

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

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

**31 MARCH 2020**





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

### **Report on the Interim Condensed Consolidated Financial Information**

#### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of First Investment Company K.S.C.P. (the “Parent Company”) and its Subsidiaries (collectively, the “Group”) as at 31 March 2020, and the related interim condensed consolidated statements of profit or loss and comprehensive income, interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the three-month period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of preparation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

#### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.

#### *Emphasis of Matter*

We draw attention to the Note 14(c) to the interim condensed consolidated financial information, which describes the material uncertainty related to the final outcome of ongoing litigation claims. As stated in the Note therein, the Parent Company is the defendant in legal proceedings brought by several portfolio clients (“clients”) in respect of certain investment transactions executed in a fiduciary capacity by the Parent Company in prior years. The legal actions commenced by the clients against the Parent Company are in various phases of litigation. The Group has recorded a total provision of KD 20,617 thousand on the interim condensed consolidated statement of financial position as 31 March 2020 against the litigation claims, reflecting management’s best estimate of the most likely outcome of these litigation claims as at the authorisation date of this interim condensed consolidated financial information.

Our conclusion is not modified in respect of this matter.

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

**Report on 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 2020 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 2020 that might have had material effect on the business of the Parent Company or on its financial position.



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

16 August 2020  
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(UNAUDITED)

For the period ended 31 March 2020

	Notes	Three months ended 31 March	
		2020 KD	2019 KD
<b>INCOME</b>			
Revenue from contracts with customers		173,099	181,279
Cost of sales		(77,997)	(87,164)
<b>GROSS PROFIT</b>		<b>95,102</b>	<b>94,115</b>
Murabaha income		11,145	21,616
Loss on sale of financial assets at fair value through profit or loss		(4,283)	(28,255)
Net change in fair value of financial assets at fair value through profit or loss		-	55,501
Share of results of associates	6	186,864	198,279
Loss on disposal of investment property		(16,681)	-
Dividends income		-	9,860
Rental income		270,694	230,481
Management fees		40,468	54,431
Net foreign exchange differences		50,740	7,759
Other income		1,507	1,787,409
<b>TOTAL INCOME</b>		<b>635,556</b>	<b>2,431,196</b>
<b>EXPENSES</b>			
Staff costs		(368,234)	(342,428)
Depreciation of property and equipment and right-of-use assets		(73,969)	(87,091)
Amortisation of intangible assets		(14,943)	(14,943)
Finance costs		(72,317)	(73,863)
Other expenses		(86,124)	(229,156)
<b>TOTAL EXPENSES</b>		<b>(615,587)</b>	<b>(747,481)</b>
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>19,969</b>	<b>1,683,715</b>
<b>Discontinued operations</b>			
Loss for the period from discontinued operations		-	(53,691)
<b>PROFIT FOR THE PERIOD BEFORE TAX</b>		<b>19,969</b>	<b>1,630,024</b>
Contribution to Kuwait Foundation for Advancement of Science (KFAS)		-	(13,496)
National Labour Support Tax (NLST)		-	(38,324)
Zakat		-	(15,329)
<b>PROFIT FOR THE PERIOD</b>		<b>19,969</b>	<b>1,562,875</b>
<b>Attributable to:</b>			
Equity holders of the Parent Company		(7,356)	1,557,396
Non-controlling interests		27,325	5,479
		<b>19,969</b>	<b>1,562,875</b>
<b>BASIC AND DILUTED (LOSS) EARNINGS PER SHARE</b>			
<b>ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>			
	3	<b>(0.01) fils</b>	2.39 fils
<b>BASIC AND DILUTED (LOSS) EARNINGS PER SHARE</b>			
<b>ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY FOR CONTINUING OPERATIONS</b>			
	3	<b>(0.01) fils</b>	2.45 fils

The attached notes 1 to 18 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 31 March 2020

	Note	Three months ended 31 March	
		2020 KD	2019 KD
<b>Profit for the period</b>		<b>19,969</b>	1,562,875
<b>Other comprehensive income (loss):</b>			
<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		(119,187)	(101,255)
Share of other comprehensive loss of associates		(13,003)	(1,302)
<b>Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods</b>		<b>(132,190)</b>	(102,557)
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Share of other comprehensive income of associates accounted for using the equity method	6	262,652	48,531
Exchange differences on translation of foreign operations		19,925	18,155
<b>Net other comprehensive income that may be reclassified to profit or loss in subsequent periods</b>		<b>282,577</b>	66,686
<b>Other comprehensive income (loss)</b>		<b>150,387</b>	(35,871)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>170,356</b>	1,527,004
<b>Attributable to:</b>			
Equity holders of the Parent Company		133,617	1,507,569
Non-controlling interests		36,739	19,435
		<b>170,356</b>	1,527,004


The attached notes 1 to 18 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 2020

		<i>(Audited)</i>		
		<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>Notes</i>	<i>2020</i>	<i>2019</i>	<i>2019</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>ASSETS</b>				
Cash and cash equivalents	4	4,713,753	4,037,816	5,136,905
Financial assets at fair value through profit or loss	5	66,164	108,372	1,624,202
Other current assets		1,798,995	1,703,524	3,748,134
Inventories		192,356	166,916	751,376
Financial assets at fair value through other comprehensive income	5	28,074,034	28,193,221	32,713,120
Investment in associates	6	25,438,724	25,465,649	50,395,928
Properties under development		310,850	305,309	863,333
Investment properties		11,383,752	11,463,260	12,604,730
Property, plant and equipment		1,462,090	1,517,199	2,783,653
Goodwill and other intangible assets		832,537	847,480	1,685,677
		<u>74,273,255</u>	<u>73,808,746</u>	<u>112,307,058</u>
Assets held for sale	7	2,924,173	2,924,173	-
<b>TOTAL ASSETS</b>		<u><u>77,197,428</u></u>	<u><u>76,732,919</u></u>	<u><u>112,307,058</u></u>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Murabaha payables	8	5,987,065	5,938,543	10,391,402
Other liabilities		2,541,560	2,385,534	3,608,359
Provision for legal claims		20,616,878	20,616,878	-
End of service benefits		966,422	868,521	910,394
		<u>30,111,925</u>	<u>29,809,476</u>	<u>14,910,155</u>
Liabilities directly associated with the assets held for sale	7	1,061,210	1,061,210	-
<b>TOTAL LIABILITIES</b>		<u><u>31,173,135</u></u>	<u><u>30,870,686</u></u>	<u><u>14,910,155</u></u>
<b>EQUITY</b>				
Share capital	9	65,107,055	65,107,055	65,107,055
Share premium		18,250,362	18,250,362	18,250,362
Treasury shares	9	(108,816)	(108,816)	(108,816)
Statutory reserve		1,299,173	1,299,173	1,299,173
Share options reserve		3,016,890	3,016,890	3,016,890
Treasury shares reserve		1,118,684	1,118,684	1,118,684
Fair value reserve		(5,014,153)	(4,881,963)	(4,272,450)
Foreign currency translation reserve		1,274,618	1,001,455	1,480,869
(Accumulated losses) retained earnings		(42,920,169)	(42,912,813)	7,061,648
		<u>42,023,644</u>	<u>41,890,027</u>	<u>92,953,415</u>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>		<u>4,000,649</u>	<u>3,972,206</u>	<u>4,443,488</u>
Non-controlling interests				
<b>TOTAL EQUITY</b>		<u><u>46,024,293</u></u>	<u><u>45,862,233</u></u>	<u><u>97,396,903</u></u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><u>77,197,428</u></u>	<u><u>76,732,919</u></u>	<u><u>112,307,058</u></u>

  
Bader Mohammed Al-Qattan  
Chairman

  
Eisa A. S. Alweggian  
Chief Executive Officer

The attached notes 1 to 18 form part of this interim condensed consolidated financial information.

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2020

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

The attached notes 1 to 18 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

(UNAUDITED)

For the period ended 31 March 2020

	Notes	Three months ended 31 March	
		2020 KD	2019 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period from continuing operations		19,969	1,683,715
Loss for the period from discontinued operations		-	(53,691)
		<b>19,969</b>	1,630,024
<i>Adjustments to reconcile profit for the period before tax to net cash flows:</i>			
Murabaha income		(11,145)	(21,616)
Loss on sale of financial assets at fair value through profit or loss		4,283	28,255
Net change in fair value of financial assets at fair value through profit or loss		-	(55,501)
Dividends income		-	(9,860)
Share of results of associates	6	(186,864)	(198,279)
Loss on disposal of investment property		16,681	-
Net foreign exchange differences		(50,740)	(7,759)
Depreciation of property and equipment and right-of-use assets		73,969	91,314
Amortisation of intangible assets		14,943	14,943
Finance costs		72,317	83,610
Provision for employees' end of service benefits		97,375	25,473
		<b>50,788</b>	1,580,604
<i>Working capital adjustments:</i>			
Other assets		(46,954)	(1,763,044)
Financial assets at fair value through profit or loss		38,629	(1,464,484)
Inventories		(25,440)	13,845
Other liabilities		75,975	(23,342)
		<b>92,998</b>	(1,656,421)
Murabaha income received		12,664	17,685
Finance costs paid		(31,200)	(55,318)
Employees' end of service benefits paid		-	(2,750)
		<b>74,462</b>	(1,696,804)
<b>Net cash flows from (used in) operating activities</b>			
<b>INVESTING ACTIVITIES</b>			
Dividends income received		-	2,366
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
Dividends received from associates	6	682,444	681,764
Proceeds from sale of properties under development		-	52,798
Proceeds from sale of investment property		209,281	-
Additions to investment properties		-	(7,917)
Purchase of items of property and equipment		(18,860)	(4,186)
Additions to investment in associates	6	(219,006)	-
		<b>653,859</b>	(5,660,594)
<b>Net cash flows from (used in) investing activities</b>			
<b>FINANCING ACTIVITIES</b>			
Proceeds from murabaha payables	8	-	7,025,793
Repayment of murabaha payables	8	-	(466,362)
Dividends paid to equity holders of the Parent Company		(288)	(250)
Net movement in non-controlling interests		(8,296)	-
Payment of principal portion of lease liabilities		(43,800)	(43,800)
		<b>(52,384)</b>	6,515,381
<b>Net cash flows (used in) from financing activities</b>			
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at 1 January		4,037,816	5,978,922
		<b>4,713,753</b>	5,136,905
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>			

The attached notes 1 to 18 form part of this interim condensed consolidated financial information.



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

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

### 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 2020 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 13 August 2020.

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 CMA.

The Parent Company’s registered office is located at Al Hamra Tower 68<sup>th</sup> floor, Al Shuhada Street, Kuwait City, Kuwait.

The Parent Company is principally engaged in the provision of investment and financial services in accordance with Islamic Sharī‘a principles as approved by the Group’s Fatwa and Sharī‘a Supervisory Board. The principal activities of the Group are described in Note 11.

### 2 BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The interim condensed consolidated financial information for the three months ended 31 March 2020 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 2020 was prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (“CBK”) in the State of Kuwait. These regulations require expected credit loss (“ECL”) to be measured at the higher of the ECL on financing facilities computed under IFRS 9: Financial Instruments (“IFRS 9”) in accordance to the CBK guidelines or the provisions as required by CBK instructions; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (“IASB”) (collectively referred to as IFRS, as adopted for use by the State of Kuwait).

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2019.

#### 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 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial information of the Group.

##### **Amendments to IFRS 3: *Definition of a Business***

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial information of the Group but may impact future periods should the Group enter into any business combinations.

##### **Amendments to IAS 1 and IAS 8: *Definition of Material***

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial information of, nor is there expected to be any future impact to the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

**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)**

**Conceptual Framework for Financial Reporting issued on 29 March 2018**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the interim condensed consolidated financial information of the Group.

**3 EARNINGS PER SHARE (EPS)**

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

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2020</i>	<i>2019</i>
(Loss) profit attributable to equity holders of the Parent Company:		
Continuing operations	<b>(7,356)</b>	1,593,157
Discontinued operations	-	(35,761)
	<hr/>	<hr/>
(Loss) profit for the period attributable to the equity holders of the Parent Company (KD)	<b>(7,356)</b>	1,557,396
	<hr/>	<hr/>
Weighted average number of shares outstanding during the period*	<b>649,442,622</b>	649,442,622
	<hr/>	<hr/>
<b>BASIC AND DILUTED (LOSS) EARNINGS PER SHARE (FILS)</b>	<b>(0.01)</b>	2.39
	<hr/>	<hr/>
From continuing operations attributable to the equity holders of the Parent Company (fils)	<b>(0.01)</b>	2.45
From discontinued operations (fils)	-	(0.06)
	<hr/>	<hr/>
<b>TOTAL BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (FILS)</b>	<b>(0.01)</b>	2.39
	<hr/>	<hr/>

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

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

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

### 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:

	<b>31 March 2020 KD</b>	<i>(Audited)</i> <b>31 December 2019 KD</b>	<b>31 March 2019 KD</b>
Cash on hand	<b>4,338</b>	3,206	12,336
Bank balances	<b>1,863,693</b>	1,137,328	1,611,927
Murabaha deposits with original maturity of three months or less	<b>1,653,207</b>	2,009,498	3,430,147
Cash held in portfolios	<b>1,192,515</b>	887,784	82,495
<b>Cash and cash equivalents</b>	<b>4,713,753</b>	4,037,816	5,136,905

Murabaha deposits with a carrying amount of KD 650,000 (31 December 2019: KD 650,000 and 31 March 2019: KD 1,300,000) are pledged against murabaha payables (Note 8).

Murabaha deposits represent murabaha contracts with local Islamic banks with an original maturity of three months or less. Murabaha deposits yield an effective rate of return ranging from 1.05% to 2.10% (31 December 2019: 2.55% and 2.80% and 31 March 2019: 2.63% to 2.88% ) per annum.

In 2016, First Energy Resource Company K.S.C. (Closed), a local subsidiary under liquidation (the “subsidiary”), had announced the distribution of first liquidation cash payment amounting to KD 6,062,000 to the shareholders. As a result of the liquidation, the Parent Company received KD 2,013,311. Distribution to non-controlling interests amounted to KD 4,048,689. As at 31 March 2020, some of the shareholders did not collect their share of the distribution; accordingly, certain bank balances amounting to KD 220,714 (31 December 2019: KD 224,957 and 31 March 2019: KD 277,085) have been restricted for the purpose of distribution to the shareholders of the subsidiary.

### 5 INVESTMENT SECURITIES

	<b>31 March 2020 KD</b>	<i>(Audited)</i> <b>31 December 2019 KD</b>	<b>31 March 2019 KD</b>
<i>Financial assets at FVTPL</i>			
Quoted equity securities	-	42,208	1,559,116
Unquoted investment fund	<b>66,164</b>	66,164	65,086
	<b>66,164</b>	108,372	1,624,202
<i>Financial assets at FVOCI</i>			
Quoted equity securities	<b>565,592</b>	684,779	729,200
Unquoted equity securities	<b>27,508,442</b>	27,508,442	31,983,920
	<b>28,074,034</b>	28,193,221	32,713,120
<b>Investment securities (at fair value)</b>	<b>28,140,198</b>	28,301,593	34,337,322

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

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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

#### 6 INVESTMENT IN ASSOCIATES

	County of incorporation	31 March 2020		(Audited) 31 December 2019		31 March 2019	
		Equity interest %	Carrying amount KD	Equity interest %	Carrying amount KD	Equity interest %	Carrying amount KD
		Burgan Company for Well Drilling K.S.C.P (“BDC”) <sup>1</sup>	Kuwait	14.66%	2,898,569	14.66%	2,852,412
Arkan Al-Kuwait Real Estate Company K.S.C.P.	Kuwait	28.99%	5,532,285	28.99%	5,999,173	28.99%	12,493,255
First Education Company K.S.C. (Closed)	Kuwait	22.19%	3,611,400	22.19%	3,662,373	22.19%	3,627,062
Taameer Investment Company O.L.L.C. <sup>2</sup>	Oman	24.82%	6,678,694	24.82%	6,449,806	37.40%	14,021,435
Al Jazeera Al Oula Real Estate W.L.L. <sup>3</sup>	Saudi Arabia	20.90%	3,279,080	20.90%	3,003,110	20.90%	4,420,296
Al-Subeih Medical Company (Khalid Hamad Al-Subeih & Partners) W.L.L.	Kuwait	25%	2,850,092	25%	2,909,796	25%	2,764,305
Sons of Yousef Al-Subeih Real Estate Company (Khalid Hamad Al-Subeih & Partners) W.L.L.	Kuwait	25%	588,604	25%	588,979	25%	589,835
			<b>25,438,724</b>		<b>25,465,649</b>		<b>50,395,928</b>

<sup>1</sup> 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.

<sup>2</sup> During the previous period, the associate had a rights issue that the Group did not fully participate in. As a result, the Group’s equity interest was diluted to 24.82%. The Group recognised a loss on the deemed disposal, taking into account the entire carrying amount of the associate as follows:

	KD	KD
Carrying amount of the investment before the deemed disposal		13,972,702
Cost of deemed disposal	(4,705,886)	
Share of contribution	2,633,340	
Reduction in carrying amount of an associate on deemed disposal	(2,072,546)	(2,072,546)
Reclassification of share in foreign currency translation	420,566	
Loss on deemed disposal	(1,651,980)	
Carrying amount of the investment after the deemed disposal		11,900,156

<sup>3</sup> During the current period, the Parent Company made non-reciprocal capital contributions amounting to KD 219,005 (31 December 2019: KD 487,899 and 31 March 2019: KD Nil). The amounts received by the associates was from all shareholders pro-rated to their equity interest in the associates and there is no requirement to repay the amount under any circumstances and any repayment is entirely at the discretion of the associates. As a result, these amounts are treated as equity in the books of the associate and a contribution to investment in an associate in the Parent Company’s books.

# 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 2020

### 6 INVESTMENT IN ASSOCIATES (continued)

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

	<b>31 March 2020 KD</b>	<i>(Audited)</i> 31 December 2019 KD	31 March 2019 KD
At the beginning of the period/year	<b>25,465,649</b>	50,832,184	50,832,184
Additional capital contributions	<b>219,006</b>	487,899	-
Impairment of associates	-	(21,793,808)	-
Dividends received from associates	<b>(682,444)</b>	(682,444)	(681,764)
Foreign currency translation adjustment	<b>262,652</b>	(771)	48,531
Share of other comprehensive loss	<b>(13,003)</b>	(230,460)	(1,302)
Reduction in carrying amount of an associate on deemed disposal	-	(2,072,546)	-
Share of results	<b>186,864</b>	(1,074,405)	198,279
At the end of the period/year	<b>25,438,724</b>	25,465,649	50,395,928

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

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

### 8 MURABAHA PAYABLES

	<b>31 March 2020 KD</b>	<i>(Audited)</i> 31 December 2019 KD	31 March 2019 KD
Gross amount	<b>6,732,183</b>	6,670,745	11,729,318
Less: Deferred finance costs	<b>(745,118)</b>	(732,202)	(1,337,916)
	<b>5,987,065</b>	5,938,543	10,391,402

During the previous period ended 31 December 2019, 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) out of which KD 3,265,000 was repaid. The effective profit rate on these facilities is 4.00% per annum.

As at 31 March 2020, murabaha payables amounting to KD 2,722,065 (31 December 2019: KD 2,673,543 and 31 March 2019: KD 2,974,180) are denominated in Omani Riyal and have an effective profit rate of 6.5% (31 December 2019: 6.5% and 31 March 2019: 6.5%) per annum.

Murabaha payables amounting to KD 5,987,065 (31 December 2019: KD 5,938,543 and 31 March 2019: KD 3,861,402) are secured against the following:

- ▶ Murabaha deposits with a carrying amount of KD 650,000 (31 December 2019: KD 650,000 and 31 March 2019: KD 1,300,000) (Note 4).
- ▶ Assets held for sale with a carrying value of KD 650,000 (31 December 2019: KD 650,000 and 31 March 2019: KD Nil).
- ▶ Investment properties with a carrying amount of KD 8,024,707 (31 December 2019: KD 7,881,665 and 31 March 2019: KD 8,315,068).

# 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 2020

### 9 SHARE CAPITAL AND TREASURY SHARES

#### 9.1 Share capital

At 31 March 2020, the authorised, issued and fully paid-up capital of the Parent Company comprises of 651,070,551 (31 December 2019: 651,070,551 and 31 March 2019: 651,070,551) shares of 100 fils each. All shares are paid in cash.

#### 9.2 Treasury shares

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2020</i>	<i>2019</i>	<i>2019</i>
Number of treasury shares	<b>1,627,929</b>	1,627,929	1,627,929
Percentage (%) of share capital	<b>0.25%</b>	0.25%	0.25%
Cost of treasury shares (KD)	<b>108,816</b>	108,816	108,816
Market value of treasury shares (KD)	<b>44,442</b>	57,258	56,978

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.

### 10 RELATED PARTY DISCLOSURES

Related parties represent associated companies, managed funds, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

The following table provides the total amount of transactions that have been entered into with related parties during the three-month ended at 31 March 2020 and 2019, as well as balances with related parties as at 31 March 2020, 31 December 2019 and 31 March 2019.

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>
<b>Interim condensed consolidated statement of profit or loss</b>		
Management fees	-	1,504
	<i>(Audited)</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>
<b>Interim condensed consolidated statement of financial position</b>		
Management fees and other receivables	<b>29,256</b>	24,549

#### 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</i>	
	<i>31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>
Salaries and other short-term benefits	<b>45,187</b>	22,627
Terminal benefits	<b>82,640</b>	2,781
	<b>127,827</b>	25,408

#### Other transactions

The Group also manages investment portfolios on behalf of related parties amounting to KD 567,019 (31 December 2019: KD 573,029 and 31 March 2019: KD 559,339) which are not reflected in the Group's interim condensed consolidated statement of financial position.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

### 11 SEGMENT INFORMATION

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments. For management purposes, the Group is organised into four operating segments:

- ▶ Real Estate
- ▶ Financial
- ▶ Services
- ▶ Others

The Group does not have any inter-segment transactions.

The following tables present revenue and profit information for the Group's operating segments for the three months ended 31 March 2020 and 2019, respectively:

	Real Estate		Financial		Services		Others		Total	
	2020 KD	2019 KD	2020 KD	2019 KD	2020 KD	2019 KD	2020 KD	2019 KD	2020 KD	2019 KD
Income	404,262	382,779	59,112	38,373	172,182	243,947	-	1,783,818	635,556	2,448,917
Expenses	(301,864)	(366,986)	(71,627)	(20,894)	(219,950)	(399,994)	(22,146)	(31,019)	(615,587)	(818,893)
Results – profit (loss) for the period <sup>1</sup>	102,398	15,793	(12,515)	17,479	(47,768)	(156,047)	(22,146)	1,752,799	19,969	1,630,024

The following table presents assets and liabilities information for the Group's operating segments as at 31 March 2020, 31 December 2019 and 31 March 2019, respectively:

	Real Estate			Financial			Services			Others			Total		
	<i>(Audited)</i>			<i>(Audited)</i>			<i>(Audited)</i>			<i>(Audited)</i>			<i>(Audited)</i>		
	31 March 2020 KD	31 December 2019 KD	31 March 2019 KD	31 March 2020 KD	31 December 2019 KD	31 March 2019 KD	31 March 2020 KD	31 December 2019 KD	31 March 2019 KD	31 March 2020 KD	31 December 2019 KD	31 March 2019 KD	31 March 2020 KD	31 December 2019 KD	31 March 2019 KD
Segment assets	32,318,994	32,069,796	50,288,393	11,342,175	11,514,542	11,915,425	28,955,284	29,056,131	44,101,704	4,580,975	4,092,450	6,001,536	77,197,428	76,732,919	112,307,058
Segment liabilities	(3,966,116)	(4,040,983)	(5,163,039)	(3,273,505)	(3,279,463)	(6,561,611)	(1,804,436)	(1,639,845)	(1,751,935)	(22,129,078)	(21,910,395)	(1,433,570)	(31,173,135)	(30,870,686)	(14,910,155)
<b>Other disclosures:</b>															
Total non-current assets <sup>2</sup>	31,687,388	31,768,468	49,946,925	10,240,563	10,240,597	6,235,031	24,899,477	24,990,650	40,550,275	674,560	792,403	4,314,210	67,501,988	67,792,118	101,046,441
Additions to non-current assets <sup>3</sup>	219,006	498,847	7,917	-	6,534,363	6,528,923	450	4,195	3,155	20,658	2,550	858	240,114	7,039,955	6,540,853

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 2020

11 SEGMENT INFORMATION (continued)

	Real Estate			Financial			Services			Others			Total		
	<i>(Audited)</i>			<i>(Audited)</i>			<i>(Audited)</i>			<i>(Audited)</i>			<i>(Audited)</i>		
	<i>31 March 2020</i>	<i>31 December 2019</i>	<i>31 March 2019</i>	<i>31 March 2020</i>	<i>31 December 2019</i>	<i>31 March 2019</i>	<i>31 March 2020</i>	<i>31 December 2019</i>	<i>31 March 2019</i>	<i>31 March 2020</i>	<i>31 December 2019</i>	<i>31 March 2019</i>	<i>31 March 2020</i>	<i>31 December 2019</i>	<i>31 March 2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Share of results from associates (Note 6)	<b>110,062</b>	(1,551,609)	102,308	-	-	-	<b>76,802</b>	477,204	95,971	-	-	-	<b>186,864</b>	(1,074,405)	198,279
Impairment of associates (Note 6)	-	(12,150,890)	-	-	-	-	-	(9,642,918)	-	-	-	-	-	(21,793,808)	-
Impairment of goodwill	-	-	-	-	-	-	-	-	-	-	(793,368)	-	-	(793,368)	-
Impairment of property, plant and equipment	-	(185,249)	-	-	-	-	-	-	-	-	-	-	-	(185,249)	-
Impairment of properties under development	-	(1,501)	-	-	-	-	-	-	-	-	-	-	-	(1,501)	-
Expected credit losses of other receivables	-	(15,811)	-	-	-	-	-	(2,977)	-	-	-	-	-	(18,788)	-

<sup>1</sup> Loss from discontinued operations for 2019 comparatives is grouped under services segment.

<sup>2</sup> Non-current assets for this purpose consist of goodwill and other intangible assets, property and equipment, investment properties, properties under development, investment in associates and financial assets at FVOCI

<sup>3</sup> Additions to non-current assets consists of additions of goodwill and other intangible assets, property and equipment, investment properties, properties under development, investment in associates and financial assets at FVOCI



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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

11 SEGMENT INFORMATION (continued)

Geographic information

	<i>Three months ended</i>		
	<i>31 March</i>		
	<b>2020</b>	<b>2019</b>	
	<b>KD</b>	<b>KD</b>	
<b>Income</b>			
Kuwait	<b>469,202</b>	2,287,868	
Kingdom of Saudi Arabia (KSA)	<b>(20,964)</b>	789	
Sultanate of Oman	<b>187,318</b>	164,805	
Others	<b>-</b>	(4,545)	
	<b>635,556</b>	2,448,917	
<b>Results – profit for the period</b>			
Kuwait	<b>(42,836)</b>	1,574,298	
Kingdom of Saudi Arabia (KSA)	<b>(58,388)</b>	(36,603)	
Sultanate of Oman	<b>121,193</b>	96,874	
Others	<b>-</b>	(4,545)	
	<b>19,969</b>	1,630,024	
		<i>(Audited)</i>	
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2020</i>	<i>2019</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>Segment assets</b>			
Kuwait	<b>39,426,432</b>	39,611,332	59,953,224
Kingdom of Saudi Arabia	<b>21,370,933</b>	21,287,125	28,338,520
Sultanate of Oman	<b>14,954,330</b>	14,393,178	22,414,344
Others	<b>1,445,733</b>	1,441,284	1,600,970
	<b>77,197,428</b>	76,732,919	112,307,058
<b>Segment liabilities</b>			
Kuwait	<b>(27,273,883)</b>	(26,828,828)	(9,922,463)
Kingdom of Saudi Arabia	<b>(802,591)</b>	(1,055,025)	(1,541,367)
Sultanate of Oman	<b>(3,096,661)</b>	(2,986,833)	(3,446,325)
	<b>(31,173,135)</b>	(30,870,686)	(14,910,155)

12 COMMITMENTS AND CONTINGENCIES

- a) As at 31 March 2020, the Group has provided bank guarantees amounting to KD 250,000 (31 December 2019: KD 249,770 and 31 March 2019: KD 650,251) for which the management anticipates that no material liabilities will arise.
- b) During the prior year ended 31 December 2018, 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 (equivalent to KD 647,711) out of which the Parent Company’s share amounted to SAR 7,741,199 (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. On 27 March 2019, GAZT issued a revised assessment accepting part of the appeal filed by the tax consultant decreasing the total tax liability by SAR 3.1 million (equivalent to KD 251,828). However, the tax consultant does not agree with GAZT’s revised assessment and decided to appeal against the revised assessment.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

**12 COMMITMENTS AND CONTINGENCIES (continued)**

During the year ended 31 December 2019, the subsidiary received the final zakat tax assessment from GAZT in KSA with respect to a tax appeal filed by the subsidiary for the fiscal periods from 2008 to 2014. Accordingly, the Group settled the liability amounting to SAR 1,000,000 equivalent to KD 81,108.

- 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. During the previous period ended 31 March 2019, the Parent Company collected the compensation. Accordingly, the Group recognised an 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.

**13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

***Fair value hierarchy***

All financial instruments for which fair value is recognized or disclosed are 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 2020:

	<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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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**13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**

The following table provides the fair value measurement hierarchy of the Group's financial instruments measured at fair value.

	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	
<b>31 March 2020</b>				
<i>Financial assets at fair value through profit or loss:</i>				
- Unquoted funds	-	66,164	-	66,164
	-	66,164	-	66,164
<i>Financial assets at fair value through other comprehensive income:</i>				
- Quoted equity securities	565,592	-	-	565,592
- Unquoted equity securities	-	-	27,508,442	27,508,442
	565,592	-	27,508,442	28,074,034
<b>Investment securities (at fair value)</b>	<b>565,592</b>	<b>66,164</b>	<b>27,508,442</b>	<b>28,140,198</b>

	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	
<b>31 December 2019</b>				
<i>Financial assets at fair value through profit or loss:</i>				
- Quoted equity securities	42,208	-	-	42,208
- Unquoted funds	-	66,164	-	66,164
	42,208	66,164	-	108,372
<i>Financial assets at fair value through other comprehensive income:</i>				
- Quoted equity securities	684,779	-	-	684,779
- Unquoted equity securities	-	-	27,508,442	27,508,442
	684,779	-	27,508,442	28,193,221
<b>Investment securities (at fair value)</b>	<b>726,987</b>	<b>66,164</b>	<b>27,508,442</b>	<b>28,301,593</b>

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

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As at and for the period ended 31 March 2020

**13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**

	Fair value measurement using			Total KD
	Quoted prices in active markets (Level 1) KD	Significant observable inputs (Level 2) KD	Significant unobservable inputs (Level 3) KD	
<i>31 March 2019</i>				
<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
	<u>1,559,116</u>	<u>65,086</u>	<u>-</u>	<u>1,624,202</u>
<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
	<u>729,200</u>	<u>-</u>	<u>31,983,920</u>	<u>32,713,120</u>
Investment securities (at fair value)	<u>2,288,316</u>	<u>65,086</u>	<u>31,983,920</u>	<u>34,337,322</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:**

	<i>(Audited)</i>		
	<i>31 March 2020 KD</i>	<i>31 December 2019 KD</i>	<i>31 March 2019 KD</i>
<b>As at 1 January</b>	<b>27,508,442</b>	25,598,499	25,598,499
Remeasurement recognised in OCI	-	(1,170,286)	-
Purchases / (sales) / transfers, net	-	3,080,229	6,385,421
<b>At the end of the period/ year</b>	<b><u>27,508,442</u></b>	<u>27,508,442</u>	<u>31,983,920</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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**14 LEGAL CLAIMS**

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

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

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

On 8 January 2017, the Administrative Circuit at the court issued a ruling to transfer the case to the Department of Expert at the Ministry of Justice to verify the elements of the claim and issue an expert report. The session has been postponed awaiting experts’ report.

On 19 September 2017, 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 combine both of the cases to have a single hearing, hence the case has been postponed to the session scheduled on 27 September 2020.

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

- b) During the years ended 31 December 2006 and 31 December 2007, the Parent Company has entered into agreements to purchase 14,500,000 shares of Al Muttahed for Investment and Real Estate Development Company S.S.C.C (the investee company) from existing shareholders (the sellers). During that period, the purchase consideration for 10,500,000 shares, was paid by the Parent Company in full.

During the year ended 31 December 2007, the Parent Company noted that the sellers have not fulfilled their commitment of transferring certain assets to the investee company as part of their share of increase in the capital of the investee company. Accordingly, the Parent Company withheld the payment for the remaining consideration related to 4,000,000 shares and filed a lawsuit against the sellers claiming for a temporary compensation. On the other hand, the sellers filed a counterclaim against the Parent Company demanding payment for the remaining consideration. However, the counterclaim was rejected by the Court of First Instance, Court of Appeal and the Court of Cassation on 11 April 2016.

Despite the decision from the Court of Cassation, the sellers filed another lawsuit against the Parent Company demanding the payment of KD 13,814,991 related to the remaining purchase consideration.

On 17 January 2017, the Court of First Instance has ruled in favour of the Parent Company rejecting the claim filed by the sellers based on the earlier verdict that was adjudicated by the Court of Cassation on 11 April 2016. The sellers further appealed against the ruling of the Court of First Instance and a verdict was issued on 21 September 2017, accepting the appeal and cancelling the earlier verdict issued by the Court of First Instance and referring the case to the Money Markets Circle.

On 9 January 2018, a verdict was issued rejecting the claim filed by the sellers based on earlier verdicts. However, the Sellers appealed the verdict before the Court of Appeal. On 4 July 2019, the Court of Appeal issued a ruling to transfer the case to the Department of Expert at the Ministry of Justice. The session has been postponed awaiting experts’ report.

Based on the advice from the Group’s legal counsel, the amount claimed by the sellers is unrealistic and has no merit. In addition, the sellers are not entitled to any compensation due to the judicial ruling of the previous legal case that was adjudicated by the Court of Cassation. Accordingly, no provision for any liability has been made in the interim condensed consolidated financial information.

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**14 LEGAL CLAIMS (continued)**

- c) The Parent Company is the defendant in legal proceedings brought by several portfolio clients (“clients”) in respect of certain investment transactions executed in a fiduciary capacity by the Parent Company in prior years. The legal actions commenced by the clients against the Parent Company are in various phases of litigation.

During the previous year ended 31 December 2019, some unfavourable appeal judgments were issued against the Parent Company in respect of legal claims filed by certain clients. Further, the Parent Company’s request to suspend the appeal verdicts was denied, and accordingly the verdicts issued in favour of some clients became legally enforceable. As a result, the Parent Company executed the underlying judgements and settled an amount of KD 2,656 thousand ( including the legal interests due) at the Sentences Execution Department of the Ministry of Justice as of date. However, the Parent Company filed an appeal before the Court of Cassation on the basis of several errors in the appeal verdicts in the application and interpretation of the law and flawed reasoning and other legal reasons.

The recognised provision of KD 20,617 thousand in the interim condensed consolidated statement of financial position as at 31 March 2020 (31 December 2019: KD 20,617 thousand, 31 March 2019: KD 110 thousand) reflects the management’s best estimate of the most likely outcome of the Group’s liability as of that date in respect of the legal claims for which various verdicts have been issued, and the outcome of these claims is not expected to exceed the amount provided for. Notwithstanding the facts therein, many of the underlying verdicts are not final and are still subject to review by the Court of Cassation despite some verdicts being executed, and therefore an estimate of the ultimate financial effect of such events cannot be made at the end of the reporting period with a reasonable degree of certainty.

**15 COMPARATIVE INFORMATION**

Certain prior period amounts have been reclassified to conform to the current period presentation. There is no effect of these reclassifications on the previously reported equity as at 31 March 2019 and profit for the period then ended. Such reclassifications have been made to improve the quality of information presented.

	<i>As previously reported KD</i>	<i>Effect of reclassification KD</i>	<i>After reclassification KD</i>
<i>31 March 2019</i>			
<b><i>Interim condensed consolidated statement of financial position:</i></b>			
Other current assets	3,822,262	(74,128)	3,748,134
Other liabilities	3,682,487	(74,128)	3,608,359
<b><i>Interim condensed consolidated statement of cash flows:</i></b>			
Other current assets	(1,837,172)	74,128	(1,763,044)
Other liabilities	74,135	(97,477)	(23,342)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

**16 IMPACT OF COVID-19**

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity and the Group's business in various significant ways.

Depending on the duration of COVID-19 crisis and continued negative impact on economic activity, the Group may experience further negative results, liquidity restraints and incur additional impairments on its assets in 2020. Given the ongoing economic uncertainty, the exact impact on the Group's activities in the remainder of 2020 and thereafter cannot be predicted at this stage with a reasonable degree of certainty.

This note describes the impact of the outbreak on the Group's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 31 March 2020.

**16.1 Risk management**

The management is monitoring and reassessing the risk management objectives and policies based on the current updates on COVID-19. For the period ended 31 March 2020, there were no significant changes to the risk management objectives and policies as compared to the audited consolidated financial statements as at 31 December 2019.

**16.1.1 Credit risk**

The Group has concluded that it is not significantly exposed to credit risk as a result of the outbreak as 71% of its financial assets constitute cash and cash equivalents. While cash and cash equivalents are subject to the impairment requirements of IFRS 9, management determined that the identified impairment loss was immaterial as these balances are mostly held with counterparties with appropriate credit-ratings assigned by international credit-rating agencies.

**16.1.2 Liquidity risk**

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

- ▶ Day to day funding is managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature.
- ▶ Maintaining rolling forecasts of the Group's overall liquidity position on the basis of expected cash flows.
- ▶ Monitoring liquidity ratios and net current assets against internal standards.
- ▶ Maintaining debt financing plans.

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable investments for working capital requirements.

**16.2 Use of estimates and assumptions**

The Group based its assumptions and estimates on parameters available when the interim condensed consolidated financial information is prepared. The COVID-19 outbreak has created uncertainty for revenue forecasts, sourcing and workforce availability, credit ratings, etc. but also volatility in oil prices, interest and currency exchange rates. Estimates based on such metrics may be subject to change due to market changes in the near term or circumstances arising that are beyond the control of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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As at and for the period ended 31 March 2020

**16 IMPACT OF COVID-19 (continued)**

**16.2 Use of estimates and assumptions (continued)**

Information about key assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets in the next reporting period is described below:

***Investment properties, property and equipment, intangible assets and investment in associates (non-financial assets)***

As at the reporting date, the Group has considered the potential impact of the current economic volatility in the determination of the reported amounts of the Group's non-financial assets and the unobservable inputs are developed using the best available information about the assumptions that market participants would make in pricing these assets at the reporting date. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

The Group acknowledges that certain geographies and sectors in which these assets are located are negatively impacted, and as the situation continues to unfold, the Group will continuously monitor the market outlook and use relevant assumptions in reflecting the values of these non-financial assets as and when they occur.

***Other current assets***

The Group uses the simplified model in calculation of the ECL for other current assets that do not contain a significant financing component by establishing a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, the segmentation applied in previous periods may no longer be appropriate and may need to be revised to reflect the different ways in which the COVID-19 outbreak affects different types of customers (e.g. by extending payment terms for trade receivables).

The Group will continue to individually assess significant exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

***Fair value measurement of financial instruments***

The Group has considered potential impacts of the current market volatility in the fair value determination of the reported amounts of the Group's investment securities, and this represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID 19, the Group is closely monitoring whether the fair values of the financial instruments represent the price that would be achieved for transactions between market participants in the current scenario. Further information on the Group's policy in relation to fair value measurements is disclosed in Notes 2.4 and Note 23 to the annual consolidated financial statements as at and for the year ended 31 December 2019.

The Group has considered potential impacts of the current economic volatility in determination of the reported amounts of the Group's financial and non-financial assets and these are considered to represent management's best assessment based on observable information. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

**16.3 Subsequent events**

The implications of COVID-19 are ongoing and the ultimate outcome of this event is unknown and therefore the full impact on the Group for events and circumstances that arose after the reporting date cannot be reasonably quantified at the authorisation date of this interim condensed consolidated financial information. The effect of COVID-19 on the Group as and when known will be incorporated into the determination of the Group's estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities.

**17 OTHER SUBSEQUENT EVENT**

On 9 July 2020, the Group disposed its entire equity interest in Boursa Kuwait, an equity security designated at FVOCI, for a total cash consideration of KD 11,570,244. The cumulative net change in the fair value of the security will be recycled to retained earnings in the subsequent interim reporting period ending 30 September 2020.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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As at and for the period ended 31 March 2020

**18 BOARD OF DIRECTORS' RECOMMENDATIONS AND GENERAL ASSEMBLY RESOLUTIONS**

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

The Board of Directors of the Parent Company in their meeting held on 3 June 2020 proposed to extinguish accumulated losses of KD 42,912,813 as at 31 December 2019 in the following manner:

1. Partial extinguishment of accumulated losses through utilising share options reserve of KD 3,016,890 which was subsequently approved by the shareholders of the Parent Company at the AGM held on 28 June 2020.
2. Partial extinguishment of accumulated losses through utilising:
  - Share premium of KD 18,250,360.
  - Statutory reserve of KD 1,299,173.
3. Capital reduction from KD 65,107,055 to KD 44,597,874 as follows:
  - Partial capital reduction of KD 20,346,388 through extinguishing part of the accumulated losses.
  - Cancellation of treasury shares amounting to KD 162,793.

The above proposal is subject to the approval of the shareholders at the EGM after obtaining the necessary regulatory approvals.

The EGM was scheduled for 26 July 2020 for which quorum was not complete. An invitation has been sent for a second EGM to be held on 4 August 2020 and the required quorum was also not met.

Further, the Board of Directors of the Parent Company in their meeting held on 6 August 2020 proposed an additional capital reduction of KD 4,400,000 by way of cash distribution to the shareholders. This proposal is subject to regulatory approvals and the approval of shareholders at the EGM.

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