

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

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

30 SEPTEMBER 2018



Building a better
working world

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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 September 2018, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of 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.

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 2018 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 2018 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

14 November 2018
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(UNAUDITED)

For the nine months ended 30 September 2018

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 KD	2017 KD	2018 KD	2017 KD
INCOME					
Revenue from construction contracts		74,132	-	171,797	128,599
Revenue from sales		797,997	418,994	1,492,477	1,649,228
		<u>872,129</u>	<u>418,994</u>	<u>1,664,274</u>	<u>1,777,827</u>
Cost of construction contracts		(119,576)	(3,468)	(225,900)	(239,184)
Cost of sales		(601,307)	(319,874)	(1,093,741)	(1,254,787)
		<u>(720,883)</u>	<u>(323,342)</u>	<u>(1,319,641)</u>	<u>(1,493,971)</u>
GROSS PROFIT		<u>151,246</u>	<u>95,652</u>	<u>344,633</u>	<u>283,856</u>
Murabaha income		16,544	19,819	44,056	71,622
Gain on sale of financial assets at fair value through profit or loss		51,637	52,735	97,365	28,810
Net change in fair value of financial assets at fair value through profit or loss		(1,604)	(9,986)	(10,600)	(44,434)
Realised gain on sale of financial assets available-for-sale		-	14,000	-	14,000
Gain (loss) on disposal of investment in associates		-	-	157,143	(89,111)
Loss on sale of properties under development		(47,187)	-	(47,187)	-
Dividend income		4,398	-	331,731	183,295
Share of results of associates	7	284,337	550,479	1,047,882	1,265,688
Management fees		120,402	11,671	232,629	289,182
Rental income		224,004	252,649	719,600	752,938
Net foreign exchange differences		1,828	(9,688)	13,584	(50,363)
Other income		1,490	1,646	22,358	42,560
		<u>807,095</u>	<u>978,977</u>	<u>2,953,194</u>	<u>2,748,043</u>
TOTAL INCOME		<u>807,095</u>	<u>978,977</u>	<u>2,953,194</u>	<u>2,748,043</u>
EXPENSES					
Staff costs		(442,208)	(618,794)	(1,358,590)	(1,603,431)
Depreciation		(48,266)	(40,375)	(133,327)	(112,554)
Amortisation of intangible assets		(14,942)	-	(44,828)	-
Finance costs		(53,463)	(43,964)	(171,125)	(126,156)
Other expenses		(166,447)	(193,288)	(550,686)	(545,075)
		<u>(725,326)</u>	<u>(896,421)</u>	<u>(2,258,556)</u>	<u>(2,387,216)</u>
TOTAL EXPENSES		<u>(725,326)</u>	<u>(896,421)</u>	<u>(2,258,556)</u>	<u>(2,387,216)</u>
PROFIT FOR THE PERIOD		<u>81,769</u>	<u>82,556</u>	<u>694,638</u>	<u>360,827</u>
Attributable to:					
Equity holders of the Parent Company		124,499	140,717	778,926	484,907
Non-controlling interests		(42,730)	(58,161)	(84,288)	(124,080)
		<u>81,769</u>	<u>82,556</u>	<u>694,638</u>	<u>360,827</u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	4	<u>0.19 fils</u>	<u>0.22 fils</u>	<u>1.20 fils</u>	<u>0.75 fils</u>

The attached notes 1 to 16 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 nine months ended 30 September 2018

	Note	Three months ended 30 September		Nine months ended 30 September	
		2018 KD	2017 KD	2018 KD	2017 KD
Profit for the period		81,769	82,556	694,638	360,827
Other comprehensive (loss) income					
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>					
Share of other comprehensive loss of associates		-	-	(136,980)	-
Net loss on equity instruments at fair value through other comprehensive income		(2,279,742)	-	(3,444,267)	-
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		(2,279,742)	-	(3,581,247)	-
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>					
Change in fair value of available-for-sale financial assets (IAS 39)		-	(21,615)	-	131,249
Share of other comprehensive income (loss) of associates	7	50,578	(46,913)	28,992	(334,705)
Exchange differences on translation of foreign operations		7,043	(22,736)	20,278	(41,644)
Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods		57,621	(91,264)	49,270	(245,100)
Other comprehensive loss		(2,222,121)	(91,264)	(3,531,977)	(245,100)
Total comprehensive (loss) income for the period		(2,140,352)	(8,708)	(2,837,339)	115,727
Attributable to:					
Equity holders of the Parent Company		(2,102,923)	60,599	(2,766,758)	260,300
Non-controlling interests		(37,429)	(69,307)	(70,581)	(144,573)
		(2,140,352)	(8,708)	(2,837,339)	115,727


The attached notes 1 to 16 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 2018

			(Audited)	
		30 September	31 December	30 September
		2018	2017	2017
	Notes	KD	KD	KD
ASSETS				
Cash and cash equivalents	5	6,534,875	7,215,102	9,823,475
Financial assets at fair value through profit or loss	6	382,756	1,149,442	465,319
Other current assets		2,046,372	1,612,424	2,801,011
Inventories		1,033,545	957,038	1,019,264
Available-for-sale financial assets	6	-	32,327,431	31,487,328
Financial assets at fair value through other comprehensive income	6	28,713,503	-	-
Investment in associates	7	50,960,678	49,382,284	45,611,248
Properties under development		979,249	2,548,969	2,715,866
Investment properties		12,265,360	11,198,150	10,133,191
Property, plant and equipment		2,688,093	2,730,703	1,827,572
Goodwill and other intangible assets		1,715,562	1,760,390	2,654,560
TOTAL ASSETS		107,319,993	110,881,933	108,538,834
LIABILITIES AND EQUITY				
LIABILITIES				
Murabaha payables	8	3,890,686	3,027,472	2,593,560
Other liabilities		3,282,658	5,017,254	4,058,703
End of service benefits		946,886	829,052	807,588
TOTAL LIABILITIES		8,120,230	8,873,778	7,459,851
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)	(108,816)
Statutory reserve		1,275,223	1,275,223	1,200,198
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		(1,993,789)	1,510,289	656,861
Foreign currency translation reserve		1,414,795	1,471,906	1,511,113
Retained earnings		6,499,570	5,705,139	5,514,826
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		94,579,974	97,346,732	96,267,173
Non-controlling interests		4,619,789	4,661,423	4,811,810
TOTAL EQUITY		99,199,763	102,008,155	101,078,983
TOTAL LIABILITIES AND EQUITY		107,319,993	110,881,933	108,538,834


Bader Mohammed Al-Qattan
Chairman


Eisa A. S. Alweggian
Chief Executive Officer

The attached notes 1 to 16 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 nine months ended 30 September 2018

	Attributable to equity holders of the Parent Company												
	Share capital KD	Share premium KD	Treasury shares 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
Balance 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 (Note 3)	-	-	-		-	-	-	(15,505)	-	15,505	-	-	-
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	5,720,644	97,346,732	4,661,423	102,008,155
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
Balance 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	6,499,570	94,579,974	4,619,789	99,199,763
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	-	-	-		-	-	-	-	-	484,907	484,907	(124,080)	360,827
Other comprehensive income (loss) for the period	-	-	-		-	-	-	68,664	(293,271)	-	(224,607)	(20,493)	(245,100)
Total comprehensive income (loss) for the period	-	-	-		-	-	-	68,664	(293,271)	484,907	260,300	(144,573)	115,727
Distribution due to liquidation of a subsidiary (Note 7)	-	-	-		-	-	-	-	-	-	-	(4,644,606)	(4,644,606)
Acquisition of non-controlling interests	-	-	-		-	-	-	-	-	-	-	204,994	204,994
At 30 September 2017	65,107,055	18,250,362	(108,816)		1,200,198	3,016,890	1,118,684	656,861	1,511,113	5,514,826	96,267,173	4,811,810	101,078,983

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS
(UNAUDITED)

For the nine months ended 30 September 2018

		Nine months ended 30 September	
		2018	2017
	Notes	KD	KD
OPERATING ACTIVITIES			
Profit for the period		694,638	360,827
<i>Adjustments to reconcile profit for the period to net cash flows:</i>			
Murabaha income		(44,056)	(71,622)
Gain on sale of financial assets at fair value through profit or loss		(97,365)	(28,810)
Net change in fair value of financial assets at fair value through profit or loss		10,600	44,434
(Gain) loss on sale of investment in associates		(157,143)	89,111
Gain on sale of available-for-sale financial assets available-for-sale		-	(14,000)
Loss on sale of properties under development		47,187	-
Dividend income		(331,731)	(183,295)
Share of results of associates	7	(1,047,882)	(1,265,688)
Net foreign exchange differences		(13,584)	50,363
Impairment loss on available-for-sale financial assets		-	979
Depreciation		133,327	112,554
Amortization		44,828	-
Finance costs		171,125	126,156
Provision for employees' end of service benefits		158,935	228,796
		(431,121)	(550,195)
<i>Working capital adjustments:</i>			
Other assets		(400,380)	(673,628)
Financial assets at fair value through profit or loss		644,299	933,694
Inventories		(76,507)	74,103
Other liabilities		(135,419)	(715,464)
Cash used in operations		(399,128)	(931,490)
Murabaha income received		38,553	66,532
Finance costs paid		(148,442)	(126,156)
Employees' end of service benefits paid		(41,574)	(190,656)
Net cash flows used in operating activities		(550,591)	(1,181,770)
INVESTING ACTIVITIES			
Acquisition of a subsidiary, net of cash acquired		-	(3,068,185)
Dividend income received		316,781	183,295
Purchase of available-for-sale financial assets		-	(88,276)
Proceeds from redemption of financial assets available-for-sale		-	15,000
Purchase of financial assets at fair value through other comprehensive income		(102,869)	-
Proceeds from sale of financial assets at fair value through other comprehensive income		482,150	-
Additions to investment in associates	7	(1,471,683)	-
Proceeds from sale of investment in associates		91,481	209,032
Dividends received from associates	7	898,845	749,571
Development expenditure on properties under development		-	(55,355)
Proceeds from sale of properties under development		1,527,074	-
Additions to investment properties		(1,034,558)	(388,276)
Purchase of property and equipment		(90,718)	(119,251)
Payment of consideration towards acquisition of associates		(1,625,000)	-
Net cash flows used in investing activities		(1,008,497)	(2,562,445)
FINANCING ACTIVITIES			
Net movement in murabaha payables		852,316	325,498
Dividend paid to equity holders of the Parent Company		(2,402)	(23,278)
Net movement in non-controlling interests		28,947	204,994
Net cash flows from financing activities		878,861	507,214
NET DECREASE IN CASH AND CASH EQUIVALENTS		(680,227)	(3,237,001)
Cash and cash equivalents at 1 January		7,215,102	13,060,476
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	5	6,534,875	9,823,475

The attached notes 1 to 16 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)

For the nine months ended 30 September 2018

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 2018 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 14 November 2018.

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 Sharia'a principles as approved by the Group's Fatwa and Sharia Supervisory Board.

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 2018 have 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 2018 are prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards ("IFRSs") except for International Financial Reporting Standards 9 ("IFRS 9"): *Financial Instruments* requirement for the expected credit losses on credit facilities, which have been replaced by CBK's regulations.

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 2017.

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 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* except for the requirement for the expected credit losses on credit facilities, which have been replaced by CBK's regulations. The nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial information of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 and IFRS 15 are summarised below:

IFRS 15 – Revenue from Contracts with Customers

The Group has adopted IFRS 15: *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The adoption of IFRS 15 did not have any material impact on the accounting policies, financial position or performance of the Group.

IFRS 9 - Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

The key changes to the Group's accounting policies resulting from the adoption of IFRS 9 are summarised below:

Classification of financial assets and financial liabilities

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

**3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW
STANDARDS (continued)**

IFRS 9 Financial Instruments (continued)

Classification of financial assets and financial liabilities (continued)

Assessment of whether contractual cashflows are solely payments of principal and interest (SPPI test)

The Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Measurement categories of financial assets and liabilities

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at FVTPL

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the consolidated profit or loss.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

Debt instruments at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Balances with banks and financial institutions and certain other assets are classified as debt instruments at amortised cost.

Debt instruments measured at amortised cost are subsequently measured at amortised cost using the effective yield method adjusted for impairment losses, if any.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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As at and for the period ended 30 September 2018

**3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW
STANDARDS (continued)**

IFRS 9 *Financial Instruments* (continued)

Measurement categories of financial assets and liabilities (continued)

Debt instruments at FVOCI

The Group applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI except for the recognition of impairment gains and losses. Interest income and foreign exchange gains and losses are recognised in profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss. The Group does not have any instruments that would meet the above criteria.

Equity instruments at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to the consolidated profit or loss. Dividends are recognised in profit or loss when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses are reclassified from fair value reserve to retained earnings in the statement of changes in equity. The management classifies certain equity investments at FVOCI and are separately disclosed in the statement of financial position.

Financial assets at FVTPL

The Group classifies financial assets fair value through profit and loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair values, financing income and dividends are recorded in profit or loss according to the terms of the contract, or when the right to payment has been established.

Included in this classification are certain equity securities and funds that have been acquired principally for the purpose of selling or repurchasing in the near term.

Impairment of financial assets

The Group previously recognized impairment losses on financial assets based on incurred loss model, under IAS 39. The management has applied the new impairment model only to debt instruments at amortized cost excluding credit facilities for which the Group continues to apply impairment requirements under CBK regulations.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

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

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As at and for the period ended 30 September 2018

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)

IFRS 9 Financial Instruments (continued)

Measurement categories of financial assets and liabilities (continued)

Impairment of financial assets (continued)

For the Group's financial assets, the management has applied the standard's simplified approach and has determined lifetime expected credit losses on these instruments. The management has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the counter parties and the economic environment.

The management considers a financial asset in default when the contractual payments are 90 days past due. However, in certain cases, the management may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

Hedge Accounting

The Group applied hedge accounting prospectively. At the date of initial application, the Group has no existing hedging relationships.

Impact of adopting IFRS 9

The impact of this change in accounting policy as at 1 January 2018 has been to increase retained earnings by KD 15,505 and to decrease the fair value reserve by KD 15,505 as follows:

	Retained earnings KD	Fair value reserve KD
Balance at 1 January 2018 before the adoption of IFRS 9	5,705,139	1,510,289
<i>Impact on reclassification and re-measurements:</i>		
Investment securities (unquoted funds) from available-for-sale to FVTPL	15,505	(15,505)
Adjusted balance as at 1 January 2018	5,720,644	1,494,784

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 KD	Transition adjustment KD	New carrying amount under IFRS 9 KD
<i>Financial assets:</i>					
Cash and cash equivalents	Loans and receivables	Amortised cost	7,215,102	-	7,215,102
Financial assets at fair value through profit or loss	FVTPL	FVOCI	242,702	-	242,702
Other current assets	Loans and receivables	Amortised cost	1,612,424	-	1,612,424
Investment in unquoted funds	AFS	FVTPL	33,081	-	33,081
Investment in equity securities	AFS	FVOCI	32,294,350	-	32,294,350
Total financial assets			41,397,659	-	41,397,659

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

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As at and for the period ended 30 September 2018

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)

Impact of Adopting IFRS 9 (continued)

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 (continued)

Upon the transition to IFRS 9, the management has elected to reclassify certain equity securities, using the irrevocable option, amounting to KD 242,702 from FVTPL to FVOCI with no recycling.

Certain open-ended funds which do not meet the FVOCI criteria have been re-classified to FVTPL.

Certain equity investment securities which are strategic in nature and intended to be held for the foreseeable future have reclassified from AFS to FVOCI, on initial adoption of IFRS 9.

Financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Thus, such instruments continue to be measured at amortised cost under IFRS 9.

Adoption of IFRS 9 did not result in any change in classification or measurement of financial liabilities.

4 BASIC AND DILUTED EARNINGS PER SHARE (EPS) ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY

Basic and diluted EPS 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 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2018 KD</i>	<i>2017 KD</i>	<i>2018 KD</i>	<i>2017 KD</i>
Profit for the period attributable to the equity holders of the Parent Company (KD)	124,499	140,717	778,926	484,907
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)	(1,627,929)	(1,627,929)	(1,627,929)
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 per share attributable to the equity holders of the Parent Company	0.19 fils	0.22 fils	1.20 fils	0.75 fils

As there are no dilutive instruments, basic and diluted EPS are identical. There have been no transactions involving ordinary shares between the reporting date and the date of authorization of this interim condensed 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 2018

5 CASH AND CASH EQUIVALENTS

	30 September 2018 KD	(Audited) 31 December 2017 KD	30 September 2017 KD
Cash on hand	19,906	2,448	41,679
Bank balances	1,909,136	2,062,452	2,839,732
Murabaha deposits with original maturity of three months or less	3,821,300	5,144,204	6,245,904
Cash held in portfolios	784,533	5,998	696,160
Cash and cash equivalents as per the consolidated statement of financial position	<u>6,534,875</u>	<u>7,215,102</u>	<u>9,823,475</u>

Murabaha deposits with a carrying amount of KD 1,300,000 (31 December 2017: KD 1,300,000 and 30 September 2017: KD 1,300,000) are pledged as security 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 2 % to 2.4% (31 December 2017: 0.85% to 1.88% and 30 September 2017: 1.00 % to 1.63%) 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 2018, some of the shareholders did not collect their share of the distribution; accordingly, certain bank balances amounting to KD 320,135 (31 December 2017: KD 391,061 and 30 September 2017: KD 506,329) have been restricted for the purpose of distribution to the shareholders of the subsidiary.

6 INVESTMENT SECURITIES

	30 September 2018 KD	(Audited) 31 December 2017 KD	30 September 2017 KD
<i>Available-for-sale financial assets:</i>			
- Unquoted equity securities	-	30,910,098	29,903,709
- Quoted equity securities	-	1,384,252	1,551,929
- Unquoted funds	-	33,081	31,690
	<u>-</u>	<u>32,327,431</u>	<u>31,487,328</u>
<i>Financial assets at fair value through other comprehensive income:</i>			
- Quoted equity securities	790,881	-	-
- Unquoted equity securities	27,922,622	-	-
	<u>28,713,503</u>	<u>-</u>	<u>-</u>
<i>Financial assets at fair value through profit or loss:</i>			
- Quoted equity securities	317,140	830,171	158,954
- Unquoted equity securities	-	242,702	229,510
- Unquoted funds	65,616	76,569	76,855
	<u>382,756</u>	<u>1,149,442</u>	<u>465,319</u>
<i>Total</i>	<u>29,096,259</u>	<u>33,476,873</u>	<u>31,952,647</u>

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

7 INVESTMENT IN ASSOCIATES

	County of incorporation	(Audited)			
		30 September 2018		31 December 2017	
		Equity interest %	Carrying amount KD	Equity interest %	Carrying amount KD
Burgan Company for Well Drilling K.S.C.P. ("BDC") ¹	Kuwait	14.66%	12,316,528	14.66%	12,033,969
Arkan Al-Kuwait Real Estate Company K.S.C.P.	Kuwait	28.99%	12,814,173	28.99%	12,666,827
First Education Company K.S.C. (Closed)	Kuwait	22.19%	4,089,604	22.19%	4,178,334
Taameer Investment Company O.L.L.C. ²	Oman	37.40%	14,511,122	37.40%	13,179,485
Al Jazeera Al Oula Real Estate W.L.L.	Saudi Arabia	20.90%	3,889,293	20.90%	3,913,045
Sahab Al-Khalij Real Estate Company B.S.C. (Closed) (under liquidation)	Bahrain	-	-	35.29%	71,318
Al-Subeih Medical Company (Khalid Hamad Al-Subeih & Partners)					
W.L.L. ³	Kuwait	25%	2,757,615	25%	2,756,963
Sons of Yousef Al-Subeih Real Estate Company (Khalid Hamad Al-Subeih & Partners) W.L.L. ³	Kuwait	25%	582,343	25%	582,343
			<u>50,960,678</u>		<u>49,382,284</u>
					<u>45,611,248</u>

¹ The Group exercises significant influence over BDC through the appointment of 2 board members out of a total board members of 6. The Group has considered the significant influence achieved through absolute voting rights to be sufficient to give it the practical ability to influence the relevant activities of the investee company, despite the fact of owning on equity interest of less than 20% shareholding.

² During the nine months ended 30 September 2018, the Parent Company made a non-reciprocal capital contribution amounting to OMR 1,870,000 (equivalent to KD 1,471,683). The amounts received by the associate was from all shareholders pro-rated to their equity interest in the associate and there is no requirement to repay the amount under any circumstances and any repayment is entirely at the discretion of the associate. As a result, these amounts are treated as equity in the books of the associate.

³ During 2017, the Parent Company entered into a purchase agreement (the "Agreement") to acquire 25% equity stake in Al-Subeih Medical Company (Khaled Hamad Al-Subeih & Partners) W.L.L. and Sons of Yousef Al-Subeih Real Estate Company W.L.L. (together referred to as the "Target Business") for a total cash consideration of KD 3,250,000. Under the Agreement, the seller provided an undertaking to establish a holding company under which the net assets of the Target Business will be transferred to, and for which the shares will be allocated between the contractual parties proportionately. The legal formalities related to the incorporation of the holding company are still in progress as at the authorisation date of this interim condensed consolidated financial information. Further, as part of the Agreement, the Parent Company is required to pay a contingent consideration based on the performance of the Target Business over an agreed period. The management of the Parent Company has performed an assessment to estimate such contingent payment as at the reporting date and determined that no such payment would be required as of that date.

Provisional goodwill arising on acquisition of the Target Business amounting to KD 2,142,832 is included in the carrying amount of the underlying investments.

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

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7 INVESTMENT IN ASSOCIATES (continued)

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

	30 September 2018 KD	(Audited) 31 December 2017 KD	30 September 2017 KD
At the beginning of the period/year	49,382,284	50,859,283	50,859,283
Additions	1,471,683	3,250,000	-
Distributions due to liquidation of a subsidiary	-	(4,644,606)	(4,644,606)
Disposals	(71,318)	(800,407)	(784,841)
Dividends received from associates	(898,845)	(749,571)	(749,571)
Foreign currency translation adjustment	73,298	(312,028)	(272,119)
Share of other comprehensive loss	(44,306)	(66,947)	(62,586)
Share of results	1,047,882	1,846,560	1,265,688
At the end of the period/year	<u>50,960,678</u>	<u>49,382,284</u>	<u>45,611,248</u>

8 MURABAHA PAYABLES

	30 September 2018 KD	(Audited) 31 December 2017 KD	30 September 2017 KD
Gross amount	5,281,746	4,044,681	3,610,051
Less: Deferred finance costs	(1,391,060)	(1,017,209)	(1,016,491)
	<u>3,890,686</u>	<u>3,027,472</u>	<u>2,593,560</u>

As at 30 September 2018, murabaha payables amounting to KD 3,086,815 (31 December 2017: KD 2,436,063 and 30 September 2017: KD 1,902,150) are denominated in Omani Riyal and have an effective profit rate of 6.5% (31 December 2017: 6.5% and 30 September 2017: 6.5%) per annum.

Murabaha payables amounting to KD 3,890,686 (31 December 2017: KD 3,027,472 and 30 September 2017: KD 2,593,560) are secured against the following:

- Murabaha deposits with a carrying amount of KD 1,300,000 (31 December 2017: KD 1,300,000 and 30 September 2017: KD 1,300,000) (Note 5).
- Properties under development with a carrying amount of KD Nil (31 December 2017: KD 1,534,194 and 30 September 2017: KD 1,534,194).
- Investment properties with a carrying amount of KD 7,924,269 (31 December 2017: KD 6,859,024 and 30 September 2017: KD 6,124,804).

9 SHARE CAPITAL AND TREASURY SHARES

(i) Share capital

At 30 September 2018, the authorised, issued and fully paid-up capital of the Parent Company comprises of 651,070,551 (31 December 2017: 651,070,551 and 30 September 2017: 651,070,551) shares of 100 fils each. All shares are paid in cash.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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9 SHARE CAPITAL AND TREASURY SHARES (continued)

(ii) Treasury shares

	30 September 2018	(Audited) 31 December 2017	30 September 2017
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)	65,606	63,489	75,373

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

An amount of KD 108,816 (31 December 2017: KD 108,816 and 30 September 2017: KD 108,816) 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 as per CMA requirements.

10 RELATED PARTY DISCLOSURES

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

Transactions and balances with related parties are, as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2018 KD	2017 KD	2018 KD	2017 KD
Statement of profit or loss				
Management fees	1,515	1,912	3,540	6,204
	30 September 2018 KD	(Audited) 31 December 2017 KD	30 September 2017 KD	
Statement of financial position				
Management fees and other receivables	21,453	17,913		16,144

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.

	Three months ended 30 September		Nine months ended 30 September	
	2018 KD	2017 KD	2018 KD	2017 KD
Salaries and other short-term benefits	22,627	53,855	71,706	171,170
Terminal benefits	3,290	23,031	13,878	64,452
	<u>25,917</u>	<u>76,886</u>	<u>85,584</u>	<u>235,622</u>

Other transactions

The Group also manages investment portfolios on behalf of related parties amounting to KD 563,873 (31 December 2017: KD 1,665,179 and 30 September 2017: KD 1,668,965) which are not reflected in the Group's statement of financial position.

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

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11 SEGMENT INFORMATION

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

- Real Estate
- Financial
- Services
- Others

The Group does not have any inter-segment transactions.

The table below presents revenue and profit information for the Group's operating segments for the nine months ended 30 September 2018 and 2017, respectively.

	Real Estate		Financial		Services		Others		Total	
	2018 KD	2017 KD	2018 KD	2017 KD	2018 KD	2017 KD	2018 KD	2017 KD	2018 KD	2017 KD
Income	1,699,888	1,929,185	122,752	331	1,106,964	790,632	23,590	27,895	2,953,194	2,748,043
Expenses	(1,052,851)	(1,220,582)	(89,298)	(77,210)	(1,017,717)	(987,325)	(98,690)	(102,099)	(2,258,556)	(2,387,216)
Results – (loss) profit for the period	647,037	708,603	33,454	(76,879)	89,247	(196,693)	(75,100)	(74,204)	694,638	360,827

The following table presents assets and liabilities for the Group's operating segments as at 30 September 2018 and 31 December 2017, respectively.

	Real Estate		Financial		Services		Others		Total	
	2018 KD	2017 KD	2018 KD	2017 KD	2018 KD	2017 KD	2018 KD	2017 KD	2018 KD	2017 KD
Segment assets	49,897,936	48,610,568	4,965,617	6,311,143	46,350,343	49,482,399	6,106,097	6,477,823	107,319,993	110,881,933
Segment liabilities	(3,896,736)	(4,816,863)	-	(12,212)	(1,714,262)	(2,999,170)	(2,509,232)	(1,045,533)	(8,120,230)	(8,873,778)
Other disclosures:										
Investment in associates	31,214,588	29,830,675	-	-	19,746,090	19,551,609	-	-	50,960,678	49,382,284
Impairment of available-for-sale financial assets	-	-	-	(22,393)	-	-	-	-	-	(22,393)

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 2018

11 SEGMENT INFORMATION (continued)

Geographic information

	<i>Nine months ended 30 September</i>	
	<i>2018 KD</i>	<i>2017 KD</i>
Income		
Kuwait	2,490,718	2,306,579
Kingdom of Saudi Arabia	161,290	(136,909)
Others	301,186	578,373
	<u>2,953,194</u>	<u>2,748,043</u>
Results – profit (loss) for the period		
Kuwait	684,928	434,053
Kingdom of Saudi Arabia	(89,211)	(489,566)
Others	98,921	416,340
	<u>694,638</u>	<u>360,827</u>
	<i>30 September 2018 KD</i>	<i>(Audited) 31 December 2017 KD</i>
Segment assets		
Kuwait	52,850,913	53,637,508
Kingdom of Saudi Arabia	30,232,473	33,013,050
Others	24,236,607	24,231,375
	<u>107,319,993</u>	<u>110,881,933</u>
Segment liabilities		
Kuwait	(2,712,626)	(4,098,054)
Kingdom of Saudi Arabia	(1,928,439)	(2,032,008)
Others	(3,479,165)	(2,743,716)
	<u>(8,120,230)</u>	<u>(8,873,778)</u>

12 COMMITMENTS AND CONTINGENCIES

Commitments

	<i>30 September 2018 KD</i>	<i>(Audited) 31 December 2017 KD</i>	<i>30 September 2017 KD</i>
Operating lease rentals payable within one year	151,950	151,950	151,950
Operating lease rentals payable up to five years	126,627	240,588	278,575
	<u>278,577</u>	<u>392,538</u>	<u>430,525</u>

Contingencies

At the reporting date, the Group has provided bank guarantees amounting to KD 694,200 (31 December 2017: KD 828,039 and 30 September 2017: KD 801,855) for which the management anticipates that no material liabilities will arise.

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13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

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

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

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

Description of significant unobservable inputs to valuation

	<i>Valuation techniques</i>	<i>Significant unobservable inputs</i>	<i>Range</i>	<i>Sensitivity of the input to fair value</i>
Unquoted equity securities	Market approach	DLOM *	20% - 30%	Increase (decrease) in the discount would decrease (increase) the fair value.
	Adjusted NAV	DLOM *	5% - 25%	

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

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

	<i>Level 1 KD</i>	<i>Level 2 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
30 September 2018				
<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>

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

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13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>31 December 2017 (Audited)</i>				
<i>Financial assets at fair value through profit or loss:</i>				
- Quoted equity securities	830,171	-	-	830,171
- Unquoted equity securities	-	-	242,702	242,702
- Unquoted funds	-	76,569	-	76,569
	<u>830,171</u>	<u>76,569</u>	<u>242,702</u>	<u>1,149,442</u>
<i>Available-for-sale financial assets:</i>				
- Quoted equity securities	1,384,252	-	-	1,384,252
- Unquoted equity securities	-	-	29,166,788	29,166,788
- Unquoted funds	-	33,081	-	33,081
	<u>1,384,252</u>	<u>33,081</u>	<u>29,166,788</u>	<u>30,584,121</u>
	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>30 September 2017</i>				
<i>Financial assets at fair value through profit or loss:</i>				
- Quoted equity securities	158,954	-	-	158,954
- Unquoted equity securities	-	-	229,510	229,510
- Unquoted funds	-	76,855	-	76,855
	<u>158,954</u>	<u>76,855</u>	<u>229,510</u>	<u>465,319</u>
<i>Available-for-sale financial assets:</i>				
- Quoted equity securities	1,551,929	-	-	1,551,929
- Unquoted equity securities	-	-	2,528,657	2,528,657
- Unquoted funds	-	31,690	-	31,690
	<u>1,551,929</u>	<u>31,690</u>	<u>2,528,657</u>	<u>4,112,276</u>

At 31 December 2017 and 30 September 2017, certain equity securities amounting to KD 1,743,310 and KD 27,375,052 respectively, were accounted at cost less impairment (in accordance with IAS 39). At the date of initial application of IFRS 9, the Group measured the underlying investments at fair value. As a result, the fair value measurement of these securities was categorised within level 3 of the fair value hierarchy for the first time.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

	<i>At 1 January 2018 KD</i>	<i>Remeasurement recognised in profit or loss KD</i>	<i>Remeasurement recognised in other comprehensive income KD</i>	<i>Net purchases, sales, transfers and settlements KD</i>	<i>At 30 September 2018 KD</i>
<i>Financial assets at fair value through profit or loss:</i>					
- Unquoted equity securities	242,702	-	-	(242,702)	-
	<u>242,702</u>	<u>-</u>	<u>-</u>	<u>(242,702)</u>	<u>-</u>
<i>Financial assets at fair value through other comprehensive income:</i>					
- Unquoted equity securities	29,166,788	-	(3,444,267)	2,200,101	27,922,622
	<u>29,166,788</u>	<u>-</u>	<u>(3,444,267)</u>	<u>2,200,101</u>	<u>27,922,622</u>

	<i>At 1 January 2017 KD</i>	<i>Remeasurement recognised in profit or loss KD</i>	<i>Remeasurement recognised in other comprehensive income KD</i>	<i>Net purchases, sales, transfers and settlements KD</i>	<i>At 31 December 2017 KD</i>
<i>Financial assets at fair value through profit or loss:</i>					
- Unquoted equity securities	229,510	13,192	-	-	242,702
	<u>229,510</u>	<u>13,192</u>	<u>-</u>	<u>-</u>	<u>242,702</u>
<i>Available-for-sale financial assets:</i>					
- Unquoted equity securities	2,528,657	-	1,028,803	25,609,328	29,166,788
	<u>2,528,657</u>	<u>-</u>	<u>1,028,803</u>	<u>25,609,328</u>	<u>29,166,788</u>

	<i>At 1 January 2017 KD</i>	<i>Loss recorded in the consolidated statement of profit or loss KD</i>	<i>Gain recorded in other comprehensive income KD</i>	<i>Net purchases, sales, transfers and settlements KD</i>	<i>At 30 September 2017 KD</i>
<i>Financial assets at fair value through profit or loss:</i>					
- Unquoted equity securities	229,510	-	-	-	229,510
	<u>229,510</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>229,510</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 2018

13 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

	<i>At 1 January 2017 KD</i>	<i>Loss recorded in the consolidated statement of profit or loss KD</i>	<i>Gain recorded in other comprehensive income KD</i>	<i>Net purchases, sales, transfers and settlements KD</i>	<i>At 30 September 2017 KD</i>
Available-for-sale financial assets:					
- Unquoted equity securities	2,528,657	-	-	-	2,528,657
	<u>2,528,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,528,657</u>

14 LEGAL CASES

- 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 to 15 November 2018 awaiting experts' report.

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 transfer the case to the Department of Expert where the court hearing is postponed to the session scheduled on 7 February 2019 awaiting experts' report.

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 financial statements. Accordingly, no additional provisions for the liability has been made during 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 Muttaheda 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 Company as part of their share of increase in the capital of the investee company. Accordingly, the Parent Company withheld the payment for the remaining consideration related to 4,000,000 shares and filed a lawsuit against the sellers claiming for a temporary compensation. On the other hand, the sellers filed a counterclaim against the Parent Company demanding payment for the remaining consideration. However, the counterclaim was rejected by the Court of First Instance, Court of Appeal and the Court of Cassation on 11 April 2016.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

14 LEGAL CASES (continued)

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 June 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. The sellers appealed the verdict. The claim was circulated before the court of appeal and it is currently postponed for the hearing dated 27 December 2018.

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.

15 ANNUAL GENERAL ASSEMBLY

The consolidated financial statements for year ended 31 December 2017 were approved by the shareholders of the Parent Company at the Annual General Assembly meeting (AGM) held on 24 April 2018. No dividends have been declared.

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 107,130,271 (31 December 2017: KD 117,971,300 and 30 September 2017: KD 120,935,784). The total income earned from fiduciary assets for the period ended 30 September 2018 amounted to KD 232,629 (30 September 2017: KD 289,182).