

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

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

31 MARCH 2017

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 (Collectively, the "Group") as at 31 March 2017 and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016 and its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association during the three months period ended 31 March 2017 that might have had material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the three months period ended 31 March 2017 that might have had material effect on the business of the Parent Company or on its financial position.



WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN AL OSAIMI & PARTNERS



MOHAMMED HAMED AL SULTAN
LICENSE NO. 100 A
AL SULTAN AND PARTNERS
MEMBER OF BAKER TILLY INTERNATIONAL

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

For the period ended 31 March 2017

	<i>Notes</i>	<i>Three months ended 31 March</i>	
		<i>2017 KD</i>	<i>2016 KD</i>
INCOME			
Revenue from construction contracts		123,893	524,213
Revenue from sales		537,355	10,399
		<u>661,248</u>	<u>534,612</u>
Cost of construction contracts		(223,683)	(438,806)
Cost of sales		(395,055)	(31,490)
		<u>(618,738)</u>	<u>(470,296)</u>
Gross profit		<u>42,510</u>	<u>64,316</u>
Murabaha income		30,519	45,745
Realised gain on sale of financial assets at fair value through profit or loss		82,618	12,053
Unrealised loss on financial assets at fair value through profit or loss		(71,255)	(387)
Loss on sale of investment in associate		(8,424)	-
Dividend income		47,125	74,752
Share of results of associates	6	387,312	325,810
Management fees		162,592	125,753
Rental income		255,072	14,513
Foreign currencies exchange loss		(9,355)	(10,825)
Other income		17,537	32,798
TOTAL INCOME		<u>936,251</u>	<u>684,528</u>
EXPENSES			
Staff costs		(462,864)	(488,245)
Depreciation		(32,913)	(33,373)
Finance costs		(39,611)	(35,050)
Other expenses		(184,597)	(162,482)
		<u>(719,985)</u>	<u>(719,150)</u>
PROFIT (LOSS) FOR THE PERIOD		<u>216,266</u>	<u>(34,622)</u>
Attributable to:			
Equity holders of the Parent Company		284,983	44,975
Non-controlling interests		(68,717)	(79,597)
		<u>216,266</u>	<u>(34,622)</u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	3	<u>0.44 fils</u>	<u>0.07 fils</u>

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

For the period ended 31 March 2017

		<i>Three months ended 31 March</i>	
	<i>Note</i>	<i>2017 KD</i>	<i>2016 KD</i>
Profit (loss) for the period		216,266	(34,622)
Other comprehensive income (loss) for the period			
<i>Items that are or may be reclassified subsequently to interim condensed consolidated statement of income</i>			
Change in fair value of financial assets available for sale		318,314	42,044
Share of other comprehensive loss of associates	6	(70,083)	(54,467)
Exchange differences on translation of foreign operations		(11,087)	(11,152)
Other comprehensive income (loss) for the period		237,144	(23,575)
Total comprehensive income (loss) for the period		453,410	(58,197)
Attributable to:			
Equity holders of the Parent Company		527,550	26,926
Non-controlling interests		(74,140)	(85,123)
		453,410	(58,197)

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2017

		31 March 2017 KD	(Audited) 31 December 2016 KD	31 March 2016 KD
	Notes			
ASSETS				
Cash and cash equivalents	4	8,745,552	13,060,476	19,114,899
Financial assets at fair value through profit or loss		2,319,026	1,422,577	310,318
Other assets		2,604,895	1,467,944	2,421,278
Inventories		1,104,356	941,979	232,264
Financial assets available for sale	5	31,611,661	31,269,782	31,167,880
Investment in associates	6	45,767,097	50,859,283	49,746,198
Properties under development		2,680,418	2,653,440	2,332,842
Investment properties		9,796,094	9,820,419	36,026,620
Property and equipment		1,814,879	1,594,332	1,183,762
Goodwill	7	2,654,560	-	-
TOTAL ASSETS		109,098,538	113,090,232	142,536,061
LIABILITIES AND EQUITY				
LIABILITIES				
Murabaha payables	8	2,499,726	2,268,062	29,538,276
Other liabilities		5,377,303	5,419,302	4,244,773
TOTAL LIABILITIES		7,877,029	7,687,364	33,783,049
EQUITY				
Share capital	9	65,107,055	65,107,055	65,107,055
Share premium		18,250,362	18,250,362	18,250,362
Treasury shares	9	(108,816)	(108,816)	(2,175,992)
Statutory reserve		1,200,198	1,200,198	1,125,952
Share options reserve		3,016,890	3,016,890	3,016,890
Treasury shares reserve		1,118,684	1,118,684	1,118,684
Cumulative changes in fair value reserve		887,507	588,197	296,202
Foreign currency translation reserve		1,747,641	1,804,384	1,599,548
Retained earnings		5,314,902	5,029,919	6,515,860
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		96,534,423	96,006,873	94,854,561
Non-controlling interests		4,687,086	9,395,995	13,898,451
TOTAL EQUITY		101,221,509	105,402,868	108,753,012
TOTAL LIABILITIES AND EQUITY		109,098,538	113,090,232	142,536,061

Badar Mohammed Al-Qataan
Chairman

Eisa A. S. Alweggian
Chief Executive Officer

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2017

Attributable to equity holders of the Parent Company

	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Share options reserve KD	Treasury shares reserve KD	Cumulative changes in fair value reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total equity KD
At 1 January 2017	65,107,055	18,250,362	(108,816)	1,200,198	3,016,890	1,118,684	588,197	1,804,384	5,029,919	96,006,873	9,395,995	105,402,868
Profit (loss) for the period	-	-	-	-	-	-	-	-	284,983	284,983	(68,717)	216,266
Other comprehensive income (loss) for the period	-	-	-	-	-	-	299,310	(56,743)	-	242,567	(5,423)	237,144
Total comprehensive income (loss) for the period	-	-	-	-	-	-	299,310	(56,743)	284,983	527,550	(74,140)	453,410
Net movements in non-controlling interests (Note 6)	-	-	-	-	-	-	-	-	-	-	(4,634,769)	(4,634,769)
At 31 March 2017	65,107,055	18,250,362	(108,816)	1,200,198	3,016,890	1,118,684	887,507	1,747,641	5,314,902	96,534,423	4,687,086	101,221,509
At 1 January 2016	65,107,055	18,250,362	(2,102,052)	1,125,952	3,016,890	1,118,684	254,158	1,659,641	6,470,885	94,901,575	13,843,363	108,744,938
Profit (loss) for the period	-	-	-	-	-	-	-	-	44,975	44,975	(79,597)	(34,622)
Other comprehensive income (loss) for the period	-	-	-	-	-	-	42,044	(60,093)	-	(18,049)	(5,526)	(23,575)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	42,044	(60,093)	44,975	26,926	(85,123)	(58,197)
Purchase of treasury shares	-	-	(73,940)	-	-	-	-	-	-	(73,940)	-	(73,940)
Addition to non-controlling interests	-	-	-	-	-	-	-	-	-	-	140,211	140,211
At 31 March 2016	65,107,055	18,250,362	(2,175,992)	1,125,952	3,016,890	1,118,684	296,202	1,599,548	6,515,860	94,854,561	13,898,451	108,753,012

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 31 March 2017

		Three months ended 31 March	
		2017	2016
	Notes	KD	KD
OPERATING ACTIVITIES			
Profit (loss) for the period		216,266	(34,622)
Adjustments to reconcile profit (loss) for the period to net cash flows:			
Murabaha income		(30,519)	(45,745)
Realised gain on sale of financial assets at fair value through profit or loss		(82,618)	(12,053)
Unrealised loss on financial assets at fair value through profit or loss		71,255	387
Loss on sale of investment in associate		8,424	-
Dividend income		(47,125)	(74,752)
Share of results of associates	6	(387,312)	(325,810)
Foreign currencies exchange loss		9,355	10,825
Depreciation		32,913	33,373
Finance costs		39,611	35,050
		(169,750)	(413,347)
Working capital adjustments:			
Other assets		(750,943)	1,067,644
Other liabilities		713,666	(1,216,920)
Inventories		(10,989)	(4,181)
		(218,016)	(566,804)
Murabaha income received		22,834	41,885
Finance costs paid		(39,611)	(35,050)
		(234,793)	(559,969)
INVESTING ACTIVITIES			
Net movement of restricted cash	4	(466,774)	340,269
Financial assets at fair value through profit or loss		(888,781)	776,735
Net cash outflows on acquisition of a subsidiary	7	(3,068,185)	-
Dividend income received		39,518	-
Purchase of financial assets available for sale		(23,565)	(17,030)
Additions of investment in associates	6	-	(991,422)
Proceeds from sale of investment in associates		6,814	-
Dividend received from associates		583,171	486,581
Additions of properties under development		(6,605)	(112,232)
Additions of investment properties		-	(5,046)
Purchase of property and equipment		(26,917)	(1,106)
		(3,851,324)	476,749
FINANCING ACTIVITIES			
Additions of murabaha payables		293,994	-
Settlements of murabaha payables		(54,668)	(120,721)
Purchase of treasury shares		-	(73,940)
Dividend paid		(11,136)	-
Addition to non-controlling interests		9,777	140,211
		237,967	(54,450)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,848,150)	(137,670)
Cash and cash equivalents at the beginning of the period		10,482,879	17,474,219
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		6,634,729	17,336,549

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of First Investment Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively, the "Group") for the three months period ended 31 March 2017 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 3 May 2017.

The Annual General Assembly of the shareholders of the Parent Company for the year ended 31 December 2016 has not yet been held and consequently these consolidated financial statements are subject to the approval of the this Assembly.

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

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

The objectives of the Parent Company shall be as follows:

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

2 BASIS OF PRESENTATION

The interim condensed consolidated financial information of the Group for the three months period ended 31 March 2017 has been prepared in accordance with International Accounting Standard 34 ("IAS 34"), Interim Financial Reporting.

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

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

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

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

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

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

	<i>Three months ended</i> <i>31 March</i>	
	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
Profit for the period attributable to the equity holders of the Parent Company (KD)	284,983	44,975
Weighted average number of outstanding shares	651,070,551	651,070,551
Less: weighted average number of treasury shares	(1,627,929)	(2,875,755)
Weighted average number of shares outstanding during the period	649,442,622	648,194,796
Basic and diluted earnings per share attributable to the equity holders of the Parent Company	0.44 fils	0.07 fils

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

4 CASH AND CASH EQUIVALENTS

	<i>31 March 2017 KD</i>	<i>(Audited) 31 December 2016 KD</i>	<i>31 March 2016 KD</i>
Cash on hand	3,822	3,592	5,784
Bank balances	2,321,308	3,330,210	7,520,596
Murabaha deposits with original maturity of three months or less	6,080,412	9,100,701	10,293,696
Cash retained in portfolios	340,010	625,973	1,294,823
Cash and cash equivalents as per the interim condensed consolidated statement of financial position	8,745,552	13,060,476	19,114,899
Less: restricted bank balances and murabaha deposits	(2,110,823)	(2,577,597)	(1,778,350)
Cash and cash equivalents as per the interim condensed consolidated statement of cash flows	6,634,729	10,482,879	17,336,549

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

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

Murabaha deposits represent murabaha contracts with local islamic banks with an original maturity of three months or less. Murabaha deposits yield an effective profit rate range of 1.13 % and 1.80 % (31 December 2016: 0.63 % to 1.25% and 31 March 2016: 1.125% and 1.438%) per annum.

During the prior year, First Energy Resource Company K.S.C.C. (Under Liquidation), a local subsidiary of the Group (the subsidiary), has announced the distribution of first liquidation cash payment amounting to KD 6,062,000 to the shareholders. As a result of liquidation, the Parent Company received KD 2,013,311. An amount of KD 4,048,689 has been distributed to non-controlling interest. As at 31 March 2017, some of the shareholders did not collect their portion of the distribution. Accordingly, certain bank balances with amount of KD 810,823 (31 December 2016: KD 1,277,597 and 31 March 2016: KD Nil) has been restricted for the purpose of distribution to the shareholders of the subsidiary.

5 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>31 March 2017 KD</i>	<i>(Audited) 31 December 2016 KD</i>	<i>31 March 2016 KD</i>
Unquoted equity securities	29,904,709	29,904,709	29,752,174
Quoted equity securities	1,674,283	1,332,404	1,397,151
Unquoted funds	32,669	32,669	18,555
	31,611,661	31,269,782	31,167,880

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

6 INVESTMENT IN ASSOCIATES

	County of incorporation	31 March 2017		(Audited) 31 December 2016		31 March 2016	
		Percentage of ownership	Amount KD	Percentage of ownership	Amount KD	Percentage of ownership	Amount KD
Burgan Company for Well Drilling K.S.C.P.	Kuwait	14.66%	11,783,829	20.46%	16,339,779	20.46%	16,023,493
Arkan Al-Kuwait Real Estate Company K.S.C.P.	Kuwait	29.02%	11,906,401	29.06%	12,242,581	29.06%	11,753,210
First Education Company K.S.C. (Closed)	Kuwait	22.19%	4,078,726	22.19%	4,252,301	22.19%	4,065,822
Taameer Investment Company O.L.L.C.	Oman	37.40%	13,171,436	37.40%	13,130,419	37.40%	12,917,756
Al Jazeera Al Oula Real Estate W.L.L	Saudi Arabia	20.90%	3,954,157	20.90%	3,971,206	20.90%	3,920,806
Adeem Capital (Saudi Shareholders Closed Company)	Saudi Arabia	40.00%	836,962	40.00%	856,759	40.00%	998,680
Sahab Al-Khalij Real Estate Company B.S.C. (Closed) (Under liquidation)	Bahrain	35.29%	35,586	35.29%	66,238	35.29%	66,431
			<u>45,767,097</u>		<u>50,859,283</u>		<u>49,746,198</u>

Investment in associates with carrying value of KD Nil (31 December 2016: KD Nil and 31 March 2016: KD 15,321,839) are pledged as collateral against murabaha payables (Note 8).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

6 INVESTMENT IN ASSOCIATES (continued)

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

	31 March 2017	(Audited) 31 December 2016	31 March 2016
	KD	KD	KD
At the beginning of the period/year	50,859,283	49,131,414	49,131,414
Additions	-	991,416	991,422
Distribution due to liquidation of a subsidiary*	(4,644,606)	-	-
Disposal	(15,238)	-	-
Dividends from associates	(749,571)	(652,981)	(647,981)
Foreign currency translation adjustment	(51,079)	149,483	(54,467)
Cumulative change in fair value	(19,004)	90,620	-
Share of results	387,312	1,149,331	325,810
At the end of the period/year	45,767,097	50,859,283	49,746,198

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

7 BUSINESS COMBINATION

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

The acquisition has been accounted based on the provisional values assigned to the identifiable assets and liabilities of the Acquiree Company as on the financial statements preceding the acquisition date and the management of the Parent Company is in the process of determining the fair values of assets acquired and liabilities assumed.

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

8 MURABAHA PAYABLES

	<i>31 March 2017 KD</i>	<i>(Audited) 31 December 2016 KD</i>	<i>31 March 2016 KD</i>
Murabaha payables	2,499,726	2,268,062	29,538,276
	2,499,726	2,268,062	29,538,276

As at 31 March 2017, murabaha payables amounting to KD 1,768,309 (31 December 2016: KD 1,830,639 and 31 March 2016: KD 1,869,161) is denominated in Omani Riyal, which carry effective profit rate of 6 % (31 December 2016: 6% and 31 March 2016: 6%) per annum.

Murabaha payables amounting to KD 2,499,726 (31 December 2016: KD 2,268,062 and 31 March 2016: KD 29,538,276) are secured against the following:

- Bank balances with amount of KD Nil (31 December 2016: KD Nil and 31 March 2016: KD 928,350) (Note 4).
- Murabaha deposits with carrying amount of KD 1,300,000 (31 December 2016: KD 1,300,000 and 31 March 2016: KD 850,000) (Note 4).
- Investment in associates with carrying value of KD Nil (31 December 2016: KD Nil and 31 March 2016: KD 15,321,839) (Note 6).
- Properties under development with carrying value of KD 1,534,194 (31 December 2016: KD 1,534,194 and 31 March 2016: KD 1,534,194)
- Investment properties with carrying value of KD 5,787,707 (31 December 2016: KD 5,812,032 and 31 March 2016: KD 5,109,898).

9 SHARE CAPITAL AND TREASURY SHARES

(i) Share capital

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

(ii) Treasury shares

	<i>31 March 2017</i>	<i>(Audited) 31 December 2016</i>	<i>31 March 2016</i>
Number of treasury shares	1,627,929	1,627,929	32,553,527
Percentage of issued shares	0.25%	0.25%	5%
Cost of treasury shares in KD	108,816	108,816	2,175,992
Market value (KD)	78,955	74,071	1,692,783

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

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

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

10 RELATED PARTY TRANSACTIONS

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

10 RELATED PARTY TRANSACTIONS (continued)

Transactions with related parties are as follows:

Interim condensed consolidated statement of income	Three months ended 31 March	
	2017 KD	2016 KD
Management fees	2,569	2,604

Interim condensed consolidated statement of financial position	31 March 2017 KD	(Audited) 31 December 2016 KD	31 March 2016 KD
Management fees and other receivables	12,509	9,941	2,182

Key management personnel compensation:

	Three months ended 31 March	
	2017 KD	2016 KD
Salaries and other short term benefits	61,290	66,320
Terminal benefits	7,681	7,681
	<u>68,971</u>	<u>74,001</u>

Other transactions

The Group also manages investment portfolios on behalf of related parties amounting to KD 1,974,962 (31 December 2016: KD 1,981,953 and 31 March 2016: KD 3,849,831) which are not reflected in the Group's interim condensed consolidated statement of financial position.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

11 SEGMENT INFORMATION

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

- Kuwait
- Kingdom of Saudi Arabia
- Others

The Group does not have any inter-segment transactions.

	Kuwait		Kingdom of Saudi Arabia		Others		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	KD	KD	KD	KD	KD	KD	KD	KD
Three months ended 31 March								
Income	830,855	429,168	(136,227)	139,474	241,623	115,886	936,251	684,528
Expenses	(541,466)	(532,101)	(124,966)	(154,921)	(53,553)	(32,128)	(719,985)	(719,150)
Results – profit (loss) for the period	<u>289,389</u>	<u>(102,933)</u>	<u>(261,193)</u>	<u>(15,447)</u>	<u>188,070</u>	<u>83,758</u>	<u>216,266</u>	<u>(34,622)</u>
As at 31 March								
Segment assets	51,657,787	59,275,647	33,579,066	60,284,073	23,861,685	22,976,341	109,098,538	142,536,061
Segment liabilities	<u>(3,195,306)</u>	<u>(29,228,716)</u>	<u>(2,792,603)</u>	<u>(2,662,548)</u>	<u>(1,889,120)</u>	<u>(1,891,785)</u>	<u>(7,877,029)</u>	<u>(33,783,049)</u>
Other disclosures:								
Investment in associates (Note 6)	<u>27,768,956</u>	<u>31,842,525</u>	<u>4,791,119</u>	<u>4,919,486</u>	<u>13,207,022</u>	<u>12,984,187</u>	<u>45,767,097</u>	<u>49,746,198</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

12 COMMITMENTS AND CONTINGENCIES

Commitments

	<i>31 March 2017 KD</i>	<i>(Audited) 31 December 2016 KD</i>	<i>31 March 2016 KD</i>
Operating lease rentals due within one year	151,950	151,950	145,872
Operating lease rentals up to five years	569,813	607,800	-
	<u>721,763</u>	<u>759,750</u>	<u>145,872</u>

Contingencies

- At the reporting date, the Group has provided bank guarantees amounting to KD 713,958 (31 December 2016: KD 603,272 and 31 March 2016: KD 596,868) for which the management anticipates that no material liabilities will arise.
- On 12 August 2016, one of the subsidiaries of the Group has received a notification from the Ministry of Finance at the Kingdom of Saudi Arabia- "Department of Zakat and income"- "DZIT" for an obligation to pay Zakat for the financial years from 2007 till 2012 for an amount of SAR 31,643,000 (equivalent to KD 2,575,424) out of which the Parent Company's share is SAR 22,757,645 (equivalent to KD 1,852,245).

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

13 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

As at 31 March 2017, the fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost amounting to KD 27,376,052 (31 December 2016: KD 27,376,052 and 31 March 2016: KD 27,511,590) are not materially different from their carrying values.

Fair value hierarchy

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

- Level 1: quoted prices in active market for the same instrument.
- Level 2: quoted prices in active market for similar instruments or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3: valuation techniques for which any significant input is not based on observable market data.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

	<i>Level 1 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
31 March 2017			
<i>Financial assets at fair value through profit or loss:</i>			
- Equity securities	1,978,288	-	1,978,288
- Unquoted equity securities	-	229,510	229,510
- Managed funds and portfolios	-	111,228	111,228
<i>Financial assets available for sale:</i>			
- Unquoted equity securities		2,528,657	2,528,657
- Equity securities	1,674,283	-	1,674,283
- Managed funds and portfolios	-	32,669	32,669
	<u>3,652,571</u>	<u>2,902,064</u>	<u>6,554,635</u>
31 December 2016			
	<i>Level 1 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
<i>Financial assets at fair value through profit or loss:</i>			
- Equity securities	1,081,456	-	1,081,456
- Unquoted equity securities	-	229,510	229,510
- Managed funds and portfolios	-	111,611	111,611
<i>Financial assets available for sale:</i>			
- Unquoted equity securities	-	2,528,657	2,528,657
- Equity securities	1,332,404	-	1,332,404
- Managed funds and portfolios	-	32,669	32,669
	<u>2,413,860</u>	<u>2,902,447</u>	<u>5,316,307</u>
	<i>Level: 1 KD</i>	<i>Level: 3 KD</i>	<i>Total KD</i>
31 March 2016			
<i>Financial assets at fair value through profit or loss:</i>			
- Unquoted equity securities		197,558	197,558
- Managed funds and portfolios	-	112,760	112,760
<i>Financial assets available for sale:</i>			
- Unquoted equity securities	-	2,240,584	2,240,584
- Equity securities	1,397,151	-	1,397,151
- Managed funds and portfolios	-	18,555	18,555
	<u>1,397,151</u>	<u>2,569,457</u>	<u>3,966,608</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

	<i>At 1 January 2017 KD</i>	<i>Loss recorded in the consolidated statement of income KD</i>	<i>Gain recorded in other comprehensive income KD</i>	<i>Net purchases, sales, transfers and settlements KD</i>	<i>At 31 March 2017 KD</i>
Financial assets at fair value through profit or loss					
- Unquoted equity securities	229,510	-	-	-	229,510
- Managed funds and portfolios	111,611	(383)	-	-	111,228
Financial assets available for sale					
- Unquoted equity securities	2,528,657	-	-	-	2,528,657
- Managed funds and portfolios	32,669	-	-	-	32,669
		<i>Gain (loss) recorded in the consolidated statement of income KD</i>	<i>Gain recorded in other comprehensive income KD</i>	<i>Net purchases, sales, transfers and settlements KD</i>	<i>At 31 December 2016 KD</i>
Financial assets at fair value through profit or loss					
- Unquoted equity securities	197,558	31,952	-	-	229,510
- Managed funds and portfolios	113,147	(1,536)	-	-	111,611
Financial assets available for sale					
- Unquoted equity securities	2,240,584	-	288,073	-	2,528,657
- Managed funds and portfolios	18,555	-	14,114	-	32,669
		<i>Loss recorded in the consolidated statement of income KD</i>	<i>Gain recorded in other comprehensive income KD</i>	<i>Net purchases, sales, transfers and settlements KD</i>	<i>At 31 March 2016 KD</i>
Financial assets at fair value through profit or loss					
- Unquoted equity securities	197,558		-	-	197,558
- Managed funds and portfolios	113,147	(387)	-	-	112,760
Financial assets available for sale					
- Unquoted equity securities	2,240,584	-	-	-	2,240,584
- Managed funds and portfolios	18,555	-	-	-	18,555

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 31 March 2017

14 LEGAL CASES

- During the year ended 31 December 2006, the Parent Company has signed a contract with the Public Authority for Housing Welfare ("the Authority") to provide consultancy services for the construction of Al Kharin project for a period of two years. Accordingly, the Parent Company has submitted bank guarantees for an amount of KD 596,868. Both parties have agreed mutually to end the contract during the year ended 31 December 2013.

During the year ended 31 December 2015, the Parent Company has filed a legal case No. 3884/2015 claiming for the compensation against the services rendered to the Authority. On 13 March 2016, the case has been transferred to the Administrative circuit of the court under No. 1508/2016.

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

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

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

The management of the Parent Company with helps of their legal counsel has assessed that the outcome of the case will not have significant impact on the Group and accordingly, no additional provision is required at 31 March 2017 against the legal case

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

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

Despite the decision from the court of cassation, the sellers filed a legal case again against the Parent Company claiming the consideration for 4,000,000 shares by an amount of KD 13,814,991.

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

Based on the advice from the legal counsel, the amount claimed by the sellers is unrealistic and has no merit. In addition, the sellers are not entitled to any compensation due to the judicial ruling of the previous legal case that was adjudicated by the court of cassation. Accordingly, as at 31 March 2017, the Group has not made any provision against this claim in the interim condensed consolidated financial information.