

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

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

30 JUNE 2014



Rödl

Middle East

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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 (together, the “Group”) as at 30 June 2014 and the related interim condensed consolidated statements of income and comprehensive income for the three month and six month periods then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the six month period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of 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 25 of 2012, as amended, or of the Articles of Association and Memorandum of Incorporation of the Parent Company during the six months period ended 30 June 2014 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 investment business, and its related regulations, or of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the six months period ended 30 June 2014 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

ALI A. AL-HASAWI
LICENSE NO.30-A
RÖDL MIDDLE EAST
BURGAN – INTERNATIONAL ACCOUNTANTS

17 August 2014
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 June 2014

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2014	2013	2014	2013
		KD	KD	KD	KD
INCOME					
Murabaha income		208	-	9,082	123
Rental income		40,000	22,657	85,276	82,692
Realised gain on financial assets at fair value through profit or loss		80,559	84,449	80,559	112,101
Unrealised (loss) gain on financial assets at fair value through profit or loss		(236,625)	(80,822)	20,345	(61,929)
Gain on sale of financial assets available for sale		837	116,489	5,963	169,877
Reversal against murabaha and ijara receivables-net		-	66,739	-	385,410
Placement and arrangement fees		3,498	43,500	3,498	69,368
Management fees		136,761	161,780	256,808	341,624
Dividend income		207,505	124,037	207,505	124,037
Share of results of associates		758,684	280,120	956,937	669,934
Gain on disposal of properties under development		-	152,718	50,280	152,718
Other income		71,682	192,397	81,931	352,975
		<u>1,063,109</u>	<u>1,164,064</u>	<u>1,758,184</u>	<u>2,398,930</u>
EXPENSES					
Impairment of financial assets available for sale		25,287	10,575	25,287	10,575
Staff costs		424,089	628,551	807,751	1,024,457
Foreign exchange loss (gain)		4,462	7,021	1,069	(29,275)
Depreciation		38,709	33,874	79,047	69,851
Finance costs		305,162	316,335	606,970	663,012
Other expenses		190,012	185,847	332,546	426,047
		<u>987,721</u>	<u>1,182,203</u>	<u>1,852,670</u>	<u>2,164,667</u>
PROFIT (LOSS) BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST") AND ZAKAT					
		<u>75,388</u>	<u>(18,139)</u>	<u>(94,486)</u>	<u>234,263</u>
Contribution to KFAS		-	-	-	(1,415)
NLST		-	-	-	(3,538)
Zakat		-	-	-	(1,415)
PROFIT (LOSS) FOR THE PERIOD		<u><u>75,388</u></u>	<u><u>(18,139)</u></u>	<u><u>(94,486)</u></u>	<u><u>227,895</u></u>
Attributable to:					
Equity holders of the Parent Company		167,564	34	(37,298)	135,194
Non-controlling interests		(92,176)	(18,173)	(57,188)	92,701
		<u>75,388</u>	<u>(18,139)</u>	<u>(94,486)</u>	<u>227,895</u>
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
	3	<u>0.26 fils</u>	<u>- fils</u>	<u>(0.06) fils</u>	<u>0.21 fils</u>

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

For the period ended 30 June 2014

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2014</i> <i>KD</i>	<i>2013</i> <i>KD</i>	<i>2014</i> <i>KD</i>	<i>2013</i> <i>KD</i>
profit (loss) for the period	75,388	(18,139)	(94,486)	227,895
Other comprehensive income (loss) for the period				
<i>Other comprehensive loss reclassified to consolidated statement of income in subsequent periods</i>				
Impairment of financial assets available for sale	25,287	10,575	25,287	10,575
<i>Other comprehensive (loss) income to be reclassified to consolidated statement of income in subsequent periods</i>				
Unrealised (loss) gain on financial assets available for sale	(26,920)	(4,913)	(26,171)	1,622
Share of other comprehensive income (loss) in associates	3,976	16,271	(7,815)	126,617
Exchange differences on translation of foreign operations	16,766	48,055	(44,671)	223,192
Other comprehensive income (loss) for the period	19,109	69,988	(53,370)	362,006
Total comprehensive income (loss) for the period	94,497	51,849	(147,856)	589,901
Attributable to:				
Equity holders of the Parent Company	176,652	50,525	(76,800)	444,700
Non-controlling interests	(82,155)	1,324	(71,056)	145,201
	94,497	51,849	(147,856)	589,901


The attached notes 1 to 11 form part of this interim condensed consolidated financial information.


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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2014

		(Audited)	
	Notes	30 June 2014 KD	31 December 2013 KD
		30 June 2013 KD	
ASSETS			
Bank balances and cash		5,763,166	5,622,420
Financial assets at fair value through profit or loss		2,488,752	2,581,518
Murabaha and ijara receivables		612,628	612,628
Financial assets available-for-sale	4	28,655,856	29,077,299
Investment in associates	5	55,781,984	55,164,535
Properties under development		17,687,859	17,314,711
Investment properties		29,462,279	28,977,278
Other assets		2,276,234	3,542,509
Property and equipment		1,075,676	1,134,843
TOTAL ASSETS		143,804,434	144,027,741
EQUITY AND LIABILITIES			
Equity			
Share capital	6	65,107,055	65,107,055
Share premium		18,250,362	18,250,362
Treasury shares	6	(142,918)	(142,918)
Statutory reserve		539,218	539,218
Share options reserve		3,016,890	3,016,890
Treasury shares reserve		1,118,684	1,118,684
Cumulative changes in fair values reserve		275,146	276,030
Foreign currency translation reserve		562,951	601,569
Retained earnings		4,613,008	4,650,306
Equity attributable to equity holders of the Parent Company		93,340,396	93,417,196
Non-controlling interests		19,580,535	19,609,249
Total equity		112,920,931	113,026,445
Liabilities			
Murabaha and sukuk payables	7	27,200,000	27,200,000
Other liabilities		3,683,503	3,801,296
Total liabilities		30,883,503	31,001,296
TOTAL EQUITY AND LIABILITIES		143,804,434	144,027,741


Badar Mohammed Al-Qatan
Chairman


Eisa A. S. Alweggian
Chief Executive Officer

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2014

Atributable 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 values reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total equity KD
At 1 January 2014	65,107,055	18,250,362	(142,918)	539,218	3,016,890	1,118,684	276,030	601,569	4,650,306	93,417,196	19,609,249	113,026,445
Loss for the period	-	-	-	-	-	-	-	-	(37,298)	(37,298)	(57,188)	(94,486)
Other comprehensive loss for the period	-	-	-	-	-	-	(884)	(38,618)	-	(39,502)	(13,868)	(53,370)
Total comprehensive loss for the period	-	-	-	-	-	-	(884)	(38,618)	(37,298)	(76,800)	(71,056)	(147,856)
Addition to non-controlling interests	-	-	-	-	-	-	-	-	-	-	42,342	42,342
At 30 June 2014	65,107,055	18,250,362	(142,918)	539,218	3,016,890	1,118,684	275,146	562,951	4,613,008	93,340,396	19,580,535	112,920,931
At 1 January 2013	65,107,055	18,250,362	(104,693)	517,892	3,016,890	1,090,539	134,667	555,528	4,458,372	93,026,612	19,750,500	112,777,112
Profit for the period	-	-	-	-	-	-	-	-	135,194	135,194	92,701	227,895
Other comprehensive income for the period	-	-	-	-	-	-	12,197	297,309	-	309,506	52,500	362,006
Total comprehensive income for the period	-	-	-	-	-	-	12,197	297,309	135,194	444,700	145,201	589,901
Purchase of treasury share	-	-	(285,027)	-	-	-	-	-	-	(285,027)	-	(285,027)
Sale of treasury shares	-	-	187,162	-	-	27,862	-	-	-	215,024	-	215,024
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(272,913)	(272,913)
At 30 June 2013	65,107,055	18,250,362	(202,558)	517,892	3,016,890	1,118,401	146,864	852,837	4,593,566	93,401,309	19,622,788	113,024,097

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the period ended 30 June 2014

	<i>Six months ended 30 June</i>	
	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>
OPERATING ACTIVITIES		
(Loss) profit for the period	(94,486)	227,895
Adjustments to reconcile (loss) profit for the period to net cash flows for:		
Murabaha income	(9,082)	(123)
Realised gain on financial assets at fair value through profit or loss	(80,559)	(112,101)
Unrealised (gain) loss on financial assets at fair value through profit or loss	(20,345)	61,929
Gain on sale of financial assets available for sale	(5,963)	(169,877)
Dividend income	(207,505)	(124,037)
Share of results of associates	(956,937)	(669,934)
Gain on disposal of properties under development	(50,280)	(152,718)
Reversal against murabaha and ijara receivables	-	(385,410)
Impairment of financial assets available-for-sale	25,287	10,575
Foreign exchange loss (gain)	1,069	(29,275)
Depreciation	79,047	69,851
Finance costs	606,970	663,012
	(712,784)	(610,213)
Changes in operating assets and liabilities:		
Murabaha and ijara receivables	-	1,135,123
Other assets	1,204,778	2,261,726
Other liabilities	(493,441)	(1,308,896)
	(1,447)	1,477,740
Murabaha income received	9,082	123
Finance costs paid	(232,669)	(730,974)
Net cash flows (used) from operating activities	(225,034)	746,889
INVESTING ACTIVITIES		
Dividend income received	134,868	124,037
Proceeds from sale of financial assets available for sale	401,150	547,863
Purchase of financial assets at fair value through profit or loss	(396,943)	(544,550)
Proceeds from sale of financial assets at fair value through profit or loss	590,613	49,796
Purchase of investment properties	(330,618)	(908,220)
Purchase of investment in associates	-	(1,380,278)
Proceeds from disposal of investment in associates	-	2,013,660
Dividends received from associates	331,008	321,367
Purchase of properties under development	(823,293)	(400,245)
Proceeds from disposal of properties under development	436,533	-
Purchase of property and equipment	(19,880)	(20,328)
Net cash flows from (used in) investing activities	323,438	(196,898)
FINANCING ACTIVITIES		
Repayment of murabaha and sukuk payables	-	(913,836)
Net purchase of treasury shares	-	(97,865)
Gain from sale of treasury shares	-	27,862
Addition (distributions) to non-controlling interest	42,342	(272,913)
Net cash flows from (used in) financing activities	42,342	(1,256,752)
NET INCREASE (DECREASE) IN BANK BALANCES AND CASH	140,746	(706,761)
Bank balances and cash at 1 January	5,622,420	8,116,741
BANK BALANCES AND CASH AT 30 JUNE	5,763,166	7,409,980

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 June 2014

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of First Investment Company K.S.C.P. (the "Parent Company") and its subsidiaries (together, the "Group") for the six months period ended 30 June 2014 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 17 August 2014.

The Parent Company is a Kuwaiti public shareholding company incorporated on 26 July 1997 is regulated by the Capital Market Authority ("CMA") and Central Bank of Kuwait (CBK) as an investment company. The Parent Company's registered office is at Souk Al Safat, Abdullah Mubarak Street, Kuwait City, Kuwait.

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

The new Companies Law issued on 26 November 2012 by Decree Law no. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no. 97 of 2013 (the Decree). The Executive Regulations of the new amended law issued on 29 September 2013 and was published in the official Gazette on 6 October 2013. As per article three of the executive regulations, the companies have one year from the date of publishing the Executive Regulations to comply with the new amended law.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 June 2014

2 BASIS OF PRESENTATION

The interim condensed consolidated financial information of the Group is prepared in accordance with IAS 34, "Interim Financial Reporting" except as noted below:

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the audited consolidated financial statements for the year ended 31 December 2013. The audited consolidated financial statements for the year ended 31 December 2013 were 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 (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 (net of certain categories of collateral) that are not provided specifically.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial information prepared in accordance with the International Financial Reporting Standards, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2013. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the period ended 30 June 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

New standards or amendments which are effective as of 1 January 2014

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant to the Group, as none of the entities in the Group qualify to be an investment entity under IFRS 10.

IAS 32: Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendment)

These amendments are effective for annual periods beginning on or after 1 January 2014 and clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendment has not resulted in material impact on the financial position or performance of the Group.

IAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendment)

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The adoption of the above mentioned amendment did not have any material impact on the financial position or performance of the Group.

Standard issued but not yet effective

IFRS 15 – Revenue from Contracts with customers ("IFRS 15")

IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRS 15, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Parent Company is in the process of evaluating the effect of IFRS 15 on the Group and does not expect any significant impact on adoption of this standard.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 June 2014

2 BASIS OF PRESENTATION (continued)

Standard issued but not yet effective (continued)

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. The standard was initially effective for annual periods beginning on or after 1 January 2013, but amendments to IFRS 9 mandatory effective date of IFRS 9 and transition disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. On November 19, 2013, the International Accounting Standards Board (IASB) issued amendments to IFRS 9 that introduced a new general hedge accounting and removed the 1 January 2015, mandatory effective date from IFRS 9. The new hedge accounting model significantly differs from the IAS 39 hedge accounting model in a number of aspects including eligibility of hedging instruments and hedged items, accounting for the time value component of options and forward contracts, qualifying criteria for applying hedge accounting, modification and discontinuation of hedging relationships etc. Under the amendments, entities that adopt IFRS 9 (as amended in November 2013) can choose an accounting policy of either adopting the new IFRS 9 hedge accounting model now or continuing to apply the hedge accounting model in IAS 39 for the time being.

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

Basic earnings (loss) per share are calculated by dividing the profit (loss) for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares). Diluted (loss) earnings per share is calculated by dividing the profit (loss) for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The Parent Company did not have any diluted shares as at 30 June.

The information necessary to calculate basic and diluted earnings (loss) per share based on the weighted average number of shares outstanding, less treasury shares, during the period is as follows:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
Profit (loss) for the period attributable to equity holders of the Parent Company (KD)	167,564	34	(37,298)	135,194
Weighted average number of shares outstanding during the period	649,870,551	649,457,233	649,870,551	650,007,168
Basic and diluted earnings (loss) per share attributable to equity holders of the Parent Company	0.26 fils	- fils	(0.06) fils	0.21 fils

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 June 2014

4 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2014</i>	<i>31 December</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Unquoted equity securities	28,589,848	28,983,877	31,830,020
Quoted equity securities	4,270	6,314	6,958
Managed funds	61,738	87,108	88,153
	<u>28,655,856</u>	<u>29,077,299</u>	<u>31,925,131</u>

Unquoted equity securities 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 management has applied appropriate valuation techniques to ensure that fair value is approximately equal to the cost that has been used as a basis for pricing. The management had decided not to recognize any revaluation difference as this difference is not significant. Management has performed a review of its unquoted equity investments to assess whether impairment has occurred in the value of these investments, Based on the latest available financial information, management is of the view that no impairment provision is required as at 30 June 2014 in respect of these investments.

During the period, the Group has recorded impairment loss of KD 25,287 (30 June 2013: KD 10,575) on managed fund where there has significant or prolong decline in fair value.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2014

5 INVESTMENT IN ASSOCIATES

	County of incorporation	30 June 2014		(Audited) 31 December 2013		30 June 2013	
		Percentage of ownership	Amount KD	Percentage of ownership	Amount KD	Percentage of ownership	Amount KD
Adeem Capital (Saudi Shareholders Closed Company)	Saudi Arabia	40.00%	1,401,031	40.00%	1,505,273	40.00%	1,587,122
Arkan Al-Kuwait Real Estate Company K.S.C.P.	Kuwait	29.06%	11,350,080	29.06%	10,903,092	29.06%	10,542,411
Burgan Company for Well Drilling K.S.C.P.	Kuwait	20.46%	25,522,962	20.46%	25,472,466	20.46%	25,188,863
First Education Company K.S.C. (Closed) ("FEDCO")	Kuwait	21.32%	3,611,659	21.32%	3,416,628	21.32%	3,293,232
Sahab Al-Khalij Real Estate Company B.S.C. (Closed)	Bahrain	35.29%	370,221	35.29%	366,116	35.29%	362,725
Taameer Investment Company (O.L.L.C.)	Oman	37.40%	11,234,437	37.40%	11,207,338	37.40%	11,165,446
Al Jazeera Al Oula Real Estate (W.L.L) ("JOIRE")	Saudi Arabia	20.90%	2,291,594	20.90%	2,293,622	10.50%	1,416,868
			<u>55,781,984</u>		<u>55,164,535</u>		<u>53,556,667</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2014

6 SHARE CAPITAL, DIVIDENDS AND TREASURY SHARES

(i) Share Capital

At 30 June 2014, the authorised, issued and fully paid up capital of the Parent Company amounted to 651,070,551 (31 December 2013: 651,070,551 and 30 June 2013: 651,070,551) shares of 100 fils each.

On 22 May 2014, the Annual General Meeting (“AGM”) was held and approved the consolidated financial statements for the year ended 31 December 2013. The General Assembly approved not to distribute any dividends for the year ended 31 December 2013 (2012: Nil).

On 22 May 2014, the Extraordinary General Meeting was held and approved to amend some articles of the Articles of Association of the Parent Company to be inline with Law no. 25 of 2012 (the “Companies Law”).

(ii) Treasury shares

	<i>30 June</i> <i>2014</i>	<i>(Audited)</i> <i>31 December</i> <i>2013</i>	<i>30 June</i> <i>2013</i>
Number of treasury shares	1,200,000	1,200,000	1,700,000
Percentage of issued shares	0.18%	0.18%	0.26%
Cost of treasury shares in KD	142,918	142,918	202,558
Market value (KD)	97,200	122,400	193,800

7 MURABAHA AND SUKUK PAYABLES

	<i>30 June</i> <i>2014</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2013</i> <i>KD</i>	<i>30 June</i> <i>2013</i> <i>KD</i>
Murabaha payables	-	-	1,446,481
Sukuk payable (Note 8)	27,200,000	27,200,000	27,200,000
	27,200,000	27,200,000	28,646,481

Sukuk payables are repayable in four semi-annual instalments starting from 31 March 2014. At the due date of the first instalment, the Parent Company did not pay the instalment and its related profit amounting to KD 4,656,973 and asked the Sukuk holder to postpone the payment to 30 June 2014 which was approved after partial payment of the profit of KD 232,669 was made. The Parent Company is currently in negotiations with the Sukuk holder to swap the Sukuk payables with part of its investment properties and on 25 June 2014 requested to further postpone the payment for additional three months until 30 September 2014 which is still subject to the approval of the Sukuk holder.

The profit rate of the sukuk payables is 6 months CBK discount rate plus 250 basis points per annum. It also requires, among other things, certain restrictions on the payment of dividends and a requirement to maintain a minimum ratio of total liabilities to total equity of 1.5:1 of the Group.

8 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. Transactions with related parties are as follows:

	<i>Six months ended</i> <i>30 June</i>	
Interim condensed consolidated statement of income	<i>2014</i> <i>KD</i>	<i>2013</i> <i>KD</i>
Management fees	7,559	8,874
Finance costs	606,970	663,012

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 June 2014

8 RELATED PARTY TRANSACTIONS (continued)

Interim condensed consolidated statement of financial position	<i>30 June</i>	<i>(Audited)</i> <i>31 December</i>	<i>30 June</i>
	<i>2014</i>	<i>2013</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Management fees and other receivables	32,761	66,420	33,107
Sukuk payable (Note 7)	27,200,000	27,200,000	27,200,000

Key management personnel compensation

	<i>Six months ended</i> <i>30 June</i>	
	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>
Salaries and other short term benefits	86,600	128,436
Terminal benefits	12,371	315,972
	98,971	444,408

Other transactions

The Group also manages investment portfolios on behalf of related parties amounting to KD 6,640,554 (31 December 2013: KD 6,812,374 and 30 June 2013: KD 6,352,510) 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)

At 30 June 2014

9 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
- Saudi Arabia
- Others

The Group does not have any inter-segment transactions.

	Kuwait		Saudi Arabia		Others		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	KD	KD	KD	KD	KD	KD	KD	KD
Six months ended 30 June								
Income	1,181,495	1,451,875	535,737	624,222	40,952	322,833	1,758,184	2,398,930
Expenses	(1,633,051)	(2,021,669)	(194,332)	(132,423)	(25,287)	(10,575)	(1,852,670)	(2,164,667)
Results – (Loss) profit before contribution to (KFAS) . (NLST) and ZAKAT	(451,556)	(569,794)	341,405	491,799	15,665	312,258	(94,486)	234,263
At 30 June								
Total assets	52,663,760	53,827,871	74,116,967	72,277,474	17,023,707	18,586,201	143,804,434	144,691,546
Total liabilities	28,880,650	30,069,011	2,002,853	1,598,438	-	-	30,883,503	31,667,449

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2014

10 COMMITMENTS AND CONTINGENCIES

Commitments

	<i>30 June</i> <i>2014</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2013</i> <i>KD</i>	<i>30 June</i> <i>2013</i> <i>KD</i>
Capital commitments for properties under development	11,967,024	11,977,613	12,121,715
Operating lease rentals due within one year	36,165	72,330	36,165
	<u>12,003,189</u>	<u>12,049,943</u>	<u>12,157,880</u>

Contingencies

At the reporting date, the Group has provided bank guarantees amounting to KD 1,364,769 (31 December 2013: KD 1,364,769 and 30 June 2013: KD 1,364,769) for which the management anticipates that no material liabilities will arise. These expire within a period of 6 months from the reporting date.

11 FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost amounting to KD 28,589,848 (31 December 2013: KD 28,983,877 and 30 June 2013: KD 31,830,020) and certain financial assets at fair value through profit or loss carried at cost amounting to KD 321,265 (31 December 2013: KD 321,265 and 30 June 2013: KD 321,265), are not materially different from their carrying values.

Determination of fair value and fair value hierarchy:

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

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

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

	<i>Level: 1</i> <i>KD</i>	<i>Level: 3</i> <i>KD</i>	<i>Total fair value</i> <i>KD</i>
30 June 2014			
Financial assets at fair value			
<i>Financial assets at fair value through profit or loss:</i>			
- Equity securities	679,765	-	679,765
- Managed funds and portfolios		1,494,639	1,494,639
<i>Financial assets available for sale:</i>			
- Equity securities	4,270	-	4,270
- Managed funds and portfolios	-	61,738	61,738
	<u>684,035</u>	<u>1,556,377</u>	<u>2,240,412</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2014

11 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

31 December 2013	Level: 1 KD	Level: 3 KD	Total fair value KD
<i>Financial assets at fair value through profit or loss:</i>			
- Equity securities	813,050	-	813,050
- Managed funds and portfolios	-	1,447,203	1,447,203
<i>Financial assets available for sale:</i>			
- Equity securities	6,314	-	6,314
- Managed funds and portfolios	-	87,108	87,108
	<u>819,364</u>	<u>1,534,311</u>	<u>2,353,675</u>
	Level: 1 KD	Level: 3 KD	Total fair value KD
<i>30 June 2013</i>			
<i>Financial assets at fair value</i>			
<i>Financial assets at fair value through profit or loss:</i>			
- Equity securities	515,683	-	515,683
- Managed funds and portfolios	-	1,059,219	1,059,219
<i>Financial assets available for sale:</i>			
- Equity securities	6,958	-	6,958
- Managed funds and portfolios	-	88,153	88,153
	<u>522,641</u>	<u>1,147,372</u>	<u>1,670,013</u>

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

	At 1 January 2014 KD	Gain / (loss) recorded in the consolidated statement of income KD	Loss recorded in equity KD	Net purchases, sales, transfers and settlements KD	At 30 June 2014 KD
<i>Financial assets at fair value through profit or loss</i>					
- Managed funds and portfolios	1,447,204	60,625	-	(13,190)	1,494,639
<i>Financial assets available-for-sale</i>					
- Managed funds and portfolios	87,108	(25,287)	(83)	-	61,738
	At 1 January 2013 KD	Gain / (loss) recorded in the consolidated statement of income KD	Gain recorded in equity KD	Net purchases, sales, transfers and settlements KD	At 31 December 2013 KD
<i>Financial assets at fair value through profit or loss</i>					
- Managed funds and portfolios	1,029,976	50,059	-	367,169	1,447,204
<i>Financial assets available-for-sale</i>					
- Managed funds and portfolios	160,557	(28,244)	9,468	(54,673)	87,108

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2014

11 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	<i>At 1 January 2013 KD</i>	<i>Loss recorded in the consolidated statement of income KD</i>	<i>Gain / (loss) recorded in equity KD</i>	<i>Net purchases, sales, transfers and settlements KD</i>	<i>At 30 June 2013 KD</i>
<i>Financial assets at fair value through profit or loss</i>					
- Managed funds and portfolios	1,029,975	32,470	-	(3,226)	1,059,219
<i>Financial assets available-for-sale</i>					
- Managed funds and portfolios	160,557	(28,244)	9,468	(53,628)	88,153