

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

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

30 SEPTEMBER 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 September 2019, and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three-month and nine-month periods then ended, and the related interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the nine-month period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of preparation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Emphasis of Matter

We draw attention to the following:

- ▶ Note 11(b) 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 September 2019 as detailed in Note 11(b), 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(c) 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(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, 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 interim condensed consolidated statement of financial position as 30 September 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 nine-month period ended 30 September 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 nine-month period ended 30 September 2019 that might have had material effect on the business of the Parent Company or on its financial position.



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

11 November 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 September 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 KD	2018 KD	2019 KD	2018 KD
INCOME					
Revenue from contracts with customers		759,366	872,129	1,642,699	1,664,274
Cost of sales		(532,382)	(720,883)	(1,167,096)	(1,319,641)
GROSS PROFIT		226,984	151,246	475,603	344,633
Murabaha income		37,417	16,544	89,825	44,056
Gain on sale of financial assets at fair value through profit or loss		2,282	51,637	30,889	97,365
Net change in fair value of financial assets at fair value through profit or loss		(254)	(1,604)	1,552	(10,600)
Share of results of associates	6	210,544	284,337	617,444	1,047,882
Gain on disposal of investment in associates		-	-	-	157,143
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		(29,064)	(47,187)	(80,803)	(47,187)
Dividends income		-	4,398	82,711	331,731
Rental income		252,962	224,004	711,645	719,600
Management fees		44,998	120,402	140,897	232,629
Net foreign exchange differences		7,900	1,828	(2,062)	13,584
Other income	11	588	1,490	1,804,769	22,358
TOTAL INCOME		754,357	807,095	2,163,486	2,953,194
EXPENSES					
Staff costs		(340,785)	(442,208)	(1,072,430)	(1,358,590)
Provision for legal claims	13	-	-	(1,633,651)	-
Depreciation of property and equipment and right-of-use assets		(105,247)	(48,266)	(261,916)	(133,327)
Amortisation of intangible assets		(14,942)	(14,942)	(44,828)	(44,828)
Finance costs		(95,979)	(53,463)	(290,620)	(171,125)
Other expenses		(86,847)	(166,447)	(453,491)	(550,686)
TOTAL EXPENSES		(643,800)	(725,326)	(3,756,936)	(2,258,556)
PROFIT (LOSS) FOR THE PERIOD		110,557	81,769	(1,593,450)	694,638
Attributable to:					
Equity holders of the Parent Company		80,113	124,499	(1,625,659)	778,926
Non-controlling interests		30,444	(42,730)	32,209	(84,288)
		110,557	81,769	(1,593,450)	694,638
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	3	0.12 fils	0.19 fils	(2.50) fils	1.20 fils

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 September 2019

	Note	Three months ended 30 September		Nine months ended 30 September	
		2019 KD	2018 KD	2019 KD	2018 KD
Profit (loss) for the period		110,557	81,769	(1,593,450)	694,638
Other comprehensive income (loss)					
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:</i>					
Net gain (loss) on equity instruments at fair value through other comprehensive income		43,786	(2,279,742)	(638,043)	(3,444,267)
Net other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods		43,786	(2,279,742)	(638,043)	(3,444,267)
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>					
Share of other comprehensive income (loss) of associates	6	80,610	50,578	(130,944)	28,992
Reclassification of share in foreign currency translation on deemed disposal in an associate	6	-	-	(420,566)	-
Net exchange differences transferred to profit or loss upon liquidation of a foreign associate		-	-	-	(136,980)
Exchange differences on translation of foreign operations		19,525	7,043	10,551	20,278
Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods		100,135	57,621	(540,959)	(87,710)
Other comprehensive income (loss)		143,921	(2,222,121)	(1,179,002)	(3,531,977)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		254,478	(2,140,352)	(2,772,452)	(2,837,339)
Attributable to:					
Equity holders of the Parent Company		213,360	(2,102,923)	(2,812,623)	(2,766,758)
Non-controlling interests		41,118	(37,429)	40,171	(70,581)
		254,478	(2,140,352)	(2,772,452)	(2,837,339)

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


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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2019

		30 September 2019	(Audited) 31 December 2018	30 September 2018
	Notes	KD	KD	KD
ASSETS				
Cash and cash equivalents	4	7,851,408	5,978,922	6,534,875
Financial assets at fair value through profit or loss	5	66,914	130,504	382,756
Other current assets		2,004,283	1,967,874	1,861,078
Inventories		638,723	765,221	1,033,545
Financial assets at fair value through other comprehensive income	5	28,871,140	26,428,957	28,713,503
Investment in associates	6	48,929,930	50,832,184	50,714,031
Properties under development		511,337	913,422	979,249
Investment properties		12,380,624	12,571,037	12,265,360
Property, plant and equipment		2,612,442	2,622,318	2,688,093
Goodwill and other intangible assets		1,655,791	1,700,619	1,715,562
TOTAL ASSETS		105,522,592	103,911,058	106,888,052
LIABILITIES AND EQUITY				
LIABILITIES				
Murabaha payables	7	6,974,743	3,823,027	3,890,686
Other liabilities		4,491,840	3,330,537	3,282,658
End of service benefits		922,558	887,595	946,886
TOTAL LIABILITIES		12,389,141	8,041,159	8,120,230
EQUITY				
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		(4,200,710)	(4,163,287)	(1,993,789)
Foreign currency translation reserve		1,057,339	1,421,533	1,414,795
Retained earnings		3,093,246	5,504,252	6,067,629
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		88,633,223	91,445,846	94,148,033
Non-controlling interests		4,500,228	4,424,053	4,619,789
TOTAL EQUITY		93,133,451	95,869,899	98,767,822
TOTAL LIABILITIES AND EQUITY		105,522,592	103,911,058	106,888,052


Bader Mohammed Al-Qattan
Chairman


Eisa A. S. Alweggian
Chief Executive Officer

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2019

Attributable to equity holders of the Parent Company

	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Share options reserve KD	Treasury shares reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD	Non-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	-	-	-	-	-	-	-	-	(1,625,659)	(1,625,659)	32,209	(1,593,450)
Other comprehensive (loss) income for the period	-	-	-	-	-	-	(822,770)	(364,194)	-	(1,186,964)	7,962	(1,179,002)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(822,770)	(364,194)	(1,625,659)	(2,812,623)	40,171	(2,772,452)
Net movements in non-controlling interests	-	-	-	-	-	-	-	-	-	-	36,004	36,004
Transfer of loss on disposal of equity investments at FVOCI to retained earnings	-	-	-	-	-	-	785,347	-	(785,347)	-	-	-
At 30 September 2019	65,107,055	18,250,362	(108,816)	1,299,173	3,016,890	1,118,684	(4,200,710)	1,057,339	3,093,246	88,633,223	4,500,228	93,133,451
As at 1 January 2018 before the adoption of IFRS 9 (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	-	-	-	-	-	-	-	-	778,926	778,926	(84,288)	694,638
Other comprehensive (loss) income for the period	-	-	-	-	-	-	(3,488,573)	(57,111)	-	(3,545,684)	13,707	(3,531,977)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(3,488,573)	(57,111)	778,926	(2,766,758)	(70,581)	(2,837,339)
Net movements in non-controlling interests	-	-	-	-	-	-	-	-	-	-	28,947	28,947
As at 30 September 2018	65,107,055	18,250,362	(108,816)	1,275,223	3,016,890	1,118,684	(1,993,789)	1,414,795	6,067,629	94,148,033	4,619,789	98,767,822

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS (UNAUDITED)

For the period ended 30 September 2019

	Notes	Nine months ended 30 September	
		2019 KD	2018 KD
OPERATING ACTIVITIES			
(Loss) profit for the period		(1,593,450)	694,638
<i>Adjustments to reconcile (loss) profit for the period to net cash flows:</i>			
Murabaha income		(89,825)	(44,056)
Gain on sale of financial assets at fair value through profit or loss		(30,889)	(97,365)
Net change in fair value of financial assets at fair value through profit or loss		(1,552)	10,600
Dividends income		(82,711)	(331,731)
Gain on disposal of investment in associates		-	(157,143)
Share of results of associates	6	(617,444)	(1,047,882)
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		80,803	47,187
Net foreign exchange differences		2,062	(13,584)
Depreciation of property and equipment and right-of-use assets		261,916	133,327
Amortisation of intangible assets		44,828	44,828
Finance costs		290,620	171,125
Provision for employees' end of service benefits		77,244	158,935
		<u>50,586</u>	<u>(431,121)</u>
<i>Working capital adjustments:</i>			
Other assets		(39,372)	(400,380)
Financial assets at fair value through profit or loss		96,931	644,299
Inventories		126,498	(76,507)
Other liabilities		1,147,252	(135,419)
		<u>1,381,895</u>	<u>(399,128)</u>
Murabaha income received		89,825	38,553
Finance costs paid		(290,620)	(148,442)
Employees' end of service benefits paid		(42,281)	(41,574)
		<u>1,138,819</u>	<u>(550,591)</u>
Net cash flows from (used in) operating activities			
INVESTING ACTIVITIES			
Dividends income received		82,711	316,781
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	482,150
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		323,082	1,527,074
Proceeds from sale of investment property		162,803	-
Additions to investment properties		(7,890)	(1,034,558)
Purchase of items of property and equipment		(110,506)	(90,718)
Additions to investment in associates	6	(366,236)	(1,471,683)
Consideration paid towards acquisition of investment in associates		-	(1,625,000)
		<u>(2,313,821)</u>	<u>(1,008,497)</u>
Net cash flows used in investing activities			
FINANCING ACTIVITIES			
Proceeds from murabaha payables	7	7,830,856	1,600,494
Repayment of murabaha payables	7	(4,686,114)	(748,178)
Dividends paid to equity holders of the Parent Company		(1,858)	(2,402)
Net movement in non-controlling interests		36,004	28,947
Payment of lease liabilities		(131,400)	-
		<u>3,047,488</u>	<u>878,861</u>
Net cash flows from financing activities			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		5,978,922	7,215,102
		<u>7,851,408</u>	<u>6,534,875</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER			
	4	<u>7,851,408</u>	<u>6,534,875</u>

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 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 nine months ended 30 September 2019 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 11 November 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 68th floor, Al Shuhada Street, Kuwait City, Kuwait.

The Parent Company is principally engaged in the provision of investment and financial services in accordance with Islamic Sharī'a principles as approved by the Group's Fatwa and Sharī'a Supervisory Board. The principal activities of the Group are described in Note 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 nine months ended 30 September 2019 has been prepared in accordance with IAS 34 *Interim Financial Reporting* except as noted below.

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 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 on the interim condensed consolidated statement of financial position is as follows:

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 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)

b) Summary of new accounting policies

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

Right of use assets

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

Lease liabilities

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

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the borrowing 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 September 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)

c) 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	(127,381)	-
Finance costs	-	6,466
Payments	-	(131,400)
	<hr/>	<hr/>
At 30 September 2019	141,534	143,981
	<hr/> <hr/>	<hr/> <hr/>

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

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Profit (loss) for the period attributable to the equity holders of the Parent Company (KD)	80,113	124,499	(1,625,659)	778,926
Weighted average number of shares outstanding during the period*	649,442,622	649,442,622	649,442,622	649,442,622
Basic and diluted earnings (loss) per share (fls)	0.12	0.19	(2.50)	1.20

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

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

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

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4 CASH AND CASH EQUIVALENTS

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

	<i>30 September</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 September</i> <i>2018</i> <i>KD</i>
Cash on hand	11,424	11,714	19,906
Bank balances	1,700,813	2,175,261	1,909,136
Murabaha deposits with original maturity of three months or less	5,213,025	2,991,651	3,821,300
Cash held in portfolios	926,146	800,296	784,533
Cash and cash equivalents	7,851,408	5,978,922	6,534,875

Murabaha deposits with a carrying amount of KD 1,300,000 (31 December 2018: KD 1,300,000 and 30 September 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 3.00% (31 December 2018: 2.30% and 2.75% and 30 September 2018: 2% to 2.4%) 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 September 2019, some of the shareholders did not collect their share of the distribution; accordingly, certain bank balances amounting to KD 243,744 (31 December 2018: KD 312,255 and 30 September 2018: KD 320,135) have been restricted for the purpose of distribution to the shareholders of the subsidiary.

5 INVESTMENT SECURITIES

	<i>30 September</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 September</i> <i>2018</i> <i>KD</i>
<i>Financial assets at FVTPL</i>			
Quoted equity securities	-	65,139	317,140
Unquoted investment fund	66,914	65,365	65,616
	66,914	130,504	382,756
<i>Financial assets at FVOCI</i>			
Quoted equity securities	706,937	830,458	790,881
Unquoted equity securities *	28,164,203	25,598,499	27,922,622
	28,871,140	26,428,957	28,713,503
Investment securities (at fair value)	28,938,054	26,559,461	29,096,259

* 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)

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6 INVESTMENT IN ASSOCIATES

	(Audited)					
	30 September 2019		31 December 2018		30 September 2018	
County of incorporation	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") ¹	14.66%	12,476,274	14.66%	12,450,793	14.66%	12,316,528
Arkan Al-Kuwait Real Estate Company K.S.C.P.	28.99%	12,707,042	28.99%	12,994,150	28.99%	12,814,173
First Education Company K.S.C. (Closed)	22.19%	3,581,864	22.19%	3,631,654	22.19%	3,842,957
Tameer Investment Company O.L.L.C. ²	24.82%	11,965,178	37.40%	13,954,180	37.40%	14,511,122
Al Jazeera Al Oula Real Estate W.L.L.	20.90%	4,757,019	20.90%	4,418,992	20.90%	3,889,293
Al-Subeith Medical Company (Khalid Hamad Al-Subeith & Partners) W.L.L.	25%	2,853,708	25%	2,792,580	25%	2,757,615
Sons of Yousef Al-Subeith Real Estate Company (Khalid Hamad Al-Subeith & Partners) W.L.L.	25%	588,845	25%	589,835	25%	582,343
		<u>48,929,930</u>		<u>50,832,184</u>		<u>50,714,031</u>

¹ 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.

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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6 INVESTMENT IN ASSOCIATES (continued)

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

	<i>30 September</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 September</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	366,236	2,016,094	1,471,683
Disposals	-	(71,318)	(71,318)
Dividends received from associates	(682,444)	(898,845)	(898,845)
Foreign currency translation adjustment	53,782	80,053	73,298
Share of other comprehensive loss	(184,726)	(10,977)	(44,306)
Reduction in carrying amount of an associate on deemed disposal	(2,072,546)	-	-
Share of results	617,444	581,540	1,047,882
At the end of the period/year	<u>48,929,930</u>	<u>50,832,184</u>	<u>50,714,031</u>

7 MURABAHA PAYABLES

	<i>30 September</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 September</i> <i>2018</i> <i>KD</i>
Gross amount	7,773,836	5,169,579	5,281,746
Less: Deferred finance costs	(799,093)	(1,346,552)	(1,391,060)
	<u>6,974,743</u>	<u>3,823,027</u>	<u>3,890,686</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) out of which KD 3,265,000 was repaid. The effective profit rate on these facilities is 4.00% per annum.

As at 30 September 2019, murabaha payables amounting to KD 2,827,039 (31 December 2018: KD 3,014,317 and 30 September 2018: KD 3,086,815) are denominated in Omani Riyal and have an effective profit rate of 6.5% (31 December 2018: 6.5% and 30 September 2018: 6.5%) per annum.

Murabaha payables amounting to KD 3,709,743 (31 December 2018: KD 3,823,027 and 30 September 2018: KD 3,890,686) 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 September 2018: KD 1,300,000) (Note 4).
- † Investment properties with a carrying amount of KD 8,310,969 (31 December 2018: KD 8,282,574 and 30 September 2018: KD 7,924,269).

8 SHARE CAPITAL AND TREASURY SHARES

(i) Share capital

At 30 September 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 September 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

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8 SHARE CAPITAL AND TREASURY SHARES (continued)

(ii) Treasury shares

	<i>30 September</i> <i>2019</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i>	<i>30 September</i> <i>2018</i>
Number of treasury shares	1,627,929	1,627,929	1,627,929
Percentage (%) of share capital	0.25%	0.25%	0.25%
Cost of treasury shares (KD)	108,816	108,816	108,816
Market value of treasury shares (KD)	49,814	62,187	65,606

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 nine-month ended at 30 September 2019 and 2018, as well as balances with related parties as at 30 September 2019, 31 December 2018 and 30 September 2018.

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</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>
Interim condensed consolidated statement of profit or loss				
Management fees	3,048	1,515	4,552	3,540
			<i>(Audited)</i>	
			<i>30 September</i> <i>2019</i> <i>KD</i>	<i>31 December</i> <i>2018</i> <i>KD</i>
			<i>30 September</i> <i>2018</i> <i>KD</i>	
Interim condensed consolidated statement of financial position				
Management fees and other receivables	27,597		23,045	21,453

Key management personnel compensation:

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

The aggregate value of transactions related to key management personnel were as follows:

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>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	22,638	22,627	67,910	71,706
Terminal benefits	3,290	3,290	9,794	13,878
	<u>25,928</u>	<u>25,917</u>	<u>77,704</u>	<u>85,584</u>

Other transactions

The Group also manages investment portfolios on behalf of related parties amounting to KD 575,056 (31 December 2018: KD 561,875 and 30 September 2018: KD 563,873) which are not reflected in the Group's consolidated statement of financial position.

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

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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 nine months ended 30 September 2019 and 2018, respectively:

	Real Estate		Financial		Services		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Income	(658,999)	1,699,888	129,995	122,752	856,262	1,106,964	1,836,228	23,590	2,163,486	2,953,194
Expenses	(938,750)	(1,052,851)	(156,831)	(89,298)	(956,706)	(1,017,717)	(1,704,649)	(98,690)	(3,756,936)	(2,258,556)
Results – (loss) profit for the period	(1,597,749)	647,037	(26,836)	33,454	(100,444)	89,247	131,579	(75,100)	(1,593,450)	694,638

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

	Real Estate		Financial		Services		Others		Total	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018	30 September 2019	30 September 2018	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Segment assets	47,562,918	50,754,393	49,928,989	10,540,238	3,702,955	9,557,616	40,464,614	43,822,029	46,049,793	105,522,592
Segment liabilities	(4,630,430)	(5,109,284)	(3,896,736)	(3,284,623)	(10,223)	-	(1,537,195)	(1,629,897)	(1,714,262)	(12,389,141)
Investment in associates	30,018,084	31,957,157	31,796,931	18,911,846	18,875,027	18,917,100	-	-	-	48,929,930
Investment in associates										50,832,184
Investment in associates										50,714,031

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10 SEGMENT INFORMATION (continued)

Geographic information

	<i>Nine months ended 30 September</i>		
	<i>2019 KD</i>	<i>2018 KD</i>	
Income			
Kuwait	3,469,084	2,490,718	
Kingdom of Saudi Arabia (KSA)	(155,787)	161,290	
Sultanate of Oman	(1,159,351)	-	
Others	9,540	301,186	
	<u>2,163,486</u>	<u>2,953,194</u>	
Results – (loss) profit for the period			
Kuwait	(8,205)	684,928	
Kingdom of Saudi Arabia (KSA)	(230,995)	(89,211)	
Sultanate of Oman	(1,363,790)	-	
Others	9,540	98,921	
	<u>(1,593,450)</u>	<u>694,638</u>	
		<i>(Audited)</i>	
	<i>30 September 2019 KD</i>	<i>31 December 2018 KD</i>	<i>30 September 2018 KD</i>
Segment assets			
Kuwait	59,601,030	51,737,740	53,241,797
Kingdom of Saudi Arabia	24,171,481	28,183,762	29,448,350
Sultanate of Oman	20,331,777	22,313,423	22,541,886
Others	1,418,304	1,676,133	1,656,019
	<u>105,522,592</u>	<u>103,911,058</u>	<u>106,888,052</u>
Segment liabilities			
Kuwait	(7,932,610)	(2,940,664)	(2,712,626)
Kingdom of Saudi Arabia	(1,254,714)	(1,601,506)	(1,928,439)
Sultanate of Oman	(3,201,817)	(3,498,989)	(3,479,165)
	<u>(12,389,141)</u>	<u>(8,041,159)</u>	<u>(8,120,230)</u>

11 COMMITMENTS AND CONTINGENCIES

- a) As at 30 September 2019, the Group has provided bank guarantees amounting to KD 641,359 (31 December 2018: KD 623,838 and 30 September 2018: KD 694,200) for which the management anticipates that no material liabilities will arise.
- b) During the prior year ended 31 December 2018, one of the subsidiaries of the Group received a notification from the General Authority of Zakat and Tax (“GAZT”) in KSA to settle a tax obligation for the fiscal period from 2008 to 2014 amounting to SAR 7,997,618 (equivalent to KD 647,711) out of which the Parent Company’s share amounted to SAR 7,741,199 (equivalent to KD 626,944). The management of the subsidiary believes that the zakat dues notified by GAZT do not reflect the correct application of tax laws in KSA and accordingly, has appointed a tax consultant in KSA to review the tax claim and file an appeal with GAZT. The initial appeal was filed by the tax consultant on 24 January 2019. On 27 March 2019, GAZT issued a revised assessment accepting part of the appeal filed by the tax consultant decreasing the total tax liability by SAR 3.1 million (equivalent to KD 251,828). However, the tax consultant does not agree with GAZT’s revised assessment and decided to appeal against the revised assessment. 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.

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11 COMMITMENTS AND CONTINGENCIES (continued)

The management of the Parent Company has estimated and recorded a potential tax liability in the interim condensed consolidated statement of financial position as at 30 September 2019 in respect of this tax claim amounting to KD 150,085 (31 December 2018: KD 190,010 and 30 September 2018: KD 189,958). During the current period taxes paid amounted to KD 45,836 (30 September 2018: KD Nil) which includes foreign currency differences of KD 5,911, 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.

- c) On 13 November 2018, the Court of Cassation rejected an appeal request which was filed by Kuwait Awqaf Public Foundation (“Awqaf”) against a verdict that was issued by the Court of Appeal in favour of the Parent Company. Accordingly, the verdict issued by the Court of Appeal became final and non-appealable which obliges Awqaf to compensate the Parent Company for approximately an amount of KD 1,761,322. During the 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 September 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 September 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.

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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	
30 September 2019				
<i>Financial assets at fair value through profit or loss:</i>				
- Unquoted funds	-	66,914	-	66,914
	-	66,914	-	66,914
<i>Financial assets at fair value through other comprehensive income:</i>				
- Quoted equity securities	706,937	-	-	706,937
- Unquoted equity securities	-	-	28,164,203	28,164,203
	706,937	-	28,164,203	28,871,140
Investment securities (at fair value)	706,937	66,914	28,164,203	28,938,054

	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	
31 December 2018				
<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
Investment securities (at fair value)	895,597	65,365	25,598,499	26,559,461

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 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 September 2018</i>				
<i>Financial assets at fair value through profit or loss:</i>				
- Quoted equity securities	317,140	-	-	317,140
- Unquoted funds	-	65,616	-	65,616
	<u>317,140</u>	<u>65,616</u>	<u>-</u>	<u>382,756</u>
<i>Financial assets at fair value through other comprehensive income:</i>				
- Quoted equity securities	790,881	-	-	790,881
- Unquoted equity securities	-	-	27,922,622	27,922,622
	<u>790,881</u>	<u>-</u>	<u>27,922,622</u>	<u>28,713,503</u>
Investment securities (at fair value)	<u>1,108,021</u>	<u>65,616</u>	<u>27,922,622</u>	<u>29,096,259</u>

There were no transfers between Level 1 and Level 2 fair value measurements during the period/ year, and no transfers into or out of Level 3 fair value measurements during the period/ year.

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

	<i>(Audited)</i>		
	<i>30 September 2019 KD</i>	<i>31 December 2018 KD</i>	<i>30 September 2018 KD</i>
As at 1 January	25,598,499	29,409,490	29,166,788
IFRS 9 transition adjustment	-	(227,197)	-
Remeasurement recognised in OCI	(514,525)	(5,569,805)	(3,230,177)
Purchases / (sales) / transfers, net	<u>3,080,229</u>	<u>1,986,011</u>	<u>1,986,011</u>
At the end of the period/ year	<u>28,164,203</u>	<u>25,598,499</u>	<u>27,922,622</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 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 15 December 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 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 nine months ended 30 September 2019 (KD 110 thousand for the year ended 31 December 2018 and KD Nil for the nine months ended 30 September 2018). The recognised provision of KD 1,744 thousand in the interim condensed consolidated financial position as at 30 September 2019 (31 December 2018: KD 110 thousand, 30 September 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.

15 SUBSEQUENT EVENTS

Subsequent to the reporting date, the Parent Company’s request to suspend the execution of certain appeal verdicts stated in Note 13 (c) above was denied, and accordingly the appeal verdicts issued in favour of some clients became enforceable. As a result, the Parent Company executed the underlying judgements and settled an amount of KD 2,656,162 at the Sentences Execution Department of the Ministry of Justice. Notwithstanding the facts therein, the underlying verdicts are not final and are still subject to review by the Court of Cassation despite being executed and therefore an estimate of the financial effect of such event cannot be made at the end of the reporting period.