attached notes 1 to 15 form a part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(UNAUDITED)

For the period ended 31 March 2019

	Notes	Three months ended 31 March	
		2019 KD	2018 KD
Net fee and commission income		1,844,453	1,795,872
Rental income		2,560,416	2,428,152
Net investment income on financial assets	7	7,882,636	2,549,435
Gain on liquidation of subsidiaries		-	350,000
Share of results of associates		52,081	26,972
Gain on sale of investment property		79,359	-
Net foreign exchange differences		(214,658)	100,106
Release of allowance for credit losses		21,547	114,547
Other income	8	37,234	1,302,867
Net operating income		12,263,068	8,667,951
General and administrative expenses		(3,148,448)	(3,310,749)
Total operating expenses		(3,148,448)	(3,310,749)
Operating profit		9,114,620	5,357,202
Finance costs		(707,109)	(419,155)
Finance income		247,386	222,102
Profit before tax		8,654,897	5,160,149
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		(64,890)	(25,253)
National Labour Support Tax (NLST)		(196,890)	(118,180)
Zakat		(72,375)	(32,698)
Profit for the period		8,320,742	4,984,018
Attributable to:			
Equity holders of the Parent Company		7,555,564	3,813,275
Non-controlling interests		765,178	1,170,743
		8,320,742	4,984,018
Earnings per share attributable to equity holders of the Parent Company (basic and diluted)	9	13.79 Fils	6.96 Fils

The attached notes 1 to 15 form a part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

For the period ended 31 March 2019

	<i>Three months ended</i> <i>31 March</i>	
	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>
Profit for the period	8,320,742	4,984,018
Other comprehensive income (loss)		
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	73,175	68,721
Share of other comprehensive income (loss) of associates	37,152	(41,892)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	110,327	26,829
<i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</i>		
Net loss on equity instruments at fair value through other comprehensive income	(2,242,783)	(3,187,066)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(2,242,783)	(3,187,066)
Other comprehensive loss	(2,132,456)	(3,160,237)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6,188,286	1,823,781
Attributable to:		
Equity holders of the Parent Company	5,329,536	634,006
Non-controlling interests	858,750	1,189,775
	6,188,286	1,823,781

The attached notes 1 to 15 form a part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2019

	Attributable to equity holders of the Parent Company										
	Share capital KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Assets revaluation surplus KD	Fair value reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Total KD	Non-controlling interests KD	Total equity KD
At 1 January 2019	55,125,000	(734,629)	29,960,206	19,994,320	4,742,731	(6,511,141)	1,856,027	12,275,168	116,707,682	34,126,015	150,833,697
Profit for the period	-	-	-	-	-	-	-	7,555,564	7,555,564	765,178	8,320,742
Other comprehensive (loss) income for the period	-	-	-	-	-	(2,299,203)	73,175	-	(2,226,028)	93,572	(2,132,456)
Total comprehensive (loss) income for the period	-	-	-	-	-	(2,299,203)	73,175	7,555,564	5,329,536	858,750	6,188,286
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	(161,375)	(161,375)
Dividends to equity holders of the Parent Company (Note 15)	-	-	-	-	-	-	-	(5,479,884)	(5,479,884)	-	(5,479,884)
At 31 March 2019	55,125,000	(734,629)	29,960,206	19,994,320	4,742,731	(8,810,344)	1,929,202	14,350,848	116,557,334	34,823,390	151,380,724
At 1 January 2018 (restated)	55,125,000	(734,629)	28,923,624	18,957,738	4,742,731	504,144	2,587,343	16,126,809	126,232,760	33,994,130	160,226,890
Profit for the period	-	-	-	-	-	-	-	3,813,275	3,813,275	1,170,743	4,984,018
Other comprehensive (loss) income for the period	-	-	-	-	-	(3,247,990)	68,721	-	(3,179,269)	19,032	(3,160,237)
Total comprehensive (loss) income for the period	-	-	-	-	-	(3,247,990)	68,721	3,813,275	634,006	1,189,775	1,823,781
Non-controlling interests arising on business combination (Note 3)	-	-	-	-	-	-	-	-	-	411,838	411,838
Liquidation of subsidiaries	-	-	-	-	-	-	(350,000)	-	(350,000)	(74,839)	(424,839)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,029,000)	(1,029,000)
At 31 March 2018	55,125,000	(734,629)	28,923,624	18,957,738	4,742,731	(2,743,846)	2,306,064	19,940,084	126,516,766	34,491,904	161,008,670

The attached notes 1 to 15 form a part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 31 March 2019

	Notes	Three months ended 31 March	
		2019 KD	2018 KD
OPERATING ACTIVITIES			
Profit for the period		8,320,742	4,984,018
<i>Adjustments to reconcile profit to net cash flows:</i>			
Depreciation		1,060,310	1,083,465
Release of allowance for credit losses		(21,547)	(114,547)
Dividend income	7	(216,067)	(570,318)
Finance income		(247,386)	(222,102)
Change in fair value of financial assets at fair value through profit or loss	7	(7,288,905)	(1,448,863)
Gain on sale of financial assets at fair value through profit or loss	7	(377,664)	(530,254)
Gain on liquidation of subsidiaries		-	(350,000)
Gain on sale of investment properties		(79,359)	-
Share of results of associates		(52,081)	(26,972)
Net foreign exchange differences		214,658	(100,106)
Finance costs		707,109	419,155
		<u>2,019,810</u>	<u>3,123,476</u>
<i>Changes in operating assets and liabilities:</i>			
Term deposits		694,349	81,317
Financial assets at fair value through profit or loss		2,259,717	(3,800,760)
Financial assets at amortised cost		(800,912)	-
Accounts receivable and other assets		-	2,417,829
Wakala receivables		-	-
Loans and advances		-	111,226
Accruals and other liabilities		(1,248,595)	(3,875,264)
		<u>2,924,369</u>	<u>(1,942,176)</u>
Net cash flows from (used in) operating activities			
INVESTING ACTIVITIES			
Acquisition of a subsidiary, net of cash acquired	3	-	(2,219,414)
Purchase of investment properties		(1,111,000)	-
Proceeds from disposal of investment properties		198,433	-
Purchase of property and equipment		(1,600,048)	(1,902,509)
Proceeds from disposal of property and equipment		163,200	770,430
Dividends received from investment in associates		-	180,000
Purchase of financial assets at FVOCI		-	(116,388)
Proceeds from sale of financial assets at FVOCI		-	98,814
Dividend income received		216,067	570,318
Finance income received		292,900	177,980
		<u>(1,840,448)</u>	<u>(2,440,769)</u>
Net cash flows used in investing activities			
FINANCING ACTIVITIES			
Net movement in banks and customers' deposits		3,205,712	6,717,787
Finance costs paid		(717,390)	(445,789)
Net movement in Islamic finance payables		896,085	(831,198)
Dividends paid to equity holders of the Parent Company		(48,483)	-
Dividends paid to non-controlling interests		-	(1,029,000)
Net movement in non-controlling interests		(161,375)	-
		<u>3,174,549</u>	<u>4,411,800</u>
Net cash flows from financing activities			
Effect of foreign currency translation adjustments		9,575	23,923
		<u>4,268,045</u>	<u>52,778</u>
Net increase in cash and cash equivalents		13,332,508	18,830,206
Cash and cash equivalents at 1 January			
CASH AND CASH EQUIVALENTS AT 31 MARCH	4	<u>17,600,553</u>	<u>18,882,984</u>

The attached notes 1 to 15 form a part of this interim condensed consolidated financial information.

Kuwait 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

1. CORPORATE INFORMATION

The interim condensed consolidated financial information of Kuwait 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 on 28 April 2019.

The Parent Company is a public shareholding company, incorporated and domiciled in the State of Kuwait, and whose shares are publicly traded in Boursa Kuwait. The Parent Company is regulated by the Central Bank of Kuwait (CBK) and Capital Markets Authority ("CMA") as an investment and finance company.

The registered office of the Parent Company is located at Souk Al Manakh Building, 5th Floor, Mubarak Al Kabeer Street, Sharq, Kuwait.

Kuwait Investment Authority ("KIA") is the ultimate parent of the Group. The Parent Company is principally engaged in investment and financial services. The principal activities of the Group are described in Note 13.

The shareholders of the Parent Company at the annual general assembly meeting ("AGM") held on 25 March 2019 approved the consolidated financial statements for the year ended 31 December 2018.

2. BASIS OF PREPARATION AND 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 has been prepared in accordance with IAS 34 *Interim Financial Reporting*, except as noted below.

The interim condensed consolidated financial information for the three months ended 31 March 2019 is prepared in accordance with the regulations issued by the Central Bank of Kuwait ("CBK") for financial services institutions in the State of Kuwait. These regulations require the expected credit loss ("ECL") on credit facilities to be measured at the higher of the amount computed under 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 ECL on loans and advances computed under IFRS 9 in accordance with the CBK guidelines amounted to KD 19,040,110 as at 31 March 2019 (31 December 2018: KD 19,026,671), which is lower than the provision required by CBK instructions.

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.

The Group applies, for the first time, IFRS 16 *Leases* that requires restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial information of the Group.

Kuwait 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

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

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

IFRS 16 Leases

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.

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Lease liabilities and right of use of assets were both recorded at the present value of future lease payments, thus no impact was recorded on the opening retained earnings. 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 adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	<i>KD</i>
ASSET	
Right-of-use assets	12,140,782
Total asset	<u>12,140,782</u>
LIABILITY	
Lease liability	12,140,782
Total liability	<u>12,140,782</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2019

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

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

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. 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 interest (recognised as finance costs) 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 profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

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.

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

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

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 borrowing rate at the lease commencement date if the interest 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 interest 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 of machinery and equipment (i.e., those 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 of office equipment that are considered of low value (i.e., below €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 of three to five years. 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).

The Group included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available. The renewal options for leases of motor vehicles were not included as part of the lease term because the Group has a policy of leasing motor vehicles for not more than five years and, hence, not exercising any renewal options.

Kuwait 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. BUSINESS COMBINATIONS

On 28 March 2018, the Parent Company, through a wholly owned special purpose entity, acquired 86.8% equity interest in Dalon SARL, a Luxembourg private company holding ownership in a commercial property domiciled in the City of Frankfurt, Federal Republic of Germany. The acquisition has been accounted for using the acquisition method.

The consideration paid and the provisional values of the assets acquired and liabilities assumed, are equivalent to their carrying values at the acquisition date, and are summarised as follows:

	<i>Carrying values on acquisition KD</i>
ASSETS	
Cash and cash equivalents	215,702
Accounts receivable and other assets	313,026
Investment property	6,577,399
Total assets	7,106,127
LIABILITIES	
Accruals payable and other liabilities	236,009
Term loans	4,064,685
Total liabilities	4,300,694
Equity	2,805,433
Less : Non-controlling interests	(370,317)
Total identifiable net assets acquired	2,435,116
Purchase consideration transferred	2,435,116
Provisional goodwill on acquisition	-
<i>Analysis of cash flows on acquisition:</i>	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	215,702
Cash paid	(2,435,116)
Net cash flow on acquisition of a subsidiary	(2,219,414)

There were no acquisitions during the three-month period ended 31 March 2019.

4. CASH AND CASH EQUIVALENTS

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

	<i>31 March 2019 KD</i>	<i>(Audited) 31 December 2018 KD</i>	<i>31 March 2018 KD</i>
Cash at banks, in portfolios and on hand	11,371,390	8,219,299	10,396,735
Placements maturing within three months	6,229,163	5,113,209	8,486,249
Total cash and cash equivalents	17,600,553	13,332,508	18,882,984

Short-term deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at an average effective interest rate of 2.75% (31 December 2018: 2.6% and 31 March 2018: 1.25%) per annum.

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

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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>
Debts instruments at amortised cost	3,011,580	3,002,670	3,318,637
Equity instruments designated at FVOCI	20,692,068	22,995,014	26,269,721
Financial assets at FVTPL	103,833,970	98,254,916	101,674,802
	<u>127,537,618</u>	<u>124,252,600</u>	<u>131,263,160</u>

Debt instruments at amortised cost represent unquoted bonds denominated in US Dollars ("USD"), with an effective interest rate of 6% (31 December 2018: 6% and 31 March 2018: ranging from 1.75% to 7%) per annum.

6. TREASURY SHARES

	<i>31 March</i> <i>2019</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i>	<i>31 March</i> <i>2018</i>
Number of shares	3,261,581	3,261,581	3,261,581
Percentage of issued shares	0.5917%	0.5917%	0.5917%
Cost ("KD")	734,629	734,629	734,629
Market value ("KD")	424,006	420,744	453,360

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

7. NET INVESTMENT INCOME ON FINANCIAL ASSETS

	<i>Three months ended</i> <i>31 March</i>	
	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
Dividend income	216,067	570,318
Change in fair value of financial assets at fair value through profit or loss	7,288,905	1,448,863
Gain on sale of financial assets at fair value through profit or loss	377,664	530,254
	<u>7,882,636</u>	<u>2,549,435</u>

8. OTHER INCOME

Other income for the prior period includes an amount of KD 1,237,400 representing gain recognised on extinguishment of debt between a subsidiary and a local financial institution.

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9. EARNINGS PER SHARE (EPS)

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

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2019</i>	<i>2018</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	<u>7,555,564</u>	<u>3,813,275</u>
Weighted average number of shares outstanding (shares) *	<u>547,988,419</u>	<u>547,988,419</u>
Basic and diluted EPS (fils)	<u>13.79</u>	<u>6.96</u>

* 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.

10. FIDUCIARY ASSETS

The Group manages investment portfolios on behalf of KIA, government agencies and financial institutions. The total value of these portfolios as at 31 March 2019 amounted to KD 2.004 billion (31 December 2018: KD 1.933 billion and 31 March 2018: KD 1.917 billion) which are not reflected in the consolidated financial statements.

The portfolios have no recourse to the general assets of the Group. The Group makes investment decisions in line with the respective agreements.

Income earned from the above fiduciary assets amounted to KD 1,577,283 for the three-month period ended 31 March 2019 (For the year ended 31 December 2018: KD 6,427,912 and for the three-month period ended 31 March 2018: KD 1,660,887).

11. RELATED PARTY DISCLOSURES

Related parties represent the i.e. major shareholders, associates, 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 and are subject to the approval of the shareholders at the annual general assembly meeting (AGM).

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.

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11. RELATED PARTY DISCLOSURES (continued)

	<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>
Statement of financial position:			
Deposits from customers	41,669,682	41,868,084	44,829,824
Accounts payable and other liabilities	181,498	193,739	135,456

Transactions carried out with related parties during the period were as follows:

	<i>Three months ended</i> <i>31 March</i>	
	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
Statement of profit or loss:		
Management fees and commission income	810,000	707,250
Finance costs	(296,040)	(148,973)

Key management personnel

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</i> <i>31 March</i>	
	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
<i>Key management personnel compensation</i>		
Salaries and other short term benefits	143,343	136,068
Post-employment benefits	19,630	20,842
	162,973	156,910

The Board of Directors in their meeting held on 17 February 2019 proposed directors' remuneration of KD 95,000 for the year ended 31 December 2018. This proposal was approved by the shareholders at the AGM held on 25 March 2019.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below, is an overview of financial assets, other than cash and short-term deposits, held by the Group as at 31 March 2019, 31 December 2018 and 31 March 2018:

	<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>
Debt instruments at amortised cost:			
Accounts receivable and other assets	16,624,633	15,869,232	16,562,239
Wakala receivables	2,208,326	2,186,779	2,123,390
Loans and advances	2,861,001	2,852,537	2,819,148
Bonds	3,011,580	3,002,670	3,318,637
	<u>24,705,540</u>	<u>23,911,218</u>	<u>24,823,414</u>
Financial assets at FVTPL:			
Quoted equity securities	13,367,170	13,660,427	14,950,769
Unquoted equity securities	24,135,135	23,160,969	18,350,296
Unquoted funds	66,331,665	61,433,520	67,517,532
Unquoted bonds	-	-	856,205
	<u>103,833,970</u>	<u>98,254,916</u>	<u>101,674,802</u>
Financial assets at FVOCI:			
Quoted equity securities	1,073,638	932,552	1,086,932
Unquoted equity securities	19,618,430	22,062,462	25,182,789
	<u>20,692,068</u>	<u>22,995,014</u>	<u>26,269,721</u>
Total	<u>149,231,578</u>	<u>145,161,148</u>	<u>152,767,937</u>

Set out below is an overview of financial liabilities, held by the Group as at 31 March 2019, 31 December 2018 and 31 March 2018:

	<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>
Financial liabilities at amortised cost:			
Deposits from banks and customers	76,737,944	73,308,285	79,346,093
Islamic finance payables	10,168,913	9,272,828	12,045,585
Accounts payable and other liabilities	20,056,606	15,884,078	14,263,365
Term loans	3,756,612	3,813,724	4,267,417
	<u>110,720,075</u>	<u>102,278,915</u>	<u>109,922,460</u>

Fair values

The following table provides the fair value measurement hierarchy of the Group's financial instruments as at 31 March 2019, 31 December 2018 and 31 March 2018.

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As at and for the period ended 31 March 2019

12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

<i>As at 31 March 2019</i>	Fair value measurement using			
	<i>Total KD</i>	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant observable inputs (Level 2) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>
Financial assets at FVTPL:				
Quoted equity securities	13,367,170	13,367,170	-	-
Unquoted equity securities	24,135,135	-	-	24,135,135
Unquoted funds	66,331,665	-	66,331,665	-
	<u>103,833,970</u>	<u>13,367,170</u>	<u>66,331,665</u>	<u>24,135,135</u>
Financial assets at FVOCI:				
Quoted equity securities	1,073,638	1,073,638	-	-
Unquoted equity securities	19,618,430	-	-	19,618,430
	<u>20,692,068</u>	<u>1,073,638</u>	<u>-</u>	<u>19,618,430</u>

<i>As at 31 December 2018 (Audited)</i>	Fair value measurement using			
	<i>Total KD</i>	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant observable inputs (Level 2) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>
Financial assets at FVTPL:				
Quoted equity securities	13,660,427	13,660,427	-	-
Unquoted equity securities	23,160,969	-	-	23,160,969
Unquoted funds	61,433,520	-	61,433,520	-
	<u>98,254,916</u>	<u>13,660,427</u>	<u>61,433,520</u>	<u>23,160,969</u>
Financial assets at FVOCI:				
Quoted equity securities	932,552	932,552	-	-
Unquoted equity securities	22,062,462	-	-	22,062,462
	<u>22,995,014</u>	<u>932,552</u>	<u>-</u>	<u>22,062,462</u>

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12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

	Fair value measurement using			
		Quoted prices in active markets (Level 1) KD	Significant observable inputs (Level 2) KD	Significant unobservable inputs (Level 3) KD
<i>As at 31 March 2018</i>	<i>Total KD</i>			
Financial assets at FVTPL:				
Quoted equity securities	14,950,769	14,950,769	-	-
Unquoted equity securities	18,350,296	-	-	18,350,296
Unquoted funds	67,517,532	-	67,517,532	-
Unquoted bonds	856,205	750,250	-	105,955
	<u>101,674,802</u>	<u>15,701,019</u>	<u>67,517,532</u>	<u>18,456,251</u>
Financial assets at FVOCI:				
Quoted equity securities	1,086,932	1,086,932	-	-
Unquoted equity securities	25,182,789	-	-	25,182,789
	<u>26,269,721</u>	<u>1,086,932</u>	<u>-</u>	<u>25,182,789</u>

The management assessed that the fair values of cash and cash equivalents, term deposits, accounts receivable and other assets, wakala receivables, loans and advances, deposits from banks and customers, Islamic finance payables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

	Non-listed equity investments		
	Financial assets at FVOCI KD	Financial assets at FVTPL KD	Total KD
<i>31 March 2019</i>			
As at 1 January 2019	22,062,462	23,160,969	45,223,431
Remeasurement recognised in OCI	(2,444,032)	-	(2,444,032)
Remeasurement recognised in profit or loss	-	813,116	813,116
Purchases / sales (net)	-	161,050	161,050
As at 31 March 2019	<u>19,618,430</u>	<u>24,135,135</u>	<u>43,753,565</u>

	Non-listed equity investments		
	Financial assets at FVOCI KD	Financial assets at FVTPL KD	Total KD
<i>31 December 2018</i>			
As at 1 January 2018	42,460,174	1,265,394	43,725,568
IFRS 9 transition adjustment	(16,111,916)	17,238,000	1,126,084
Remeasurement recognised in OCI	(4,359,796)	-	(4,359,796)
Remeasurement recognised in profit or loss	-	4,657,575	4,657,575
Purchases / sales (net)	74,000	-	74,000
As at 31 December 2018	<u>22,062,462</u>	<u>23,160,969</u>	<u>45,223,431</u>

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

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12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

	<i>Non-listed equity investments</i>		
	<i>Financial assets at FVOCI</i>	<i>Financial assets at FVTPL</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>31 March 2018</i>			
As at 1 January 2018	42,460,174	1,265,394	43,725,568
IFRS 9 transition adjustment	(16,111,916)	17,238,000	1,126,084
Remeasurement recognised in OCI	(3,132,469)	-	(3,132,469)
Remeasurement recognised in profit or loss	-	(47,143)	(47,143)
Purchases / sales (net)	1,967,000	-	1,967,000
As at 31 March 2018	<u>25,182,789</u>	<u>18,456,251</u>	<u>43,639,040</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.

Fair value hierarchy

All financial instruments for which fair value is recognised 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:

- ▶ 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.

Set out below are the significant unobservable inputs to valuation of the non-listed equity investments as at 31 March 2019:

Significant unobservable valuation inputs	Range	Sensitivity of the input to fair value
Discount for lack of marketability (DLOM)	20% - 30%	10% increase (decrease) in the discount would decrease (increase) the fair value by KD917,947

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

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13. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has four reportable segments, as follows:

- ▶ **Asset Management:** Consists of quoted securities trading and management of funds and portfolios
- ▶ **Direct Investments and Corporate Finance (DICF):** Consists of managing subsidiaries, associates, long term strategic investments , lending , real estate and rental activities
- ▶ **Treasury:** Consists of foreign exchange contracts and money market activities
- ▶ **Other operations:** Management and support activities

The Executive Management Committee is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

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:

<i>Three months ended 31 March 2019</i>	<i>Asset management KD</i>	<i>DICF KD</i>	<i>Treasury KD</i>	<i>Other operations KD</i>	<i>Total KD</i>
Segment income	7,142,609	3,438,980	855,465	1,073,400	12,510,454
Segment expenses	(1,032,422)	(1,700,799)	(593,622)	(862,869)	(4,189,712)
Segment results	<u>6,110,187</u>	<u>1,738,181</u>	<u>261,843</u>	<u>210,531</u>	<u>8,320,742</u>
<i>Three months ended 31 March 2018</i>	<i>Asset management KD</i>	<i>DICF KD</i>	<i>Treasury KD</i>	<i>Other operations KD</i>	<i>Total KD</i>
Segment income	3,927,298	1,982,183	646,409	2,334,163	8,890,053
Segment expenses	(855,591)	(1,111,647)	(370,645)	(1,568,152)	(3,906,035)
Segment results	<u>3,071,707</u>	<u>870,536</u>	<u>275,764</u>	<u>766,011</u>	<u>4,984,018</u>

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

	<i>Asset management KD</i>	<i>DICF KD</i>	<i>Treasury KD</i>	<i>Other operations KD</i>	<i>Total KD</i>
ASSETS					
31 March 2019	<u>81,544,432</u>	<u>126,503,431</u>	<u>3,033,163</u>	<u>61,562,064</u>	<u>272,643,090</u>
31 December 2018	<u>75,210,647</u>	<u>118,894,371</u>	<u>3,025,190</u>	<u>55,982,404</u>	<u>253,112,612</u>
31 March 2018	<u>102,258,097</u>	<u>138,751,709</u>	<u>6,989,232</u>	<u>22,932,092</u>	<u>270,931,130</u>
LIABILITIES					
31 March 2019	<u>86,516</u>	<u>24,467,816</u>	<u>79,318,376</u>	<u>17,389,658</u>	<u>121,262,366</u>
31 December 2018	<u>80,253</u>	<u>13,086,552</u>	<u>76,056,213</u>	<u>13,055,897</u>	<u>102,278,915</u>
31 March 2018	<u>301,684</u>	<u>23,049,180</u>	<u>80,485,586</u>	<u>6,086,010</u>	<u>109,922,460</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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13. SEGMENT INFORMATION (Continued)

The geographical analysis of the Group analyses the Group's income and assets by the Company's country of domicile and other countries. In presenting the geographical information, segment income has been based on the geographical location from which income is derived and segment assets were based on the geographic location of assets.

<i>31 March 2019</i>	<i>Revenue</i>	<i>Assets</i>	<i>Capital expenditures</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Kuwait	8,891,408	182,849,036	2,711,048
Other GCC countries	458,870	52,225,673	-
Other Middle East and North Africa (MENA)	659,322	3,056,838	-
Europe	1,837,905	23,129,032	-
Americas	485,514	5,978,415	-
Asia	177,435	5,404,096	-
	<u>12,510,454</u>	<u>272,643,090</u>	<u>2,711,048</u>

<i>31 December 2018</i>	<i>Revenue</i>	<i>Assets</i>	<i>Capital expenditures</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Kuwait	28,935,836	156,600,650	8,102,788
Other GCC countries	(1,171,690)	62,478,483	-
Other Middle East and North Africa (MENA)	668,770	2,385,333	-
Europe	(399,181)	21,982,723	-
Americas	152,997	4,838,825	-
Asia	32,330	4,826,598	-
	<u>28,219,062</u>	<u>253,112,612</u>	<u>8,102,788</u>

<i>31 March 2018</i>	<i>Revenue</i>	<i>Assets</i>	<i>Capital commitments</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Kuwait	9,058,970	171,483,214	1,902,509
Other GCC countries	(366,912)	50,147,845	-
Other Middle East and North Africa (MENA)	38,522	5,579,446	-
Europe	(264,071)	35,518,314	-
Americas	431,499	4,835,581	-
Asia	(7,955)	3,366,730	-
	<u>8,890,053</u>	<u>270,931,130</u>	<u>1,902,509</u>

14. CONTINGENT LIABILITIES AND COMMITMENTS

	<i>31 March 2019</i>	<i>(Audited) 31 December 2018</i>	<i>31 March 2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Operating lease commitments	-	10,008,300	10,008,300
Investment commitments	<u>74,544</u>	<u>74,324</u>	<u>73,454</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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15. DISTRIBUTIONS MADE AND PROPOSED

- ▶ The Parent Company's Board of Directors in their meeting held on 17 February 2019 proposed cash dividends of 10 fils per share (aggregating to KD 5,479,884) for the year ended 31 December 2018. This proposal has been approved by the shareholders at the AGM on 25 March 2019.
- ▶ The Parent Company's Board of Directors in their meeting held on 8 February 2018 proposed cash dividends of 20 fils per share (aggregating to KD 10,959,768) for the year ended 31 December 2017. This proposal has been approved by the shareholders at the AGM on 18 April 2018.