

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

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

30 JUNE 2017



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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.

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 (the "Group") as at 30 June 2017 and the related interim condensed consolidated statements of income and comprehensive income for the three months and six months periods then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the six months 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 presentation 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 presentation set out in Note 2.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association during the six months period ended 30 June 2017 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 months period ended 30 June 2017 that might have had material effect on the business of the Parent Company or on its financial position.

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

26 July 2017
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

For the period ended 30 June 2017

	Notes	Three months ended 30 June		Six months ended 30 June	
		2017 KD	2016 KD	2017 KD	2016 KD
INCOME					
Revenue from construction contracts		4,706	507,980	128,599	1,032,193
Revenue from sales		692,879	122,614	1,230,234	133,013
		<u>697,585</u>	<u>630,594</u>	<u>1,358,833</u>	<u>1,165,206</u>
Cost of construction contracts		(12,033)	(362,227)	(235,716)	(801,033)
Cost of sales		(539,858)	(104,578)	(934,913)	(136,068)
		<u>(551,891)</u>	<u>(466,805)</u>	<u>(1,170,629)</u>	<u>(937,101)</u>
Gross profit		145,694	163,789	188,204	228,105
Murabaha income		21,284	28,656	51,803	74,401
Realised (loss) gain on sale of financial assets at fair value through profit or loss		(106,543)	(4,107)	(23,925)	7,946
Unrealised gain (loss) on financial assets at fair value through profit or loss		36,807	(4,507)	(34,448)	(4,894)
Loss on sale of investment in associates		(80,687)	-	(89,111)	-
Dividend income		136,170	193,754	183,295	268,506
Share of results of associates	6	327,897	354,658	715,209	680,468
Management fees		114,919	143,378	277,511	269,131
Rental income		245,217	57,256	500,289	71,769
Foreign currencies exchange loss		(31,320)	(3,195)	(40,675)	(14,020)
Other income		23,377	4,474	40,914	37,272
TOTAL INCOME		832,815	934,156	1,769,066	1,618,684
EXPENSES					
Staff costs		(521,773)	(434,049)	(984,637)	(922,294)
Depreciation		(39,266)	(32,919)	(72,179)	(66,292)
Finance costs		(42,581)	(40,176)	(82,192)	(75,226)
Other expenses		(167,190)	(173,763)	(351,787)	(336,245)
		<u>(770,810)</u>	<u>(680,907)</u>	<u>(1,490,795)</u>	<u>(1,400,057)</u>
PROFIT FOR THE PERIOD BEFORE DIRECTOR'S REMUNERATION		62,005	253,249	278,271	218,627
Directors' remuneration		-	(42,000)	-	(42,000)
PROFIT FOR THE PERIOD		62,005	211,249	278,271	176,627
Attributable to:					
Equity holders of the Parent Company		59,207	170,575	344,190	215,550
Non-controlling interests		2,798	40,674	(65,919)	(38,923)
		<u>62,005</u>	<u>211,249</u>	<u>278,271</u>	<u>176,627</u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY					
	3	<u>0.09 fils</u>	<u>0.26 fils</u>	<u>0.53 fils</u>	<u>0.33 fils</u>

The attached notes 1 to 17 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 2017


	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2017 KD</i>	<i>2016 KD</i>	<i>2017 KD</i>	<i>2016 KD</i>
Profit for the period	62,005	211,249	278,271	176,627
Other comprehensive (loss) income for the period				
<i>Items that are or may be reclassified subsequently to interim condensed consolidated statement of income</i>				
Change in fair value of financial assets available for sale	(165,450)	(252,083)	152,864	(210,039)
Share of other comprehensive loss of associates	6 (217,709)	(4,687)	(287,792)	(59,154)
Exchange differences on translation of foreign operations	(7,821)	(834)	(18,908)	(11,986)
Other comprehensive loss for the period	(390,980)	(257,604)	(153,836)	(281,179)
Total comprehensive (loss) income for the period	(328,975)	(46,355)	124,435	(104,552)
Attributable to:				
Equity holders of the Parent Company	(327,849)	(86,620)	199,701	(59,694)
Non-controlling interests	(1,126)	40,265	(75,266)	(44,858)
	(328,975)	(46,355)	124,435	(104,552)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2017

		30 June 2017 KD	(Audited) 31 December 2016 KD	30 June 2016 KD
ASSETS				
Cash and cash equivalents	4	10,681,768	13,060,476	17,969,196
Financial assets at fair value through profit or loss		306,673	1,422,577	513,667
Other assets		3,290,349	1,467,944	2,699,046
Inventories		866,156	941,979	258,784
Financial assets available for sale	5	31,509,943	31,269,782	30,951,864
Investment in associates	6	45,107,682	50,859,283	50,091,160
Properties under development		2,708,052	2,653,440	2,400,254
Investment properties		9,796,094	9,820,419	35,982,318
Property and equipment		1,836,518	1,594,332	1,276,308
Provisional goodwill	7	2,654,560	-	-
TOTAL ASSETS		108,757,795	113,090,232	142,142,597
LIABILITIES AND EQUITY				
LIABILITIES				
Murabaha payables	8	2,366,537	2,268,062	29,602,329
Other liabilities		5,287,994	5,419,302	3,840,676
TOTAL LIABILITIES		7,654,531	7,687,364	33,443,005
EQUITY				
Share capital	9	65,107,055	65,107,055	65,107,055
Share premium		18,250,362	18,250,362	18,250,362
Treasury shares	9	(108,816)	(108,816)	(2,175,992)
Statutory reserve		1,200,198	1,200,198	1,125,952
Share options reserve		3,016,890	3,016,890	3,016,890
Treasury shares reserve		1,118,684	1,118,684	1,118,684
Cumulative changes in fair value reserve		679,783	588,197	44,119
Foreign currency translation reserve		1,568,309	1,804,384	1,594,436
Retained earnings		5,374,109	5,029,919	6,686,435
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		96,206,574	96,006,873	94,767,941
Non-controlling interests		4,896,690	9,395,995	13,931,651
TOTAL EQUITY		101,103,264	105,402,868	108,699,592
TOTAL LIABILITIES AND EQUITY		108,757,795	113,090,232	142,142,597


 Badar Mohammed Al-Qataan
 Chairman


 Eisa A. S. Alweggian
 Chief Executive Officer

The attached notes 1 to 17 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 2017

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	Cumulative changes in fair value reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total equity KD
At 1 January 2017	65,107,055	18,250,362	(108,816)	1,200,198	3,016,890	1,118,684	588,197	1,804,384	5,029,919	96,006,873	9,395,995	105,402,868
Profit (loss) for the period	-	-	-	-	-	-	-	-	344,190	344,190	(65,919)	278,271
Other comprehensive income (loss) for the period	-	-	-	-	-	-	91,586	(236,075)	-	(144,489)	(9,347)	(153,836)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	91,586	(236,075)	344,190	199,701	(75,266)	124,435
Distribution due to liquidation of a subsidiary (Note 6)	-	-	-	-	-	-	-	-	-	-	(4,644,606)	(4,644,606)
Addition to non-controlling interests	-	-	-	-	-	-	-	-	-	-	220,567	220,567
At 30 June 2017	65,107,055	18,250,362	(108,816)	1,200,198	3,016,890	1,118,684	679,783	1,568,309	5,374,109	96,206,574	4,896,690	101,103,264
At 1 January 2016	65,107,055	18,250,362	(2,102,052)	1,125,952	3,016,890	1,118,684	254,158	1,659,641	6,470,885	94,901,575	13,843,363	108,744,938
Profit (loss) for the period	-	-	-	-	-	-	-	-	215,550	215,550	(38,923)	176,627
Other comprehensive loss for the period	-	-	-	-	-	-	(210,039)	(65,205)	-	(275,244)	(5,935)	(281,179)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(210,039)	(65,205)	215,550	(59,694)	(44,858)	(104,552)
Purchase of treasury shares	-	-	(73,940)	-	-	-	-	-	-	(73,940)	-	(73,940)
Addition to non-controlling interests	-	-	-	-	-	-	-	-	-	-	133,146	133,146
At 30 June 2016	65,107,055	18,250,362	(2,175,992)	1,125,952	3,016,890	1,118,684	44,119	1,594,436	6,686,435	94,767,941	13,931,651	108,699,592

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 KD	2016 KD
OPERATING ACTIVITIES			
Profit for the period before directors' remuneration		278,271	218,627
Adjustments to reconcile profit for the period to net cash flows:			
Murabaha income		(51,803)	(74,401)
Realised loss (gain) on sale of financial assets at fair value through profit or loss		23,925	(7,946)
Unrealised loss on financial assets at fair value through profit or loss		34,448	4,894
Loss on sale of investment in associate		89,111	-
Dividend income		(183,295)	(268,506)
Share of results of associates	6	(715,209)	(680,468)
Foreign currencies exchange loss		40,675	14,020
Impairments financial assets available for sale		979	-
Depreciation		72,179	66,292
Finance costs		82,192	75,226
		(328,527)	(652,262)
Working capital adjustments:			
Other assets		(1,127,243)	562,233
Other liabilities		740,276	(1,663,017)
Inventories		227,211	-
		(488,283)	(1,753,046)
Murabaha income received		55,289	66,331
Finance costs paid		(82,192)	(75,226)
Net cash flows used in operating activities		(515,186)	(1,761,941)
INVESTING ACTIVITIES			
Net movement of restricted cash	4	(518,362)	340,269
Financial assets at fair value through profit or loss		1,052,003	564,520
Acquisition of a subsidiary, net of cash acquired	7	(3,068,185)	-
Dividend income received		146,211	231,502
Purchase of financial assets available for sale		(88,276)	(53,097)
Additions of investment in associates	6	-	(991,413)
Proceeds from sale of investment in associates		209,032	45,921
Dividend received from associates	6	749,571	652,981
Additions to properties under development		(38,749)	(179,927)
Additions to investment properties		-	(9,016)
Purchase of property and equipment		(87,822)	(126,571)
Net cash flows (used in) from investing activities		(1,644,577)	475,169
FINANCING ACTIVITIES			
Net movement in murabaha payables		98,475	(55,807)
Purchase of treasury shares		-	(73,940)
Dividends paid		(19,625)	-
Addition to non-controlling interests		220,567	133,146
Net cash flows from financing activities		299,417	3,399
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,860,346)	(1,283,373)
Cash and cash equivalents at the beginning of the period		10,482,879	17,474,219
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	8,622,533	16,190,846

The attached notes 1 to 17 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 30 June 2017

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 period ended 30 June 2017 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 26 July 2017.

The Parent Company is a Kuwaiti Public Shareholding Company incorporated on 26 July 1997 and regulated by the Capital Markets Authority ("CMA") as an investment company and Central Bank of Kuwait (CBK) as financing company. The Parent Company's shares are listed on Kuwait Stock Exchange. The Parent Company's registered office is at Al Hamra Tower, Al Shuhadaa Street, Kuwait City, Kuwait.

The Parent Company is principally engaged in investment and financial services and all activities are carried out in compliance with the Memorandum of Incorporation, the Articles of Association and the Islamic Sharia.

The objectives of the Parent Company shall be as follows:

To carry out all investment activities in all sectors by all legal and legitimate methods that the Parent Company deems appropriate for achieving its objectives inside the State of Kuwait and abroad either for its own interest or on behalf of others. The Parent Company shall, in particular, carry out the following activities:

1. To conduct all financial brokerage activities and other related activities.
2. To invest in real estate, industrial, agricultural, and other economic sectors through shareholding in incorporating specialised companies or acquisition of shares of such companies.
3. To carry out securities trading transactions including buying and selling stocks and bonds of governmental and non-governmental agencies and companies.
4. To carry out real estate investment deals with the objective of developing residential lands and constructing residential and commercial units for sale or rent.
5. To assume the role of a Fund Trustee and Third Party Portfolio Manager as well as the related borrowing and lending transactions.
6. To carry out finance and brokerage activities in the international trading transactions.
7. To produce researches, studies, and other technical services related to investment operations and third party fund employment, provided that the required conditions should be met by those exercising such activities.
8. To establish and manage mutual funds in pursuance with Law and subject to approval of the competent authorities.
9. To assume the role of lead manager for bonds issued by companies and agencies.
10. To carry out brokerage business in the investment of financial instruments and securities.
11. To finance the buying and selling of residential plots for housing purposes, and to finance the construction of residential buildings on such plots.
12. To finance purchase and sale of durable and consumable goods.
13. To invest funds for its own interest and for the interest of the third parties in all types of investments by means of leasing, and to do the necessary acquisition and leasing of movable assets.
14. To purchase lands and real estates for the purpose of selling the same in their original condition or after the division thereof, leasing the same unoccupied or uninhabited, or after the construction of new facilities, building, and equipment.

2 BASIS OF PRESENTATION

The interim condensed consolidated financial information of the Group for the six months period ended 30 June 2017 has been prepared in accordance with International Accounting Standard 34 ("IAS 34"), Interim Financial Reporting.

The annual audited consolidated financial statements for the year ended 31 December 2016 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision made on all applicable credit facilities that are not provided specifically.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

2 BASIS OF PRESENTATION (continued)

The interim condensed consolidated financial information has been presented in Kuwaiti Dinar (“KD”), which is also the functional and presentation currency of the Parent Company.

The interim condensed consolidated financial information does not contain all information and disclosures required for full consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective impairment provision, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2016. In the opinion of the Parent Company’s management, all adjustments, including normal recurring accruals considered necessary for a fair presentation have been included in the interim condensed consolidated financial information. Further, operating results for the six months period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017. For further information, refer to the annual audited consolidated financial statements and notes thereto for the year ended 31 December 2016.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the Group’s annual audited consolidated financial statements for the year ended 31 December 2016. The adoption of the amendments and annual improvements to IFRSs, relevant to the Group which is effective for annual reporting period starting from 1 January 2017 did not result in any material impact on the accounting policies, financial position or performance of the Group.

3 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY

Basic and diluted earnings per share are computed by dividing the profit for the period attributable to the equity holders of the Parent Company by the weighted average number of shares outstanding during the period (after adjusting for treasury shares) as follows:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period attributable to the equity holders of the Parent Company (KD)	59,207	170,575	344,190	215,550
Weighted average number of outstanding shares	651,070,551	651,070,551	651,070,551	651,070,551
Less: weighted average number of treasury shares	(1,627,929)	(1,575,078)	(1,627,929)	(1,575,078)
Weighted average number of shares outstanding during the period	649,442,622	649,495,473	649,442,622	649,495,473
Basic and diluted earnings per share attributable to the equity holders of the Parent Company	0.09 fils	0.26 fils	0.53 fils	0.33 fils

On 25 July 2016, the Parent Company has distributed 30,925,598 shares of its treasury shares to the shareholders as bonus shares, which represents 5 shares for each 100 shares. The prior period basic and diluted earnings per share presented have been restated to reflect the effect of that distribution.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

4 CASH AND CASH EQUIVALENTS

	<i>30 June</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>30 June</i> <i>2016</i> <i>KD</i>
Cash on hand	7,399	3,592	11,180
Bank balances	2,747,815	3,330,210	7,296,215
Murabaha deposits with original maturity of three months or less	6,603,642	9,100,701	9,716,137
Cash retained in portfolios	1,322,912	625,973	945,664
Cash and cash equivalents as per the interim condensed consolidated statement of financial position	<u>10,681,768</u>	<u>13,060,476</u>	<u>17,969,196</u>
Less: restricted bank balances and murabaha deposits	<u>(2,059,235)</u>	<u>(2,577,597)</u>	<u>(1,778,350)</u>
Cash and cash equivalents as per the interim condensed consolidated statement of cash flows	<u><u>8,622,533</u></u>	<u><u>10,482,879</u></u>	<u><u>16,190,846</u></u>

Bank balances of KD Nil (31 December 2016: KD Nil and 30 June 2016: KD 928,350) is restricted as collateral against murabaha payables (Note 8).

Murabaha deposits with a carrying amount of KD 1,300,000 (31 December 2016: KD 1,300,000 and 30 June 2016: KD 850,000) is pledged as collateral against murabaha payables (Note 8).

Murabaha deposits represent murabaha contracts with local islamic banks with an original maturity of three months or less. Murabaha deposits yield an effective profit rate ranging from 0.9% to 1.5 % (31 December 2016: 0.63 % to 1.25% and 30 June 2016: 0.62 % and 1.65 %) per annum.

During prior year, First Energy Resource Company K.S.C.C. (Under Liquidation), a local subsidiary of the Group (the subsidiary), has 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. An amount of KD 4,048,689 has been distributed to non-controlling interest. As at 30 June 2017, some of the shareholders did not collect their portion of the distribution. Accordingly, certain bank balances amounting to KD 759,235 (31 December 2016: KD 1,277,597 and 30 June 2016: KD Nil) have been restricted for the purpose of distribution to the shareholders of the subsidiary.

5 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>30 June</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>30 June</i> <i>2016</i> <i>KD</i>
Unquoted equity securities	29,904,709	29,904,709	29,752,174
Quoted equity securities	1,573,544	1,332,404	1,181,135
Managed funds and portfolios	31,690	32,669	18,555
	<u>31,509,943</u>	<u>31,269,782</u>	<u>30,951,864</u>

Unquoted equity securities with amount of KD 27,376,052 (31 December 2016: KD 27,376,052 and 30 June 2016: KD 27,511,590) are stated at cost, less impairment, if any, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value of these investments. There is no active market for these financial assets and the Group intends to hold them for the long term.

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

6 INVESTMENT IN ASSOCIATES

	County of incorporation	30 June 2017		(Audited) 31 December 2016		30 June 2016	
		Percentage of ownership	Amount KD	Percentage of ownership	Amount KD	Percentage of ownership	Amount KD
Burgan Company for Well Drilling	Kuwait	14.66%	11,848,041	20.46%	16,339,779	20.46%	16,109,465
Arkan Al-Kuwait Real Estate Company	Kuwait	29.02%	12,022,617	29.06%	12,242,581	29.06%	12,053,293
First Education Company	Kuwait	22.19%	4,138,951	22.19%	4,252,301	22.19%	4,063,422
Taameer Investment Company	Oman	37.40%	13,096,049	37.40%	13,130,419	37.40%	12,946,521
Al Jazeera Al Oula Real Estate	Saudi Arabia	20.90%	3,930,411	20.90%	3,971,206	20.90%	3,919,187
Adeem Capital (Saudi Shareholders Closed Company) *	Saudi Arabia	-	-	40.00%	856,759	40.00%	932,923
Sahab Al-Khalij Real Estate Company	Bahrain	35.29%	71,613	35.29%	66,238	35.29%	66,349
			<u>45,107,682</u>		<u>50,859,283</u>		<u>50,091,160</u>

* During the three months period ended 30 June 2017, the Group has disposed its entire equity investment (40%) in Adeem Capital at a loss of KD 80,687.

Investment in associates with carrying value of KD Nil (31 December 2016: KD Nil and 30 June 2016: KD 15,570,652) are pledged as collateral against murabaha payables (Note 8).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

6 INVESTMENT IN ASSOCIATES (continued)

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

	30 June 2017 KD	<i>(Audited)</i> 31 December 2016 KD	30 June 2016 KD
At the beginning of the period/year	50,859,283	49,131,414	49,131,414
Additions	-	991,416	991,413
Distribution due to liquidation of a subsidiary*	(4,644,606)	-	-
Disposal	(784,841)	-	-
Dividends from associates	(749,571)	(652,981)	(652,981)
Foreign currency translation adjustment	(226,514)	149,483	(59,154)
Cumulative change in fair value	(61,278)	90,620	-
Share of results	715,209	1,149,331	680,468
At the end of the period/year	<u>45,107,682</u>	<u>50,859,283</u>	<u>50,091,160</u>

*The Parent Company has an effective equity interest of 33.21% in one of the subsidiaries named "First Energy Resources Company K.S.C.C." ("the Subsidiary") (31 December 2016: 33.21% and 30 June 2016: 33.21%). On 15 November 2015, the Extraordinary General Meeting (EGM) of the shareholders of the Subsidiary approved the liquidation of the subsidiary. The Subsidiary has an investment in Burgan Company for Well Drilling K.S.C.P. which was classified as an investment in associate within the Subsidiary. On 15 February 2017, the liquidation committee of the Subsidiary resolved to distribute the total shares invested in the associate of 19,117,935 shares to the shareholders. As a result of that, the Subsidiary has distributed 12,768,431 shares with a carrying value of KD 4,644,606 to the remaining shareholders of the Subsidiary. Accordingly, the Group's percentage of ownership in Burgan Company for Well Drilling K.S.C.P. decreased from 20.46% to 14.66% as of 30 June 2017.

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

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7 BUSINESS COMBINATION

On 4 January 2017, the Parent Company had acquired 100% equity interest of Gulf Business Forms Company W.L.L. (the "Acquiree Company") a Kuwaiti limited liability company that specialises in manufacturing and trading of papers and forms required and used in electronic machines and computers.

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

	<i>KD</i>
Non-current Asset	
Property, plant and equipment	226,543
Current assets	
Inventories	151,388
Other assets	234,335
Bank balances and cash	131,815
	<u>517,538</u>
TOTAL ASSETS	<u>744,081</u>
Liabilities	
Accounts payables and accruals	198,641
Total identifiable net assets acquired	<u>545,440</u>
Purchase consideration transferred	3,200,000
Provisional goodwill on acquisition	<u>2,654,560</u>
Analysis of cash flows on acquisition	
Consideration paid for the acquisition	(3,200,000)
Cash inflows on acquisition of a subsidiary	131,815
Net cash outflows on acquisition of a subsidiary	<u>(3,068,185)</u>

The initial accounting for the business combination is provisional and will be adjusted retrospectively when the final purchase price allocation is completed within 12 months from the acquisition date as allowed by IFRS 3.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

8 MURABAHA PAYABLES

	30 June	<i>(Audited)</i>	
	2017	<i>31 December</i>	30 June
	KD	<i>2016</i>	2016
		KD	KD
Murabaha payables	2,366,537	2,268,062	29,602,329
	2,366,537	2,268,062	29,602,329

As at 30 June 2017, murabaha payables amounting to KD 1,692,706 (31 December 2016: KD 1,830,639 and 30 June 2016: KD 1,868,300) is denominated in Omani Riyal, which carry effective profit rate of 6.5 % (31 December 2016: 6% and 30 June 2016: 6%) per annum.

Murabaha payables amounting to KD 2,366,537 (31 December 2016: KD 2,268,062 and 30 June 2016: KD 29,602,329) are secured against the following:

- Bank balances with an amount of KD Nil (31 December 2016: KD Nil and 30 June 2016: KD 928,350) (Note 4).
- Murabaha deposits with a carrying amount of KD 1,300,000 (31 December 2016: KD 1,300,000 and 30 June 2016: KD 850,000) (Note 4).
- Investment in associates with a carrying value of KD Nil (31 December 2016: KD Nil and 30 June 2016: KD 15,570,652) (Note 6).
- Properties under development with a carrying value of KD 1,534,194 (31 December 2016: KD 1,534,194 and 30 June 2016: KD 1,534,194)
- Investment properties with a carrying value of KD 5,787,707 (31 December 2016: KD 5,812,032 and 30 June 2016: KD 5,111,516).

9 SHARE CAPITAL AND TREASURY SHARES

(i) Share capital

At 30 June 2017, the authorised, issued and fully paid up capital of the Parent Company comprises of 651,070,551 (31 December 2016: 651,070,551 and 30 June 2016: 651,070,551) shares of 100 fils each. All shares are paid in cash.

(ii) Treasury shares

	30 June	<i>(Audited)</i>	
	2017	<i>31 December</i>	30 June
		<i>2016</i>	2016
Number of treasury shares	1,627,929	1,627,929	32,553,527
Percentage of issued shares	0.25%	0.25%	5.00%
Cost of treasury shares in KD	108,816	108,816	2,175,992
Market value (KD)	76,024	74,071	1,692,783

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

An amount of KD 108,816 (31 December 2016: KD 108,816 and 30 June 2016: KD 2,175,992) equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable from statutory reserve and share premium throughout the holding period of treasury shares.

On 25 July 2016, the Parent Company has distributed 30,925,598 shares of its treasury shares to the shareholders as bonus shares, which represents 5 shares for each 100 shares (Note 3).

10 RELATED PARTY TRANSACTIONS

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 Group's management.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

10 RELATED PARTY TRANSACTIONS (continued)

Transactions with related parties are as follows:

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2017 KD</i>	<i>2016 KD</i>	<i>2017 KD</i>	<i>2016 KD</i>
Interim condensed consolidated statement of income				
Management fees	1,723	2,595	4,292	5,199
Interim condensed consolidated statement of financial position	<i>30 June 2017 KD</i>	<i>(Audited) 31 December 2016 KD</i>		<i>30 June 2016 KD</i>
Management fees and other receivables	14,232	9,941		4,777

Key management personnel compensation:

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2017 KD</i>	<i>2016 KD</i>	<i>2017 KD</i>	<i>2016 KD</i>
Salaries and other short term benefits	56,025	61,260	117,315	127,580
Terminal benefits	33,740	7,681	41,421	15,362
	89,765	68,941	158,736	142,942

Other transactions

The Group also manages investment portfolios on behalf of related parties amounting to KD 1,674,444 (31 December 2016: KD 1,981,953 and 30 June 2016: KD 2,378,924) which are not reflected in the Group's interim condensed consolidated statement of financial position.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
As at 30 June 2017

11 SEGMENT INFORMATION

Management monitors the operating results of its geographical 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 three major geographical segments:

- Kuwait
- Kingdom of Saudi Arabia
- Others

The Group does not have any inter-segment transactions.

	Kuwait		Kingdom of Saudi Arabia		Others		Total	
	2017 KD	2016 KD	2017 KD	2016 KD	2017 KD	2016 KD	2017 KD	2016 KD
Six months ended 30 June								
Income	1,464,982	871,466	(156,891)	488,672	460,975	258,546	1,769,066	1,618,684
Expenses	(1,149,824)	(1,065,804)	(226,471)	(256,344)	(114,500)	(77,909)	(1,490,795)	(1,400,057)
Results – profit (loss) for the period before directors' remuneration	315,158	(194,338)	(383,362)	232,328	346,475	180,637	278,271	218,627
As at 30 June								
Segment assets	51,679,632	58,999,695	33,573,732	60,326,448	23,504,431	22,816,454	108,757,795	142,142,597
Segment liabilities	3,000,882	29,016,914	2,814,695	2,481,002	1,838,954	1,945,089	7,654,531	33,443,005
Other disclosures:								
Investment in associates (Note 6)	28,009,609	32,226,180	3,930,411	4,852,110	13,167,662	13,012,870	45,107,682	50,091,160

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

12 COMMITMENTS AND CONTINGENCIES

Commitments

	<i>30 June</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>30 June</i> <i>2016</i> <i>KD</i>
Operating lease rentals due within one year	151,950	151,950	151,950
Operating lease rentals up to five years	316,563	392,538	468,513
	<u>468,513</u>	<u>544,488</u>	<u>620,463</u>

Contingencies

- At the reporting date, the Group has provided bank guarantees amounting to KD 802,734 (31 December 2016: KD 603,272 and 30 June 2016: KD 1,017,511) for which the management anticipates that no material liabilities will arise.
- On 12 August 2016, one of the subsidiaries of the Group has received a notification from the Ministry of Finance at the Kingdom of Saudi Arabia- "Department of Zakat and income"- "DZIT" for an obligation to pay Zakat for the financial years from 2007 till 2012 for an amount of SAR 31,643,000 (equivalent to KD 2,575,424) out of which the Parent Company's share is SAR 22,757,645 (equivalent to KD 1,852,245).

The management of the subsidiary believes that the Zakat dues notified by DZIT do not reflect the correct application of tax laws in the Kingdom of Saudi Arabia. Furthermore, the management of the subsidiary has appointed a tax consultant in the Kingdom of Saudi Arabia to review the Zakat dues notification and file an objection letter with DZIT. Accordingly, the tax consultant has filed an objection letter dated 18 October 2016 with DZIT. The final outcome of that appeal is uncertain at this time. However, as at the reporting date, the management of the subsidiary and the Parent Company believes that no provision is required to be made in the books of account for this Zakat claim.

13 FAIR VALUES 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

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 prices in active market for the same instrument.
- Level 2: quoted prices in active market for similar instruments or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3: valuation techniques for which any significant input is not based on observable market data.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	<i>Level 1 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
30 June 2017			
<i>Financial assets at fair value through profit or loss:</i>			
- Unquoted equity securities	-	229,510	229,510
- Managed funds and portfolios	-	77,163	77,163
<i>Financial assets available for sale:</i>			
- Quoted equity securities	1,573,544	-	1,573,544
- Unquoted equity securities	-	2,528,657	2,528,657
- Managed funds and portfolios	-	31,690	31,690
	<u>1,573,544</u>	<u>2,867,020</u>	<u>4,440,564</u>
31 December 2016			
<i>Financial assets at fair value through profit or loss:</i>			
- Quoted equity securities	1,081,456	-	1,081,456
- Unquoted equity securities	-	229,510	229,510
- Managed funds and portfolios	-	111,611	111,611
<i>Financial assets available for sale:</i>			
- Quoted equity securities	1,332,404	-	1,332,404
- Unquoted equity securities	-	2,528,657	2,528,657
- Managed funds and portfolios	-	32,669	32,669
	<u>2,413,860</u>	<u>2,902,447</u>	<u>5,316,307</u>
30 June 2016			
<i>Financial assets at fair value through profit or loss:</i>			
- Quoted equity securities	203,732	-	203,732
- Unquoted equity securities	-	197,558	197,558
- Managed funds and portfolios	-	112,377	112,377
<i>Financial assets available for sale:</i>			
- Quoted equity securities	1,181,135	-	1,181,135
- Unquoted equity securities	-	2,240,584	2,240,584
- Managed funds and portfolios	-	18,555	18,555
	<u>1,384,867</u>	<u>2,569,074</u>	<u>3,953,941</u>

The table above does not include unquoted equity securities within financial assets available for sale amounting to KD 27,376,052 (31 December 2016: KD 27,376,052 and 30 June 2016: KD 27,511,590) as those investments are carried at acquisition cost and for which disclosure of fair value is not provided because their fair value cannot be reliably measured (Note 5).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The following table shows a reconciliation of the beginning and closing balances of level 3 financial assets which are recorded at fair value.

	<i>At 1 January 2017 KD</i>	<i>Loss recorded in the consolidated statement of income KD</i>	<i>Gain recorded in other comprehensive income KD</i>	<i>Net purchases, sales, transfers and settlements KD</i>	<i>At 30 June 2017 KD</i>
Financial assets at fair value through profit or loss					
- Unquoted equity securities	229,510	-	-	-	229,510
- Managed funds and portfolios	111,611	(34,448)	-	-	77,163
Financial assets available for sale					
- Unquoted equity securities	2,528,657	-	-	-	2,528,657
- Managed funds and portfolios	32,669	(979)	-	-	31,690
	<i>At 1 January 2016 KD</i>	<i>Gain (loss) recorded in the consolidated statement of income KD</i>	<i>Gain recorded in other comprehensive income KD</i>	<i>Net purchases, sales, transfers and settlements KD</i>	<i>At 31 December 2016 KD</i>
Financial assets at fair value through profit or loss					
- Unquoted equity securities	197,558	31,952	-	-	229,510
- Managed funds and portfolios	113,147	(1,536)	-	-	111,611
Financial assets available for sale					
- Unquoted equity securities	2,240,584	-	288,073	-	2,528,657
- Managed funds and portfolios	18,555	-	14,114	-	32,669
	<i>At 1 January 2016 KD</i>	<i>Loss recorded in the consolidated statement of income KD</i>	<i>Gain recorded in other comprehensive income KD</i>	<i>Net purchases, sales, transfers and settlements KD</i>	<i>At 30 June 2016 KD</i>
Financial assets at fair value through profit or loss					
- Unquoted equity securities	197,558	-	-	-	197,558
- Managed funds and portfolios	113,147	(770)	-	-	112,377
Financial assets available for sale					
- Unquoted equity securities	2,240,584	-	-	-	2,240,584
- Managed funds and portfolios	18,555	-	-	-	18,555

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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As at 30 June 2017

14 LEGAL CASES

- 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 submitted 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 No. 3884/2015 claiming for 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.

During prior year, the Authority has liquidated a portion of the bank guarantee amounting to KD 347,098. As a result of this event, the Parent Company has made a provision amounting to KD 347,098 and included that within other expenses and provisions in the consolidated statement of income during the year ended 31 December 2016.

On 8 January 2017, the Administrative Circuit of the court has ruled for transferring the case to the Department of Expert - Ministry of Justice to verify the elements of the claims, awaiting for the report from the Department.

On 13 April 2017, the Parent Company has filed a law suit against the Authority requesting the suspension of bank guarantees liquidation for which a hearing has been scheduled on 23 May 2017.

On 30 May 2017, the court rendered a judgment declaring incompetence of the case and the Parent Company filed an appeal against this verdict on 14 June 2017 and the hearing for the appeal has been scheduled 16 July 2017, adjourned for a week for verdict.

The management of the Parent Company with assistance from its legal counsel has assessed that the outcome of the case will not have a significant impact on the Group and accordingly, no additional provision is required at 30 June 2017 against the legal case.

- During the years ended 31 December 2006 and 31 December 2007, the Parent Company has entered into agreements to buy 14,500,000 shares of Al Muttaheda for Investment and Real Estate Development Company S.S.C.C (the Company) from the existing shareholders (the sellers) and accordingly the Parent Company paid the consideration for 10,500,000 shares, in full.

During the year ended 31 December 2007, the Parent Company noted that the sellers have not fulfilled their commitment of transferring certain assets to the Company as part of their share of increase in the capital of the Company. Accordingly, the Parent Company withheld the payment for remaining consideration of 4,000,000 shares and filed legal cases against the sellers of these shares claiming for a temporary compensation. On the other hand, the sellers filed a legal case against the Parent Company claiming payment for the remaining considerations of 4,000,000 shares. However, the sellers legal claim was rejected by the court of first instance, court of appeals and the court of cassation on 11 April 2016. Despite the decision from the court of cassation, the sellers filed a legal case again against the Parent Company claiming the consideration for 4,000,000 shares by an amount of KD 13,814,991.

On 17 January 2017, the court of first instance has ruled in favor of the Parent Company rejecting the claim of the sellers based on earlier judgment that was adjudicated by the court of cassation on 11 April 2016. As on the date of the interim condensed consolidated financial information, the sellers have further appealed to the court against the ruling of court of first instance.

Based on the advice from the 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, as at 30 June 2017, the Group has not made any provision against this claim in the interim condensed consolidated financial information.

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15 ANNUAL GENERAL ASSEMBLY

The consolidated financial statements for year ended 31 December 2016 were approved by the Parent Company's shareholders at the General Meeting held on 30 May 2017.

On 30 May 2017, the Annual General Meeting of the shareholders has approved not to distribute any dividends for the year ended 31 December 2016.

The Annual General Meeting of the shareholders held on 5 June 2016 approved the distribution of treasury shares as bonus shares at 5% representing 5 shares for each 100 shares for the year ended 31 December 2015.

16 FIDUCIARY ASSETS

Fiduciary assets comprise of portfolios managed by the Parent Company on behalf of clients. These are not assets of the Group and accordingly are not included in the interim condensed consolidated financial information. As at the reporting date, total fiduciary assets managed by the Group amounted to KD 121,859,760 (31 December 2016: KD 121,563,039 and 30 June 2016: 89,720,547). The total income earned from fiduciary assets for the period ended 30 June 2017 amounted to KD 277,511 (30 June 2016: KD 269,131).

17 SUBSEQUENT EVENT

Subsequent to the reporting date, amendments to Law no. 6 of 2010 concerning Labour in Private Sector were published in the Official Gazette affecting employees short-term and post-employment benefits recognised by the Group. As on the date of the interim condensed consolidated financial information, the Management is in the process of quantifying the financial effect of the same on employee benefits.