

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

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

30 SEPTEMBER 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 30 September 2020, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three-month and nine-month periods then ended, and the related interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the nine-month period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of preparation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Emphasis of Matter

We draw attention to the Note 15(c) to the interim condensed consolidated financial information, which describes the material uncertainty related to the final outcome of ongoing litigation claims. As stated in Note therein, the Parent Company is the defendant in legal proceedings brought by several portfolio clients (“clients”) in respect of certain investment transactions executed in a fiduciary capacity by the Parent Company in prior years. The legal actions commenced by the clients against the Parent Company are in various phases of litigation. The Group has recorded a total provision of KD 20,502 thousand on the interim condensed consolidated statement of financial position as 30 September 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.

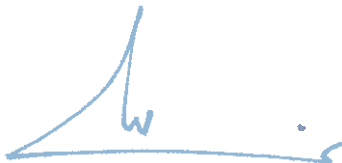
Our conclusion is not modified in respect of this matter.

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 nine-month period ended 30 September 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 nine-month period ended 30 September 2020 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

11 November 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 30 September 2020

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020 KD	2019 KD	2020 KD	2019 KD
INCOME					
Revenue from contracts with customers		166,220	169,264	469,347	548,374
Cost of sales		(71,731)	(77,561)	(207,843)	(255,982)
GROSS PROFIT		94,489	91,703	261,504	292,392
Murabaha income		22,831	37,417	38,969	89,825
(Loss) gain on sale of financial assets at fair value through profit or loss		(17,001)	2,282	(21,284)	30,889
Net change in fair value of financial assets at fair value through profit or loss		154,544	(254)	88,382	1,552
Share of results of associates	7	199,391	210,544	408,568	617,444
Loss on deemed disposal in an associate	7	-	-	-	(1,651,980)
Loss on disposal of investment property		-	-	(16,681)	(57,004)
Loss on disposal of property under development		-	(29,064)	-	(80,803)
Net change in fair value of investment properties		-	-	(798,765)	-
Dividends income		26,115	-	749,255	82,711
Rental income		227,330	252,962	770,588	711,645
Management fees		54,188	44,998	135,218	140,897
Net foreign exchange differences		(14,916)	7,900	28,311	(2,062)
Other income	3	25,667	468	29,563	1,801,147
TOTAL INCOME		772,638	618,956	1,673,628	1,976,653
EXPENSES					
Staff costs		(282,816)	(299,090)	(931,374)	(950,927)
Provision for legal claims	15	-	-	-	(1,633,651)
Depreciation of property and equipment and right-of-use assets		(45,522)	(100,597)	(193,289)	(248,690)
Amortisation of intangible assets		(14,942)	(14,942)	(44,828)	(44,828)
Finance costs		(55,753)	(80,781)	(199,924)	(251,742)
Other expenses		(139,752)	(68,307)	(409,549)	(404,570)
TOTAL EXPENSES		(538,785)	(563,717)	(1,778,964)	(3,534,408)
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		233,853	55,239	(105,336)	(1,557,755)
Discontinued operations					
Profit (loss) for the period from discontinued operations		-	55,318	-	(35,695)
PROFIT (LOSS) FOR THE PERIOD		233,853	110,557	(105,336)	(1,593,450)
Attributable to:					
Equity holders of the Parent Company		203,197	80,113	196,545	(1,625,659)
Non-controlling interests		30,656	30,444	(301,881)	32,209
		233,853	110,557	(105,336)	(1,593,450)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	4	0.31 fils	0.12 fils	0.30 fils	(2.50) fils
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY FROM CONTINUING OPERATIONS	4	0.31 fils	0.06 fils	0.30 fils	(2.47) 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 30 September 2020

	Note	Three months ended 30 September		Nine months ended 30 September	
		2020 KD	2019 KD	2020 KD	2019 KD
PROFIT (LOSS) FOR THE PERIOD		233,853	110,557	(105,336)	(1,593,450)
Other comprehensive income (loss)					
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:</i>					
Net gain (loss) on equity instruments at fair value through other comprehensive income		(29,266)	43,786	2,798,885	(638,043)
Share of other comprehensive (loss) income of associates		29,088	-	(81,458)	-
Net other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods		(178)	43,786	2,717,427	(638,043)
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>					
Share of other comprehensive income (loss) of associates accounted for using the equity method	7	(80,049)	80,610	162,334	(130,944)
Reclassification of share in foreign currency translation on deemed disposal in an associate	7	-	-	-	(420,566)
Exchange differences on translation of foreign operations		(10,489)	19,525	(5,886)	10,551
Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods		(90,538)	100,135	156,448	(540,959)
Other comprehensive income (loss)		(90,716)	143,921	2,873,875	(1,179,002)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		143,137	254,478	2,768,539	(2,772,452)
Attributable to:					
Equity holders of the Parent Company		119,702	213,360	3,080,000	(2,812,623)
Non-controlling interests		23,435	41,118	(311,461)	40,171
		143,137	254,478	2,768,539	(2,772,452)

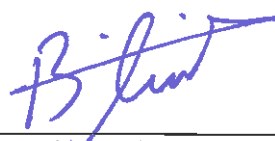
The attached notes 1 to 18 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2020

		30 September 2020 KD	(Audited) 31 December 2019 KD	30 September 2019 KD
ASSETS				
Cash and cash equivalents	5	12,324,059	4,037,816	7,851,408
Financial assets at fair value through profit or loss	6	825,233	108,372	66,914
Other current assets		1,796,980	1,703,524	1,893,420
Inventories		232,687	166,916	638,723
Financial assets at fair value through other comprehensive income	6	19,509,678	28,193,221	28,871,140
Investment in associates	7	25,589,926	25,465,649	48,929,930
Properties under development		308,482	305,309	511,337
Investment properties		10,525,743	11,463,260	12,380,624
Property, plant and equipment		1,504,679	1,517,199	2,612,442
Goodwill and other intangible assets		802,652	847,480	1,655,791
		<u>73,420,119</u>	<u>73,808,746</u>	<u>105,411,729</u>
Assets held for sale	8	2,924,173	2,924,173	-
TOTAL ASSETS		<u>76,344,292</u>	<u>76,732,919</u>	<u>105,411,729</u>
LIABILITIES AND EQUITY				
LIABILITIES				
Murabaha payables	9	2,794,631	5,938,543	6,974,743
Other liabilities		2,380,544	2,385,534	2,747,326
Provision for legal claims		20,502,230	20,616,878	1,633,651
End of service benefits		983,203	868,521	922,558
		<u>26,660,608</u>	<u>29,809,476</u>	<u>12,278,278</u>
Liabilities directly associated with the assets held for sale	8	1,061,210	1,061,210	-
TOTAL LIABILITIES		<u>27,721,818</u>	<u>30,870,686</u>	<u>12,278,278</u>
EQUITY				
Share capital	10	65,107,055	65,107,055	65,107,055
Share premium		18,250,362	18,250,362	18,250,362
Treasury shares	10	(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
Treasury shares reserve		1,118,684	1,118,684	1,118,684
Fair value reserve		(7,200,418)	(4,881,963)	(4,200,710)
Foreign currency translation reserve		1,167,483	1,001,455	1,057,339
(Accumulated losses) / retained earnings		(34,663,496)	(42,912,813)	3,093,246
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		<u>44,970,027</u>	<u>41,890,027</u>	<u>88,633,223</u>
Non-controlling interests		3,652,447	3,972,206	4,500,228
TOTAL EQUITY		<u>48,622,474</u>	<u>45,862,233</u>	<u>93,133,451</u>
TOTAL LIABILITIES AND EQUITY		<u>76,344,292</u>	<u>76,732,919</u>	<u>105,411,729</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 30 September 2020

	Attributable to equity holders of the Parent Company											
	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Share options reserve KD	Treasury shares reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	(Accumulated losses) Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total equity KD
As at 1 January 2020 (audited)	65,107,055	18,250,362	(108,816)	1,299,173	3,016,890	1,118,684	(4,881,963)	1,001,455	(42,912,813)	41,890,027	3,972,206	45,862,233
Profit (loss) for the period	-	-	-	-	-	-	-	-	196,545	196,545	(301,881)	(105,336)
Other comprehensive income (loss) for the period	-	-	-	-	-	-	2,717,427	166,028	-	2,883,455	(9,580)	2,873,875
Total comprehensive income (loss) for the period	-	-	-	-	-	-	2,717,427	166,028	196,545	3,080,000	(311,461)	2,768,539
Net movements in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(8,298)	(8,298)
Transfer of fair value reserve on derecognition of equity instruments designated at FVOCI	-	-	-	-	-	-	(5,035,882)	-	5,035,882	-	-	-
Partial extinguishment of accumulated losses (Note 18)	-	-	-	-	(3,016,890)	-	-	-	3,016,890	-	-	-
At 30 September 2020	65,107,055	18,250,362	(108,816)	1,299,173	-	1,118,684	(7,200,418)	1,167,483	(34,663,496)	44,970,027	3,652,447	48,622,474
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
(Loss) profit for the period	-	-	-	-	-	-	-	-	(1,625,659)	(1,625,659)	32,209	(1,593,450)
Other comprehensive (loss) income for the period	-	-	-	-	-	-	(822,770)	(364,194)	-	(1,186,964)	7,962	(1,179,002)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(822,770)	(364,194)	(1,625,659)	(2,812,623)	40,171	(2,772,452)
Net movements in non-controlling interests	-	-	-	-	-	-	-	-	-	-	36,004	36,004
Transfer of fair value reserve on derecognition of equity instruments designated at FVOCI	-	-	-	-	-	-	785,347	-	(785,347)	-	-	-
At 30 September 2019	65,107,055	18,250,362	(108,816)	1,299,173	3,016,890	1,118,684	(4,200,710)	1,057,339	3,093,246	88,633,223	4,500,228	93,133,451

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 30 September 2020

	Notes	Nine months ended 30 September	
		2020 KD	2019 KD
OPERATING ACTIVITIES			
Loss for the period from continuing operations		(105,336)	(1,557,755)
Loss for the period from discontinued operations		-	(35,695)
		(105,336)	(1,593,450)
<i>Adjustments to reconcile (loss) profit for the period to net cash flows:</i>			
Murabaha income		(38,969)	(89,825)
Realised loss (gain) on sale of financial assets at fair value through profit or loss		21,284	(30,889)
Net change in fair value of financial assets at fair value through profit or loss		(88,382)	(1,552)
Dividends income		(749,255)	(82,711)
Government grant income	3	(24,495)	-
Share of results of associates	7	(408,568)	(617,444)
Loss on deemed disposal in an associate	7	-	1,651,980
Loss on disposal of investment property		16,681	57,004
Loss on disposal of property under development		-	80,803
Net change in fair value of investment properties		798,765	-
Net foreign exchange differences		(28,311)	2,062
Depreciation of property and equipment and right-of-use assets		193,289	261,916
Amortisation of intangible assets		44,828	44,828
Finance costs		199,924	290,620
Provision for legal claims		-	1,633,651
Provision for employees' end of service benefits		141,898	77,244
		(26,647)	1,684,237
<i>Working capital adjustments:</i>			
Other assets		(100,687)	(150,235)
Financial assets at fair value through profit or loss		(652,771)	96,931
Inventories		(65,771)	126,498
Other liabilities		(14,240)	(375,536)
Provision for legal claims		(114,648)	-
		(974,764)	1,381,895
Cash (used in) from operations		(974,764)	1,381,895
Murabaha income received		31,029	89,825
Finance costs paid		(199,080)	(290,620)
Employees' end of service benefits paid		(28,956)	(42,281)
Receipt of government grants	3	24,495	-
Net cash flows (used in) from operating activities		(1,147,276)	1,138,819
INVESTING ACTIVITIES			
Dividends income received		747,293	82,711
Purchase of financial assets at fair value through other comprehensive income	6	(39,364)	(6,534,363)
Proceeds from sale of financial assets at fair value through other comprehensive income	6	11,570,244	3,454,134
Dividends received from associates	7	682,444	682,444
Proceeds from sale of properties under development		-	323,082
Proceeds from sale of investment property		209,281	162,803
Additions to investment properties		-	(7,890)
Purchase of items of property and equipment		(180,769)	(110,506)
Additions to investment in associates	7	(317,277)	(366,236)
Net cash flows from (used in) investing activities		12,671,852	(2,313,821)
FINANCING ACTIVITIES			
Proceeds from murabaha payables	9	127,898	7,830,856
Repayment of murabaha payables	9	(3,299,245)	(4,686,114)
Dividends paid to equity holders of the Parent Company		(288)	(1,858)
Net movement in non-controlling interests		(8,298)	36,004
Payment of lease liabilities		(58,400)	(131,400)
Net cash flows (used in) from financing activities		(3,238,333)	3,047,488
NET INCREASE IN CASH AND CASH EQUIVALENTS		8,286,243	1,872,486
Cash and cash equivalents at 1 January		4,037,816	5,978,922
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	5	12,324,059	7,851,408

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 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 nine months ended 30 September 2020 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 11 November 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 Capital Markets Authority ("CMA").

The Parent Company's registered office is located at Al Hamra Tower 68th floor, Al Shuhada Street, Kuwait City, Kuwait.

The Parent Company is principally engaged in the provision of investment and financial services in accordance with Islamic Sharī'a principles as approved by the Group's Fatwa and Sharī'a Supervisory Board. The principal activities of the Group are described in Note 12.

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

2.1 Basis of preparation

The interim condensed consolidated financial information for the nine months ended 30 September 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting* except as noted below.

The interim condensed consolidated financial information for the nine months ended 30 September 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 Summary of accounting policies for new transactions and events

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2.3 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

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

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

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 IFRS 7, IFRS 9 and IAS 39: *Interest Rate Benchmark Reform*

The amendments to IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the interim condensed consolidated financial information of the Group as it does not have any interest rate hedge relationships.

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.

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.

Amendments to IFRS 16 *Covid-19 Related Rent Concessions*

On 28 May 2020, the IASB issued *Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no material impact on the interim condensed consolidated financial information of the Group.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

3 OTHER INCOME

In an attempt to mitigate the impact of the Covid-19 pandemic, the Government of Kuwait has introduced measures to aid private entities in response to the pandemic. These measures include government assistance made towards national workforce in the private sector for a period of up to six months effective from April 2020.

The financial support amounting to KD 24,495 is accounted for in accordance with IAS 20 'Accounting for Government Grants and Disclosures of Government Assistance' and recognised in profit or loss as 'other income' on a systematic basis over the periods in which the Parent Company recognises expenses for the related staff costs.

4 EARNINGS PER SHARE (EPS)

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

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	2020	2019	2020	2019
Profit (loss) attributable to equity holders of the Parent Company:				
Continuing operations	203,197	43,269	196,545	(1,601,884)
Discontinued operations	-	36,844	-	(23,775)
Profit (loss) for the period attributable to the equity holders of the Parent Company (KD)	203,197	80,113	196,545	(1,625,659)
Weighted average number of shares outstanding during the period*	649,442,622	649,442,622	649,442,622	649,442,622
Basic and diluted earnings (loss) per share (fils)	0.31	0.12	0.30	(2.50)
From continuing operations attributable to the equity holders of the Parent Company (fils)	0.31	0.06	0.30	(2.47)
From discontinued operations (fils)	-	0.06	-	(0.03)
TOTAL BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (FILS)	0.31	0.12	0.30	(2.50)

* 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.

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5 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>30 September</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>30 September</i> <i>2019</i> <i>KD</i>
Cash on hand	8,338	3,206	11,424
Cash at banks	1,329,634	1,137,328	1,700,813
Murabaha deposits with original maturity of three months or less	10,485,715	2,009,498	5,213,025
Cash held in portfolios	500,372	887,784	926,146
Cash and cash equivalents	12,324,059	4,037,816	7,851,408

Murabaha deposits with a carrying amount of KD 650,000 (31 December 2019: KD 650,000 and 30 September 2019: KD 1,300,000) are pledged against murabaha payables (Note 9).

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 1.00% to 1.25% (31 December 2019: 2.55% and 2.80% and 30 September 2019: 1.5% to 3.00%) 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 30 September 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 30 September 2019: KD 243,744) have been restricted for the purpose of distribution to the shareholders of the subsidiary.

6 INVESTMENT SECURITIES

	<i>30 September</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>30 September</i> <i>2019</i> <i>KD</i>
<i>Financial assets at FVTPL</i>			
Quoted equity securities	825,233	42,208	-
Unquoted investment fund	-	66,164	66,914
	825,233	108,372	66,914
<i>Financial assets at FVOCI</i>			
Quoted equity securities	574,403	684,779	706,937
Unquoted equity securities*	18,935,275	27,508,442	28,164,203
	19,509,678	28,193,221	28,871,140
Investment securities (at fair value)	20,334,911	28,301,593	28,938,054

* On 9 July 2020, the Group disposed its entire equity interest in Bursa 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 amounting to KD 5,035,882 has been recycled to accumulated losses during the period then ended.

The hierarchy for determining and disclosing the fair value of investment securities by valuation techniques are presented in Note 14.

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

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7 INVESTMENT IN ASSOCIATES (continued)

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

	30 September 2020 KD	<i>(Audited)</i> 31 December 2019 KD	30 September 2019 KD
At the beginning of the period/year	25,465,649	50,832,184	50,832,184
Additional capital contributions	317,277	487,899	366,236
Impairment of associates	-	(21,793,808)	-
Dividends received from associates	(682,444)	(682,444)	(682,444)
Foreign currency translation adjustment	162,334	(771)	53,782
Share of other comprehensive loss	(81,458)	(230,460)	(184,726)
Reduction in carrying amount of an associate on deemed disposal	-	(2,072,546)	(2,072,546)
Share of profit (loss)	408,568	(1,074,405)	617,444
At the end of the period/year	<u>25,589,926</u>	<u>25,465,649</u>	<u>48,929,930</u>

8 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 as at the date of authorization of this interim condensed consolidated financial information.

9 MURABAHA PAYABLES

	30 September 2020 KD	<i>(Audited)</i> 31 December 2019 KD	30 September 2019 KD
Gross amount	3,548,026	6,670,745	7,773,836
Less: Deferred finance costs	(753,395)	(732,202)	(799,093)
	<u>2,794,631</u>	<u>5,938,543</u>	<u>6,974,743</u>

As at 30 September 2020, murabaha payables amounting to KD 2,666,733 (31 December 2019: KD 2,673,543 and 30 September 2019: KD 2,827,039) are denominated in Omani Riyal and have an effective profit rate of 6.5% (31 December 2019: 6.5% and 30 September 2019: 6.5%) per annum.

Murabaha payables amounting to KD 2,794,631 (31 December 2019: KD 5,938,543 and 30 September 2019: KD 3,709,743) are secured against the following:

- Murabaha deposits with a carrying amount of KD 650,000 (31 December 2019: KD 650,000 and 30 September 2019: KD 1,300,000) (Note 5).
- Assets held for sale with a carrying amount of KD 650,000 (31 December 2019: KD 650,000 and 30 September 2019: KD Nil).
- Investment properties with a carrying amount of KD 7,167,230 (31 December 2019: KD 7,881,665 and 30 September 2019: KD 8,310,969).
- Property, plant and equipment with a carrying amount of KD 1,317,305 (31 December 2019: KD Nil and 30 September 2019: KD Nil).

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10 SHARE CAPITAL AND TREASURY SHARES

10.1 Share capital

At 30 September 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 30 September 2019: 651,070,551) shares of 100 fils each. All shares are paid in cash.

10.2 Treasury shares

	<i>30 September</i> <i>2020</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i>	<i>30 September</i> <i>2019</i>
Number of treasury shares	1,627,929	1,627,929	1,627,929
Percentage (%) of share capital	0.25%	0.25%	0.25%
Cost of treasury shares (KD)	108,816	108,816	108,816
Market value of treasury shares (KD)	50,954	57,258	49,814

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.

11 RELATED PARTY DISCLOSURES

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

The following table provides the total amount of transactions that have been entered into with related parties during the nine-month ended at 30 September 2020 and 2019, as well as balances with related parties as at 30 September 2020, 31 December 2019 and 30 September 2019.

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
Interim condensed consolidated statement of profit or loss	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>
Management fees	-	3,048	-	4,552
			<i>(Audited)</i>	
Interim condensed consolidated statement of financial position	<i>30 September</i> <i>2020</i> <i>KD</i>	<i>31 December</i> <i>2019</i> <i>KD</i>	<i>30 September</i> <i>2019</i> <i>KD</i>	
Management fees and other receivables	29,256	29,256	27,597	

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>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>
Salaries and other short-term benefits	48,997	22,638	141,870	67,910
Terminal benefits	6,345	3,290	95,261	9,794
	<u>55,342</u>	<u>25,928</u>	<u>237,131</u>	<u>77,704</u>

Other transactions

The Group also manages investment portfolios on behalf of related parties amounting to KD Nil (31 December 2019: KD 573,029 and 30 September 2019: KD 575,056) 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

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12 SEGMENT INFORMATION

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

- Real Estate
- Financial
- Services
- Others

The Group does not have any inter-segment transactions.

The following tables present revenue and profit information for the Group's operating segments for the nine months ended 30 September 2020 and 2019, respectively:

	<i>Real Estate</i>		<i>Financial</i>		<i>Services</i>		<i>Others</i>		<i>Total</i>	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Income	207,541	(658,999)	731,065	129,995	539,006	669,429	196,016	1,836,228	1,673,628	1,976,653
Expenses	(882,306)	(938,750)	(184,185)	(156,831)	(625,322)	(769,873)	(87,151)	(1,704,649)	(1,778,964)	(3,570,103)
Segment (loss) profit	(674,765)	(1,597,749)	546,880	(26,836)	(86,316)	(100,444)	108,865	131,579	(105,336)	(1,593,450)

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12 SEGMENT INFORMATION (continued)

The following table presents assets and liabilities information for the Group's operating segments as at 30 September 2020, 31 December 2019 and 30 September 2019, respectively:

	Real Estate		Financial		Services		Others		Total							
	<i>(Audited)</i>		<i>(Audited)</i>		<i>(Audited)</i>		<i>(Audited)</i>		<i>(Audited)</i>							
	30 September 2020	31 December 2019	30 September 2020	31 December 2019	30 September 2020	31 December 2019	30 September 2020	31 December 2019	30 September 2020	31 December 2019						
Segment assets	30,969,992	32,069,796	47,562,918	47,562,918	12,346,315	11,514,542	10,540,238	27,959,614	29,056,131	40,464,614	5,068,371	4,092,450	6,843,959	76,344,292	76,732,919	105,411,729
Segment liabilities	(3,697,856)	(4,040,983)	(4,630,430)	(4,630,430)	(20,585)	(3,279,463)	(3,284,623)	(2,146,015)	(1,639,845)	(1,537,195)	(21,857,362)	(21,910,395)	(2,826,030)	(27,721,818)	(30,870,686)	(12,278,278)
Other disclosures:																
Total non-current assets ²	30,327,831	31,768,468	47,228,525	47,228,525	3,351,718	10,240,597	4,323,512	23,915,621	24,990,650	37,037,359	645,990	792,403	6,371,868	58,241,160	67,792,118	94,961,264
Additions to non-current assets ³	405,093	498,847	503,701	503,701	-	6,534,363	6,534,363	161,177	4,195	29,895	21,436	2,550	1,325	587,706	7,039,955	7,069,284

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12 SEGMENT INFORMATION (continued)

	Real Estate		Financial		Services		Others		Total		
	(Audited)		(Audited)		(Audited)		(Audited)		(Audited)		
	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019	
KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	
Share of results from associates (Note 7)	116,054	(1,551,609)	287,924	-	292,514	477,204	329,520	-	408,568	(1,074,405)	617,444
Impairment of associates (Note 7)	-	(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)	-

¹ Loss from discontinued operations for 2019 comparatives is grouped under services segment.

² 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

³ Additional 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

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12 SEGMENT INFORMATION (continued)

Geographic information

	<i>Nine months ended 30 September</i>		
	<i>2020 KD</i>	<i>2019 KD</i>	
Income			
Kuwait	1,952,543	3,282,251	
Kingdom of Saudi Arabia (KSA)	(10,493)	(155,787)	
Sultanate of Oman	(264,585)	(1,159,351)	
Others	(3,837)	9,540	
	1,673,628	1,976,653	
Segment (loss) profit			
Kuwait	492,473	(8,205)	
Kingdom of Saudi Arabia (KSA)	(133,384)	(230,995)	
Sultanate of Oman	(460,588)	(1,363,790)	
Others	(3,837)	9,540	
	(105,336)	(1,593,450)	
	<i>(Audited)</i>		
	<i>30 September 2020 KD</i>	<i>31 December 2019 KD</i>	<i>30 September 2019 KD</i>
Segment assets			
Kuwait	41,335,168	39,611,332	59,490,167
Kingdom of Saudi Arabia	19,721,111	21,287,125	24,171,481
Sultanate of Oman	14,074,740	14,393,178	20,331,777
Others	1,213,273	1,441,284	1,418,304
	76,344,292	76,732,919	105,411,729
Segment liabilities			
Kuwait	(24,032,596)	(26,828,828)	(7,821,747)
Kingdom of Saudi Arabia	(763,103)	(1,055,025)	(1,254,714)
Sultanate of Oman	(2,926,119)	(2,986,833)	(3,201,817)
	(27,721,818)	(30,870,686)	(12,278,278)

13 COMMITMENTS AND CONTINGENCIES

- a) As at 30 September 2020, the Group has provided bank guarantees amounting to KD Nil (31 December 2019: KD 249,770 and 30 September 2019: KD 641,359) for which the management anticipates that no material liabilities will arise.
- b) 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 30 September 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 30 September 2019, and incurred legal expenses amounting to KD 89,395 recorded within 'general and administrative expenses' for the period then ended.

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14 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

All financial instruments for which fair value is recognized or disclosed are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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

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

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

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

Description of significant unobservable inputs to valuation

Set out below are the significant unobservable inputs to valuation as at 30 September 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 *	10% - 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.

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14 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

	<i>Fair value measurement using</i>			<i>Total KD</i>
	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant observable inputs (Level 2) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	
30 September 2020				
<i>Financial assets at fair value through profit or loss:</i>				
- Quoted equity securities	825,233	-	-	825,233
	<u>825,233</u>	<u>-</u>	<u>-</u>	<u>825,233</u>
<i>Financial assets at fair value through other comprehensive income:</i>				
- Quoted equity securities	574,403	-	-	574,403
- Unquoted equity securities	-	-	18,935,275	18,935,275
	<u>574,403</u>	<u>-</u>	<u>18,935,275</u>	<u>19,509,678</u>
Investment securities (at fair value)	<u>1,399,636</u>	<u>-</u>	<u>18,935,275</u>	<u>20,334,911</u>
	<i>Fair value measurement using</i>			<i>Total KD</i>
	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant observable inputs (Level 2) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	
31 December 2019				
<i>Financial assets at fair value through profit or loss:</i>				
- Quoted equity securities	42,208	-	-	42,208
- Unquoted funds	-	66,164	-	66,164
	<u>42,208</u>	<u>66,164</u>	<u>-</u>	<u>108,372</u>
<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
	<u>684,779</u>	<u>-</u>	<u>27,508,442</u>	<u>28,193,221</u>
Investment securities (at fair value)	<u>726,987</u>	<u>66,164</u>	<u>27,508,442</u>	<u>28,301,593</u>

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14 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

	<i>Fair value measurement using</i>			<i>Total KD</i>
	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant observable inputs (Level 2) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	
<i>30 September 2019</i>				
<i>Financial assets at fair value through profit or loss:</i>				
- Unquoted funds	-	66,914	-	66,914
	-	66,914	-	66,914
<i>Financial assets at fair value through other comprehensive income:</i>				
- Quoted equity securities	706,937	-	-	706,937
- Unquoted equity securities	-	-	28,164,203	28,164,203
	706,937	-	28,164,203	28,871,140
Investment securities (at fair value)	706,937	66,914	28,164,203	28,938,054

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>30 September 2020 KD</i>	<i>(Audited) 31 December 2019 KD</i>	<i>30 September 2019 KD</i>
As at 1 January	27,508,442	25,598,499	25,598,499
Remeasurement recognised in OCI	2,909,261	(1,170,286)	(514,525)
Purchases / (sales), net	(11,482,428)	3,080,229	3,080,229
At the end of the period/ year	18,935,275	27,508,442	28,164,203

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15 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 29 November 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

15 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 period ended 30 September 2020, 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 154 thousand (31 December 2019: KD 2,656 thousand, 30 September 2019: KD Nil) (including the legal interests due) at the Sentences Execution Department of the Ministry of Justice as of date. However, the Parent Company filed an appeal before the Court of Cassation on the basis of several errors in the appeal verdicts in the application and interpretation of the law and flawed reasoning and other legal reasons. Subsequent to reporting period, the Parent Company settled an amount of KD 632 thousand (including the legal interests due) at the Sentences Execution Department of the Ministry of Justice towards other similar legal claims.

The recognised provision of KD 20,502 thousand in the interim condensed consolidated statement of financial position as at 30 September 2020 (31 December 2019: KD 20,617 thousand, 30 September 2019: KD 1,634 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.

16 COMPARATIVE INFORMATION

Certain prior period amounts have been reclassified to conform to the current period's presentation. There is no effect of these reclassifications on the previously reported equity as at 30 September 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>30 September 2019</i>			
<i>Interim condensed consolidated statement of financial position:</i>			
Other current assets	2,004,283	(110,863)	1,893,420
Other liabilities	4,491,840	(1,744,514)	2,747,326
Provision for legal claims	-	1,633,651	1,633,651
<i>Interim condensed consolidated statement of cash flows:</i>			
Other current assets	(39,372)	(110,863)	(150,235)
Other liabilities	1,147,252	(1,522,788)	(375,536)
Provision for legal claims	-	1,633,651	1,633,651

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

17 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.

In addition to the already known effects of the COVID-19 outbreak and resulting government measures, the macroeconomic uncertainty causes disruption to economic activity, and it is unknown what the longer-term impact on the Group's business may be. The COVID-19 virus can evolve in various directions. If society, and as a consequence business, is exposed to COVID-19 for a longer period of time, this may result in prolonged negative results and pressure on the Group's liquidity.

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 30 September 2020.

17.1 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 30 September 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.

17.1.1 Credit risk

The Group has concluded that it is not significantly exposed to credit risk as a result of the outbreak as 88% of its financial assets exposed to credit risk 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.

17.1.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable investment securities at an amount in excess of expected cash outflows on financial liabilities. In addition, the Group's liquidity management involves the following:

- ▶ 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 expects a significantly adverse impact on its liquidity due to COVID-19 outbreak. Management has taken several steps in protecting cash flows through compensating cost saving measures and reductions to discretionary capital expenditure.

17.2 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
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

17 IMPACT OF COVID-19 (continued)

17.2 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 or by following specific guidance issued by the government).

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.

17.3 Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital, and liquidity. The impact of COVID-19 may continue to evolve, but at the present time, the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, the interim condensed consolidated financial information has been appropriately prepared on a going concern basis.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 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.