

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

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

**30 JUNE 2019**

## **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 June 2019, and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three-month and six-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 six-month period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of preparation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

#### *Scope of Review*

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

#### *Conclusion*

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

#### *Emphasis of Matter*

We draw attention to the following:

- ▶ Note 11 to the interim condensed consolidated financial information relating to the outcome of the tax demand notice issued by the General Authority of Zakat and Tax (‘GAZT’), Kingdom of Saudi Arabia (“tax claim”) for one of the Group’s subsidiaries. The Group has a provision in the books of account as at 30 June 2019 as detailed in Note 11, that represents management’s best estimate of the ultimate liability on the tax claim. Notwithstanding the above, there is a significant uncertainty related to the ultimate outcome of the tax claim.
- ▶ Note 13 to the interim condensed consolidated financial statements, which describes the material uncertainty related to the final outcome of ongoing litigation claims. As stated in Note 13, the Parent Company is the defendant in legal proceedings brought by several portfolio clients (“clients”) in respect of certain investment transactions executed in a fiduciary capacity by the Parent Company in prior years. The legal actions commenced by the clients against the Parent Company are in various phases of litigation and no final court rulings have been issued by the Court of Cassation as of date, and accordingly it is not practical to estimate the ultimate outcome of these claims. The Group has recorded a total provision of KD 1,744 thousand on the consolidated statement of financial position as 30 June 2019 against the litigation claims for which appeal verdicts have been issued, 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.

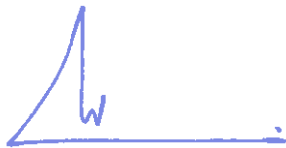
Our conclusion is not modified in respect of these matters.

**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 six-month period ended 30 June 2019 that might have had material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the six-month period ended 30 June 2019 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

30 July 2019  
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 June 2019

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 KD	2018 KD	2019 KD	2018 KD
<b>INCOME</b>					
Revenue from contracts with customers		468,504	408,571	883,333	792,145
Cost of sales		(329,811)	(333,340)	(634,714)	(598,758)
<b>GROSS PROFIT</b>		<b>138,693</b>	<b>75,231</b>	<b>248,619</b>	<b>193,387</b>
Murabaha income		30,792	14,355	52,408	27,512
Gain on sale of financial assets at fair value through profit or loss		56,862	22,514	28,607	45,728
Net change in fair value of financial assets at fair value through profit or loss		(53,695)	(963)	1,806	(8,996)
Share of results of associates	6	208,621	814,615	406,900	763,545
Gain on disposal of investment in associates		-	-	-	157,143
Loss on deemed disposal in an associate	6	(1,651,980)	-	(1,651,980)	-
Loss on disposal of investment property		(57,004)	-	(57,004)	-
Loss on disposal of property under development		(51,739)	-	(51,739)	-
Dividends income		72,851	289,147	82,711	327,333
Rental income		228,202	241,253	458,683	495,596
Management fees		41,468	58,664	95,899	112,227
Net foreign exchange differences		(17,721)	30,272	(9,962)	11,756
Other income	11	14,862	19,503	1,804,181	20,868
<b>TOTAL INCOME</b>		<b>(1,039,788)</b>	<b>1,564,591</b>	<b>1,409,129</b>	<b>2,146,099</b>
<b>EXPENSES</b>					
Staff costs		(347,021)	(403,539)	(731,645)	(916,382)
Provision for legal claims	13	(1,633,651)	-	(1,633,651)	-
Depreciation of property and equipment and right-of-use assets		(65,355)	(41,978)	(156,669)	(85,061)
Amortisation of intangible assets		(14,943)	(14,943)	(29,886)	(29,886)
Finance costs		(111,031)	(65,318)	(194,641)	(117,662)
Other expenses		(122,242)	(194,808)	(366,644)	(384,239)
<b>TOTAL EXPENSES</b>		<b>(2,294,243)</b>	<b>(720,586)</b>	<b>(3,113,136)</b>	<b>(1,533,230)</b>
<b>(LOSS) PROFIT BEFORE TAX</b>		<b>(3,334,031)</b>	<b>844,005</b>	<b>(1,704,007)</b>	<b>612,869</b>
Reversal of contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		13,496	-	-	-
Reversal of National Labour Support Tax (NLST)		38,324	-	-	-
Reversal of Zakat		15,329	-	-	-
<b>(LOSS) PROFIT FOR THE PERIOD</b>		<b>(3,266,882)</b>	<b>844,005</b>	<b>(1,704,007)</b>	<b>612,869</b>
<b>Attributable to:</b>					
Equity holders of the Parent Company		(3,263,168)	863,265	(1,705,772)	654,427
Non-controlling interests		(3,714)	(19,260)	1,765	(41,558)
		<b>(3,266,882)</b>	<b>844,005</b>	<b>(1,704,007)</b>	<b>612,869</b>
<b>BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>	3	<b>(5.02) fils</b>	<b>1.33 fils</b>	<b>(2.63) fils</b>	<b>1.01 fils</b>

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2019

	Note	Three months ended 30 June		Six months ended 30 June	
		2019 KD	2018 KD	2019 KD	2018 KD
<b>(Loss) profit for the period</b>		<b>(3,266,882)</b>	<b>844,005</b>	<b>(1,704,007)</b>	<b>612,869</b>
<b>Other comprehensive income (loss)</b>					
<i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation of foreign operations		-	-	-	(136,980)
Net loss on equity instruments at fair value through other comprehensive income		(580,574)	(1,213,287)	(681,829)	(1,164,525)
<b>Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods</b>		<b>(580,574)</b>	<b>(1,213,287)</b>	<b>(681,829)</b>	<b>(1,301,505)</b>
<i>Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods:</i>					
Share of other comprehensive (loss) income of associates	6	(258,783)	149,921	(211,554)	(21,586)
Reclassification of share in foreign currency translation on deemed disposal in an associate	6	(420,566)	-	(420,566)	-
Exchange differences on translation of foreign operations		(27,129)	29,936	(8,974)	13,235
<b>Net other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods</b>		<b>(706,478)</b>	<b>179,857</b>	<b>(641,094)</b>	<b>(8,351)</b>
<b>Other comprehensive loss</b>		<b>(1,287,052)</b>	<b>(1,033,430)</b>	<b>(1,322,923)</b>	<b>(1,309,856)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(4,553,934)</b>	<b>(189,425)</b>	<b>(3,026,930)</b>	<b>(696,987)</b>
<b>Attributable to:</b>					
Equity holders of the Parent Company		(4,533,552)	(186,843)	(3,025,983)	(663,835)
Non-controlling interests		(20,382)	(2,582)	(947)	(33,152)
		<b>(4,553,934)</b>	<b>(189,425)</b>	<b>(3,026,930)</b>	<b>(696,987)</b>

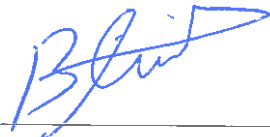
The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2019

		<i>30 June</i>	<i>(Audited)</i> <i>31 December</i>	<i>30 June</i>
	<i>Notes</i>	<i>2019</i>	<i>2018</i>	<i>2018</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>ASSETS</b>				
Cash and cash equivalents	4	8,305,923	5,978,922	5,833,394
Financial assets at fair value through profit or loss	5	67,169	130,504	664,742
Other current assets		1,691,788	1,967,874	1,400,092
Inventories		742,158	765,221	1,349,716
Financial assets at fair value through other comprehensive income	5	28,827,355	26,428,957	31,475,396
Investment in associates	6	48,557,588	50,832,184	48,907,433
Properties under development		530,903	913,422	2,552,501
Investment properties		12,354,823	12,571,037	12,142,926
Property, plant and equipment		2,710,103	2,622,318	2,708,459
Goodwill and other intangible assets		1,670,733	1,700,619	1,730,504
<b>TOTAL ASSETS</b>		<b>105,458,543</b>	<b>103,911,058</b>	<b>108,765,163</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Murabaha payables	7	6,891,780	3,823,027	3,710,070
Other liabilities		4,786,078	3,330,537	3,241,093
End of service benefits		909,293	887,595	908,701
<b>TOTAL LIABILITIES</b>		<b>12,587,151</b>	<b>8,041,159</b>	<b>7,859,864</b>
<b>EQUITY</b>				
Share capital	8	65,107,055	65,107,055	65,107,055
Share premium		18,250,362	18,250,362	18,250,362
Treasury shares	8	(108,816)	(108,816)	(108,816)
Statutory reserve		1,299,173	1,299,173	1,275,223
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		(4,237,854)	(4,163,287)	262,061
Foreign currency translation reserve		961,236	1,421,533	1,386,367
Retained earnings		3,013,133	5,504,252	5,943,130
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>		<b>88,419,863</b>	<b>91,445,846</b>	<b>96,250,956</b>
Non-controlling interests		4,451,529	4,424,053	4,654,343
<b>TOTAL EQUITY</b>		<b>92,871,392</b>	<b>95,869,899</b>	<b>100,905,299</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>105,458,543</b>	<b>103,911,058</b>	<b>108,765,163</b>

  
Bader Mohammed Al-Qattan  
Chairman

  
Elsa A. S. Alweggian  
Chief Executive Officer

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

First Investment Company K.S.C.P. and its Subsidiaries  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

For the period ended 30 June 2019

	Attributable to equity holders of the Parent Company											
	Foreign										Non-	
	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Share options reserve KD	Treasury shares reserve KD	Fair value reserve KD	currency translation reserve KD	Retained earnings KD	Sub- total KD	controlling interests KD	Total equity KD
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	-	-	-	-	-	-	-	-	(1,705,772)	(1,705,772)	1,765	(1,704,007)
Other comprehensive loss for the period	-	-	-	-	-	-	(859,914)	(460,297)	-	(1,320,211)	(2,712)	(1,322,923)
Total comprehensive loss for the period	-	-	-	-	-	-	(859,914)	(460,297)	(1,705,772)	(3,025,983)	(947)	(3,026,930)
Transfer of loss on disposal of equity investments at FVOCI to retained earnings	-	-	-	-	-	-	785,347	-	(785,347)	-	28,423	28,423
At 30 June 2019	65,107,055	18,250,362	(108,816)	1,299,173	3,016,890	1,118,684	(4,237,854)	961,236	3,013,133	88,419,863	4,451,529	92,871,392
As at 1 January 2018 as previously reported (Audited)	65,107,055	18,250,362	(108,816)	1,275,223	3,016,890	1,118,684	1,510,289	1,471,906	5,705,139	97,346,732	4,661,423	102,008,155
Transition adjustment on initial application of IFRS 9 at 1 January 2018	-	-	-	-	-	-	(15,505)	-	(416,436)	(431,941)	-	(431,941)
Adjusted balance as at 1 January 2018	65,107,055	18,250,362	(108,816)	1,275,223	3,016,890	1,118,684	1,494,784	1,471,906	5,288,703	96,914,791	4,661,423	101,576,214
Profit (loss) for the period	-	-	-	-	-	-	-	-	654,427	654,427	(41,558)	612,869
Other comprehensive (loss) income for the period	-	-	-	-	-	-	(1,232,723)	(85,539)	-	(1,318,262)	8,406	(1,309,856)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(1,232,723)	(85,539)	654,427	(663,835)	(33,152)	(696,987)
Net movements in non-controlling interests	-	-	-	-	-	-	-	-	-	-	26,072	26,072
At 30 June 2018	65,107,055	18,250,362	(108,816)	1,275,223	3,016,890	1,118,684	262,061	1,386,367	5,943,130	96,250,956	4,654,343	100,905,299

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS  
(UNAUDITED)

For the period ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 KD	2018 KD
<b>OPERATING ACTIVITIES</b>			
(Loss) profit for the period		(1,704,007)	612,869
<i>Adjustments to reconcile (loss) profit for the period to net cash flows:</i>			
Murabaha income		(52,408)	(27,512)
Gain on sale of financial assets at fair value through profit or loss		(28,607)	(45,728)
Net change in fair value of financial assets at fair value through profit or loss		(1,806)	8,996
Dividends income		(82,711)	(327,333)
Gain on disposal of investment in associates		-	(157,143)
Share of results of associates	6	(406,900)	(763,545)
Loss on deemed disposal in an associate	6	1,651,980	-
Loss on disposal of investment property		57,004	-
Loss on disposal of property under development		51,739	-
Net foreign exchange differences		9,962	(11,756)
Depreciation of property and equipment and right-of-use assets		156,669	85,061
Amortisation of intangible assets		29,886	29,886
Finance costs		194,641	117,662
Provision for legal claims		1,633,651	-
Provision for employees' end of service benefits		52,394	119,722
		<u>1,561,487</u>	<u>(358,821)</u>
<i>Working capital adjustments:</i>			
Other assets		288,821	26,675
Financial assets at fair value through profit or loss		93,748	312,671
Inventories		23,063	(392,678)
Other liabilities		(291,968)	(119,817)
		<u>1,675,151</u>	<u>(531,970)</u>
Murabaha income received		25,036	21,136
Finance costs paid		(178,123)	(121,964)
Employees' end of service benefits paid		(30,696)	(40,441)
		<u>1,491,368</u>	<u>(673,239)</u>
<b>Net cash flows from (used in) operating activities</b>			
<b>INVESTING ACTIVITIES</b>			
Dividends income received		82,711	313,169
Purchase of financial assets at fair value through other comprehensive income	5	(6,534,363)	(102,869)
Proceeds from sale of financial assets at fair value through other comprehensive income		3,454,134	-
Proceeds from sale of investment in associates		-	91,481
Dividends received from associates	6	682,444	898,845
Proceeds from sale of properties under development		330,780	-
Proceeds from sale of investment property		162,803	-
Additions to investment properties		(7,890)	(919,380)
Purchase of items of property and equipment		(58,332)	(62,817)
Addition to investment in an associate	6	(285,048)	-
Consideration paid towards acquisition of investment in associates		-	(1,625,000)
		<u>(2,172,761)</u>	<u>(1,406,571)</u>
<b>Net cash flows used in investing activities</b>			
<b>FINANCING ACTIVITIES</b>			
Net proceeds from murabaha payables	7	3,068,753	674,124
Dividends paid to equity holders of the Parent Company		(1,182)	(2,094)
Net movement in non-controlling interests		28,423	26,072
Payment of lease liabilities		(87,600)	-
		<u>3,008,394</u>	<u>698,102</u>
<b>Net cash flows from financing activities</b>			
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at 1 January		5,978,922	7,215,102
		<u>8,305,923</u>	<u>5,833,394</u>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>			

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

**1 CORPORATE INFORMATION**

The interim condensed consolidated financial information of First Investment Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 30 July 2019.

The Parent Company is a Kuwaiti shareholding company incorporated and domiciled in Kuwait and whose shares are publicly traded on Boursa Kuwait. The Parent Company is regulated by the Central Bank of Kuwait ("CBK") as an investment and finance company and is subject to the supervision of Capital Markets Authority ("CMA"). The Parent Company's registered office is located at Al Hamra Tower 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 Shari'a principles as approved by the Group's Fatwa and Shari'a Supervisory Board. The principal activities of the Group are described in Note 10.

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

**2.1 Basis of preparation**

The interim condensed consolidated financial information for the six-month ended 30 June 2019 have been prepared in accordance with IAS 34 *Interim Financial Reporting* except as noted below.

The interim condensed consolidated financial information for the six-month ended 30 June 2019 were prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait ("CBK") in the State of Kuwait. These regulations require expected credit loss ("ECL") to be measured at the higher of the ECL on financing facilities computed under IFRS 9: Financial Instruments ("IFRS 9") in accordance to the CBK guidelines or the provisions as required by CBK instructions; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") (collectively referred to as IFRS, as adopted for use by the State of Kuwait).

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018.

**2.2 New standards, interpretations and amendments adopted by the Group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**IFRS 16: Leases ("IFRS 16")**

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

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

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

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

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

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

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

	<i>KD</i>
<b>ASSETS</b>	
Property and equipment	268,915
	<u>268,915</u>
<b>LIABILITIES</b>	
Other liabilities	268,915
	<u>268,915</u>

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property and equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under accounts receivable and prepayments and accounts payable and accruals, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

► *Leases previously classified as finance leases*

As at 1 January 2019, the Group did not have any lease classified as finance lease.

► *Leases previously accounted for as operating leases*

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES  
(continued)

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

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

a) Summary of new accounting policies

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

➤ *Right of use assets*

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

➤ *Lease liabilities*

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases (leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e., below KD 1,500). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

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

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

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

e) Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	<i>Right-of-use assets KD</i>	<i>Lease liabilities KD</i>
At 1 January 2019	268,915	268,915
Additions during the period	-	-
Depreciation expense	(84,920)	-
Finance costs	-	4,797
Payments	-	(87,600)
At 30 June 2019	<u>183,995</u>	<u>186,112</u>

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

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 year. 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 year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. There is no impact from dilutive instruments outstanding, basic and diluted EPS are identical.

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
(loss) Profit for the period attributable to the equity holders of the Parent Company (KD)	<u>(3,263,168)</u>	<u>863,265</u>	<u>(1,705,772)</u>	<u>654,427</u>
Weighted average number of shares outstanding during the period *	<u>649,442,622</u>	<u>649,442,622</u>	<u>649,442,622</u>	<u>649,442,622</u>
Basic and diluted EPS (fils)	<u>(5.02)</u>	<u>1.33</u>	<u>(2.63)</u>	<u>1.01</u>

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

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

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 June 2019

4 CASH AND CASH EQUIVALENTS

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

	30 June 2019 KD	(Audited) 31 December 2018 KD	30 June 2018 KD
Cash on hand	9,509	11,714	14,828
Bank balances	2,705,277	2,175,261	1,563,117
Murabaha deposits with original maturity of three months or less	4,245,156	2,991,651	3,748,247
Cash held in portfolios	1,345,981	800,296	507,202
<b>Cash and cash equivalents</b>	<b>8,305,923</b>	<b>5,978,922</b>	<b>5,833,394</b>

Murabaha deposits with a carrying amount of KD 1,300,000 (31 December 2018: KD 1,300,000 and 30 June 2018: KD 1,300,000) are pledged against murabaha payables (Note 7).

Murabaha deposits represent murabaha contracts with local Islamic banks with an original maturity of three months or less. Murabaha deposits yield an effective rate of return ranging from 1.5% to 2.95% (31 December 2018: 2.30% and 2.75% and 30 June 2018: 0.75 % to 2.125%) per annum.

In 2016, First Energy Resource Company K.S.C.C. (Under Liquidation), a local subsidiary of the Group (the "subsidiary"), had announced the distribution of first liquidation cash payment amounting to KD 6,062,000 to the shareholders. As a result of the liquidation, the Parent Company received KD 2,013,311. Distribution to non-controlling interests amounted to KD 4,048,689. As at 30 June 2019, some of the shareholders did not collect their share of the distribution; accordingly, certain bank balances amounting to KD 270,978 (31 December 2018: KD 312,255 and 30 June 2018: KD 328,622) have been restricted for the purpose of distribution to the shareholders of the subsidiary.

5 INVESTMENT SECURITIES

	30 June 2019 KD	(Audited) 31 December 2018 KD	30 June 2018 KD
<i>Financial assets at FVTPL</i>			
Quoted equity securities	-	65,139	579,760
Unquoted investment fund	67,169	65,365	84,982
	67,169	130,504	664,742
<i>Financial assets at FVOCI</i>			
Quoted equity securities	729,144	830,458	1,568,128
Unquoted equity securities *	28,098,211	25,598,499	29,907,268
	28,827,355	26,428,957	31,475,396
<b>Investment securities (at fair value)</b>	<b>28,894,524</b>	<b>26,559,461</b>	<b>32,140,138</b>

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

6 INVESTMENT IN ASSOCIATES

	County of incorporation	(Audited)					
		30 June 2019		31 December 2018		30 June 2018	
		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%	12,411,173	14.66%	12,450,793	14.66%	12,193,987
Arkan Al-Kuwait Real Estate Company K.S.C.P.	Kuwait	28.99%	12,606,879	28.99%	12,994,150	28.99%	12,740,692
First Education Company K.S.C. (Closed)	Kuwait	22.19%	3,552,629	22.19%	3,631,634	22.19%	3,792,682
Taameer Investment Company O.L.L.C. <sup>2</sup>	Oman	24.82%	11,900,156	37.40%	13,954,180	37.40%	12,998,571
Al Jazeera Al Oula Real Estate W.L.L.	Saudi Arabia	20.90%	4,680,167	20.90%	4,418,992	20.90%	3,891,177
Al-Subeih Medical Company (Khalid Hamad Al-Subeih & Partners) W.L.L.	Kuwait	25%	2,817,177	25%	2,792,580	25%	2,707,981
Sons of Yousef Al-Subeih Real Estate Company (Khalid Hamad Al-Subeih & Partners) W.L.L.	Kuwait	25%	589,407	25%	589,835	25%	582,343
			<u>48,557,588</u>		<u>50,832,184</u>		<u>48,907,433</u>

<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 current 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	(4,705,885)	
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		<u>11,900,156</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

6 INVESTMENT IN ASSOCIATES (continued)

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

	<i>30 June</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 June</i> <i>2018</i> <i>KD</i>
At the beginning of the period/year	50,832,184	49,382,284	49,382,284
IFRS 9 transition adjustments	-	(246,647)	(246,647)
Additions	285,048	2,016,094	-
Disposals	-	(71,318)	(71,318)
Dividends received from associates	(682,444)	(898,845)	(898,845)
Foreign currency translation adjustment	-	80,053	46,615
Share of other comprehensive loss	(211,554)	(10,977)	(68,201)
Reduction in carrying amount of an associate on deemed disposal	(2,072,546)	-	-
Share of results	406,900	581,540	763,545
At the end of the period/year	<u>48,557,588</u>	<u>50,832,184</u>	<u>48,907,433</u>

7 MURABAHA PAYABLES

	<i>30 June</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 June</i> <i>2018</i> <i>KD</i>
Gross amount	7,732,560	5,169,579	4,983,260
Less: Deferred finance costs	(840,780)	(1,346,552)	(1,273,190)
	<u>6,891,780</u>	<u>3,823,027</u>	<u>3,710,070</u>

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

As at 30 June 2019, murabaha payables amounting to KD 2,900,227 (31 December 2018: KD 3,014,317 and 30 June 2018: KD 2,935,491) are denominated in Omani Riyal and have an effective profit rate of 6.5% (31 December 2018: 6.5% and 30 June 2018: 6.5%) per annum.

Murabaha payables amounting to KD 3,626,780 (31 December 2018: KD 3,823,027 and 30 June 2018: KD 3,710,070) are secured against the following:

- Murabaha deposits with a carrying amount of KD 1,300,000 (31 December 2018: KD 1,300,000 and 30 June 2018: KD 1,300,000) (Note 4).
- Properties under development with a carrying amount of KD Nil (31 December 2018: KD Nil and 30 June 2018: KD 1,534,194).
- Investment properties with a carrying amount of KD 8,286,367 (31 December 2018: KD 8,282,574 and 30 June 2018: KD 7,802,272).

8 SHARE CAPITAL AND TREASURY SHARES

(i) Share capital

At 30 June 2019, the authorised, issued and fully paid-up capital of the Parent Company comprises of 651,070,551 (31 December 2018: 651,070,551 and 30 June 2018: 651,070,551) shares of 100 fils each. All shares are paid in cash.



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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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8 SHARE CAPITAL AND TREASURY SHARES (continued)

(ii) Treasury shares

	<b>30 June 2019</b>	<i>(Audited)</i> <b>31 December 2018</b>	<b>30 June 2018</b>
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)	59,745	62,187	63,652

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.

9 RELATED PARTY DISCLOSURES

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

The following table provides the total amount of transactions that have been entered into with related parties during the six-month ended at 30 June 2019 and 2018, as well as balances with related parties as at 30 June 2019, 31 December 2018 and 30 June 2018.

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
<b>Interim condensed consolidated statement of profit or loss</b>				
Management fees	-	1,521	1,504	2,025
			<i>(Audited)</i>	
	<i>30 June 2019 KD</i>	<i>31 December 2018 KD</i>	<i>30 June 2018 KD</i>	
<b>Statement of financial position</b>				
Management fees and other receivables	24,549	23,045	19,938	

**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 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
Salaries and other short-term benefits	22,646	22,502	45,273	50,706
Terminal benefits	3,722	2,960	6,503	10,588
	<u>26,368</u>	<u>25,462</u>	<u>51,776</u>	<u>61,294</u>

**Other transactions**

The Group also manages investment portfolios on behalf of related parties amounting to KD 577,242 (31 December 2018: KD 561,875 and 30 June 2018: KD 565,876) which are not reflected in the Group's consolidated statement of financial position.



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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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10 SEGMENT INFORMATION

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

- Real Estate
- Financial
- Services
- Others

The Group does not have any inter-segment transactions.

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2019 and 2018, respectively:

	Real Estate		Financial		Services		Others		Total	
	2019 KD	2018 KD	2019 KD	2018 KD	2019 KD	2018 KD	2019 KD	2018 KD	2019 KD	2018 KD
Income	(1,036,728)	1,353,994	91,719	88,595	553,988	681,922	1,800,150	21,588	1,409,129	2,146,099
Expenses	(617,800)	(687,628)	(114,251)	(63,473)	(688,978)	(713,446)	(1,692,107)	(68,683)	(3,113,136)	(1,533,230)
Results = (loss) profit for the period	(1,654,528)	666,366	(22,532)	25,122	(134,990)	(31,524)	108,043	(47,095)	(1,704,007)	612,869

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2019, 31 December 2018 and 30 June 2018, respectively:

	Real Estate		Financial		Services		Others		Total	
	(Audited) 30 June 2019 KD	(Audited) 30 June 2018 KD	(Audited) 30 June 2019 KD	(Audited) 30 June 2018 KD	(Audited) 30 June 2019 KD	(Audited) 30 June 2018 KD	(Audited) 30 June 2019 KD	(Audited) 30 June 2018 KD	(Audited) 30 June 2019 KD	(Audited) 30 June 2018 KD
Segment assets	46,910,418	50,754,393	49,628,479	11,660,155	3,702,955	4,292,803	40,661,715	43,822,029	49,268,924	5,574,957
Segment liabilities	(3,906,264)	(5,109,284)	(3,774,060)	(3,265,000)	(10,223)	(1,483,365)	(1,629,897)	(1,607,725)	(3,932,522)	(12,587,151)
Other disclosures: Investment in associates	29,776,609	31,957,157	29,630,440	-	18,780,979	18,875,027	19,276,993	-	48,557,588	50,832,184
									(8,041,159)	(7,859,864)
									103,911,058	108,765,163

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

10 SEGMENT INFORMATION (continued)

Geographic information

	<i>Six months ended</i>		
	<i>30 June</i>		
	<i>2019</i>	<i>2018</i>	
	<i>KD</i>	<i>KD</i>	
<b>Income</b>			
Kuwait	2,797,970	1,810,120	
Kingdom of Saudi Arabia (KSA)	(58,485)	233,111	
Sultanate of Oman	(1,334,242)	74,909	
Others	3,886	27,959	
	<u>1,409,129</u>	<u>2,146,099</u>	
<b>Results – (loss) profit for the period</b>			
Kuwait	(147,376)	547,941	
Kingdom of Saudi Arabia (KSA)	(88,095)	95,342	
Sultanate of Oman	(1,472,422)	(58,373)	
Others	3,886	27,959	
	<u>(1,704,007)</u>	<u>612,869</u>	
		<i>(Audited)</i>	
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
	<i>2019</i>	<i>2018</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>Segment assets</b>			
Kuwait	59,360,822	51,737,740	50,587,007
Kingdom of Saudi Arabia	24,422,609	28,183,762	33,731,666
Sultanate of Oman	20,257,013	22,313,423	20,884,468
Others	1,418,099	1,676,133	3,562,022
	<u>105,458,543</u>	<u>103,911,058</u>	<u>108,765,163</u>
<b>Segment liabilities</b>			
Kuwait	(7,876,952)	(2,940,664)	(2,559,488)
Kingdom of Saudi Arabia	(1,447,072)	(1,601,506)	(1,890,946)
Sultanate of Oman	(3,263,127)	(3,498,989)	(3,409,430)
	<u>(12,587,151)</u>	<u>(8,041,159)</u>	<u>(7,859,864)</u>

11 COMMITMENTS AND CONTINGENCIES

- a) As at 30 June 2019, the Group has provided bank guarantees amounting to KD 669,451 (31 December 2018: KD 623,838 and 30 June 2018: KD 693,772) for which the management anticipates that no material liabilities will arise.

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. It is not practical to estimate the final outcome of the appeal but the advice received from the tax consultant indicates that a favourable outcome is highly probable and that the tax liability may significantly reduce.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

11 COMMITMENTS AND CONTINGENCIES (continued)

The management of the Parent Company, has estimated and recorded a potential tax liability in the consolidated statement of financial position as at 30 June 2019 in respect of this tax claim amounting to KD 155,719 (31 December 2018: KD 190,010 and 30 June 2018: KD 189,091). During the current period taxes paid amounted to KD 34,291 (30 June 2018: KD Nil), however no further payment has been made to GAZT pending the outcome of the tax appeal. Management acknowledges that uncertainty remains over the final outcome of the tax appeal, however the Group considers it to be probable that the outcome will be in its favour and has therefore not recognised any additional provisions in relation to this claim.

- 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 current period, 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 June 2019, and incurred legal expenses amounting to KD 89,395 recorded within ‘general and administrative expenses’ for the period then ended.

12 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

*Fair value hierarchy*

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

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

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

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

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

**Description of significant unobservable inputs to valuation**

Set out below are the significant unobservable inputs to valuation as at 30 June 2019:

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

12 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

	Fair value measurement using			Total KD
	Quoted prices in active markets (Level 1) KD	Significant observable inputs (Level 2) KD	Significant unobservable inputs (Level 3) KD	
<b>30 June 2019</b>				
<i>Financial assets at fair value through profit or loss:</i>				
- Unquoted funds	-	67,169	-	67,169
	-	67,169	-	67,169
<i>Financial assets at fair value through other comprehensive income:</i>				
- Quoted equity securities	729,144	-	-	729,144
- Unquoted equity securities	-	-	28,098,211	28,098,211
	729,144	-	28,098,211	28,827,355
<b>Investment securities (at fair value)</b>	<b>729,144</b>	<b>67,169</b>	<b>28,098,211</b>	<b>28,894,524</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 2018</b>				
<i>Financial assets at fair value through profit or loss:</i>				
- Quoted equity securities	65,139	-	-	65,139
- Unquoted funds	-	65,365	-	65,365
	65,139	65,365	-	130,504
<i>Financial assets at fair value through other comprehensive income:</i>				
- Quoted equity securities	830,458	-	-	830,458
- Unquoted equity securities	-	-	25,598,499	25,598,499
	830,458	-	25,598,499	26,428,957
<b>Investment securities (at fair value)</b>	<b>895,597</b>	<b>65,365</b>	<b>25,598,499</b>	<b>26,559,461</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

12 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

	Fair value measurement using			Total KD
	Quoted prices in active markets (Level 1) KD	Significant observable inputs (Level 2) KD	Significant unobservable inputs (Level 3) KD	
<i>30 June 2018</i>				
<i>Financial assets at fair value through profit or loss:</i>				
- Quoted equity securities	579,760	-	-	579,760
- Unquoted funds	-	84,982	-	84,982
	<u>579,760</u>	<u>84,982</u>	<u>-</u>	<u>664,742</u>
<i>Financial assets at fair value through other comprehensive income:</i>				
- Quoted equity securities	1,568,128	-	-	1,568,128
- Unquoted equity securities	-	-	29,907,268	29,907,268
	<u>1,568,128</u>	<u>-</u>	<u>29,907,268</u>	<u>31,475,396</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>30 June 2019 KD</i>	<i>(Audited) 31 December 2018 KD</i>	<i>30 June 2018 KD</i>
As at 1 January	25,598,499	29,409,490	29,409,490
IFRS 9 transition adjustment	-	(227,197)	(227,197)
Remeasurement recognised in OCI	(580,517)	(5,569,805)	-
Purchases / (sales), net	3,080,229	1,986,011	724,975
At the end of the period/ year	<u>28,098,211</u>	<u>25,598,499</u>	<u>29,907,268</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

13 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 6 October 2019.

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

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

During the year ended 31 December 2007, the Parent Company noted that the sellers have not fulfilled their commitment of transferring certain assets to the entity 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.

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 this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

**13 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 and no final court rulings have been issued by the Court of Cassation as of date.

During the current period, an unfavourable judgement was issued against the Parent Company in respect of legal claims made by certain clients. Accordingly, the Group has made an additional provision of KD 1,634 thousand in the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2019 (KD 110 thousand for the year ended 31 December 2018 and KD Nil for the six months ended 30 June 2018). The recognised provision of KD 1,744 thousand in the consolidated financial position as at 30 June 2019 (31 December 2018: KD 110 thousand, 30 June 2018: KD Nil) 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 appeal verdicts have been issued, and the outcome of these claims is not expected to exceed the amount provided for, based on the legal advice received.

Notwithstanding the above, the Parent Company filed an appeal before the Court of Cassation on the basis of error in the application and interpretation of the law and flawed reasoning of the assigned Expert. Further, the Parent Company requested the suspension of execution of the appealed verdict during the pendency of the appeal. The Court of Cassation, based on the legal advice received, is expected to consider this appeal, and accordingly, an uncertainty exists relating to the ultimate outcome of these claims as at the authorisation date of this interim condensed consolidated financial information.

**14 ANNUAL GENERAL ASSEMBLY MEETING (AGM)**

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