

**Boursa Kuwait Securities Company  
K.P.S.C.  
and its Subsidiaries**

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

**31 MARCH 2021**





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## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF BOURSA KUWAIT SECURITIES COMPANY K.P.S.C.**

### **Report on the Interim Condensed Consolidated Financial Information**

#### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Bursa Kuwait Securities Company K.P.S.C. (the “Parent Company”) and its subsidiaries (collectively, the “Group”) as at 31 March 2021, and the related 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. Management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34: Interim Financial Reporting (“IAS 34”). 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 IAS 34.

### **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, as amended, during the three months period ended 31 March 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF BOURSA KUWAIT SECURITIES COMPANY K.P.S.C. (CONTINUED)**

**Report on Other Legal and Regulatory Requirements (continued)**

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 material violations 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 2021 that might have had a material effect on the business of the Parent Company or on its financial position.



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BADER A. AL ABDULJADER  
LICENSE NO. 207 A  
EY  
AL AIBAN, AL OSAIMI & PARTNERS

10 May 2021  
Kuwait

Boursa Kuwait Securities Company K.P.S.C. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 31 March 2021


	Notes	Three months ended 31 March	
		2021 KD	2020 KD
<b>REVENUE</b>			
Subscription fees		1,702,741	1,735,402
Share in trading commission		1,766,260	1,511,509
Miscellaneous fees		1,276,184	488,151
Clearing, settlement and depository fees		1,988,979	-
		<u>6,734,164</u>	<u>3,735,062</u>
<b>EXPENSES</b>			
General and administrative expense		(890,336)	(637,158)
Staff costs		(2,027,652)	(923,764)
Allowance for expected credit losses	5	(43,770)	(10,127)
		<u>(2,961,758)</u>	<u>(1,571,049)</u>
<b>OPERATING PROFIT</b>		<u>3,772,406</u>	<u>2,164,013</u>
Net investment income		58,932	-
Interest income		208,446	125,250
Rental income		212,405	253,905
Other income		64,905	75,803
Interest expense on lease liabilities		(11,382)	(11,766)
Share of results of an associate		-	708,272
		<u>4,305,712</u>	<u>3,315,477</u>
<b>PROFIT BEFORE CONTRIBUTIONS TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (“KFAS”), ZAKAT AND NATIONAL LABOR SUPPORT TAX (“NLST”)</b>			
KFAS		(24,461)	(22,757)
Zakat		(24,708)	(26,310)
NLST		(61,153)	-
		<u>4,195,390</u>	<u>3,266,410</u>
<b>PROFIT FOR THE PERIOD</b>		<u>4,195,390</u>	<u>3,266,410</u>
Other comprehensive income for the period		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u>4,195,390</u>	<u>3,266,410</u>
<b>Attributable to:</b>			
Equity holders of the Parent Company		3,264,861	3,266,410
Non-controlling interest		930,529	-
		<u>4,195,390</u>	<u>3,266,410</u>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>			
	3	<u>16.26 fils</u>	<u>16.27 fils</u>

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

**Boursa Kuwait Securities Company K.P.S.C. and its Subsidiaries**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL**  
**POSITION (UNAUDITED)**  
As at 31 March 2021

		31 March 2021 KD	(Audited) 31 December 2020 KD	31 March 2020 KD
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	4	31,820,438	31,824,089	251,572
Goodwill	4	9,492,308	9,492,308	-
Property and equipment		1,435,685	1,363,042	510,971
Right of use assets		1,179,261	840,776	921,603
Investment in an associate	4	-	-	17,305,404
Accounts receivable and other assets	5	1,158,086	1,418,005	796,531
Financial assets at fair value through other comprehensive income		278,902	278,902	-
Debt instruments at amortised cost	6	1,900,000	3,900,000	-
		<u>47,264,680</u>	<u>49,117,122</u>	<u>19,786,081</u>
<b>Current assets</b>				
Accounts receivable and other assets	5	2,257,995	2,352,482	1,692,604
Debt instruments at amortised cost	6	1,000,000	1,000,000	-
Term deposits	7	30,500,000	29,484,240	3,526,850
Cash and cash equivalents	8	29,393,626	22,206,620	19,045,692
		<u>63,151,621</u>	<u>55,043,342</u>	<u>24,265,146</u>
<b>TOTAL ASSETS</b>		<u><u>110,416,301</u></u>	<u><u>104,160,464</u></u>	<u><u>44,051,227</u></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		20,077,575	20,077,575	20,077,575
Statutory reserve		4,066,211	4,066,211	1,437,434
Voluntary reserve		4,066,211	4,066,211	1,437,434
Cumulative changes in fair value		(128,985)	(128,985)	(42,376)
Retained earnings		27,987,922	24,723,061	12,458,117
<b>Equity attributable to equity holders of the Parent Company</b>		<u>56,068,934</u>	<u>52,804,073</u>	<u>35,368,184</u>
Non-controlling interests		36,257,678	37,930,399	-
<b>Total equity</b>		<u>92,326,612</u>	<u>90,734,472</u>	<u>35,368,184</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Employees' end of service benefits		4,821,024	5,219,202	472,542
Lease liabilities		887,528	736,856	709,206
		<u>5,708,552</u>	<u>5,956,058</u>	<u>1,181,748</u>
<b>Current liabilities</b>				
Accounts payable and other liabilities	10	12,123,790	7,353,764	7,402,312
Lease liabilities		257,347	116,170	98,983
		<u>12,381,137</u>	<u>7,469,934</u>	<u>7,501,295</u>
<b>Total liabilities</b>		<u>18,089,689</u>	<u>13,425,992</u>	<u>8,683,043</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>110,416,301</u></u>	<u><u>104,160,464</u></u>	<u><u>44,051,227</u></u>

  
Hamad Mishari Al-Humaidhi  
Chairman

  
Mohammad Saud Al-Osaimi  
Chief Executive Officer

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

Boursa Kuwait Securities Company K.P.S.C. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2021

	Attributable to equity holders of the Parent Company						Non-controlling interests KD	Total equity KD
	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Cumulative changes in fair value KD	Retained earnings KD	Sub-total KD		
Balance as at 1 January 2021 <i>(Audited)</i>	20,077,575	4,066,211	4,066,211	(128,985)	24,723,061	52,804,073	37,930,399	90,734,472
Profit for the period	-	-	-	-	3,264,861	3,264,861	930,529	4,195,390
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	3,264,861	3,264,861	930,529	4,195,390
Dividend paid to non-controlling interests	-	-	-	-	-	-	(2,603,250)	(2,603,250)
<b>Balance as at 31 March 2021</b>	<b>20,077,575</b>	<b>4,066,211</b>	<b>4,066,211</b>	<b>(128,985)</b>	<b>27,987,922</b>	<b>56,068,934</b>	<b>36,257,678</b>	<b>92,326,612</b>
Balance as at 1 January 2020 <i>(Audited)</i>	20,077,575	1,437,434	1,437,434	(42,376)	9,191,707	32,101,774	-	32,101,774
Profit for the period	-	-	-	-	3,266,410	3,266,410	-	3,266,410
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	3,266,410	3,266,410	-	3,266,410
Balance as at 31 March 2020	20,077,575	1,437,434	1,437,434	(42,376)	12,458,117	35,368,184	-	35,368,184

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

Boursa Kuwait Securities Company K.P.S.C. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

For the period ended 31 March 2021

		<i>Three months ended</i>	
		<i>31 March</i>	
		<b>2021</b>	<b>2020</b>
<i>Notes</i>		<b>KD</b>	<b>KD</b>
<b>OPERATING ACTIVITIES</b>			
	Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), Zakat and National Labor Tax Support (NLST)	<b>4,305,712</b>	3,315,477
	<i>Adjustment for:</i>		
	Depreciation on property and equipment	<b>149,649</b>	63,949
	Depreciation on right of use assets	<b>52,973</b>	28,800
	Amortisation of intangible asset	<b>3,651</b>	62,358
5	Allowance for expected credit losses	<b>43,770</b>	10,127
	Share of results of an associate	-	(708,272)
	Interest income	<b>(208,446)</b>	(125,250)
	Net investment income	<b>(58,932)</b>	-
	Interest expense on lease liabilities	<b>11,382</b>	11,766
	Other income from lease concession	<b>(6,971)</b>	-
	Provision for employee's end of service benefits	<b>263,618</b>	19,361
		<b>4,556,406</b>	2,678,316
	Changes in working capital:		
	Accounts receivable and other assets	<b>310,636</b>	(297,594)
	Accounts payable and other liabilities	<b>4,866,941</b>	4,817,105
	Cash flows from operations	<b>9,733,983</b>	7,197,827
	Employees' end of service benefits paid	<b>(661,796)</b>	(5,659)
	Taxation paid	<b>(207,237)</b>	(160,325)
	Net cash flows from operating activities	<b>8,864,950</b>	7,031,843
<b>INVESTING ACTIVITIES</b>			
	Purchase of property and equipment	<b>(222,292)</b>	(17,749)
	Additions on intangible assets	-	(21,807)
	Proceeds from the recovery of debt instruments at amortised cost	<b>2,000,000</b>	-
	Net movement in term deposits	<b>(1,015,760)</b>	-
	Acquisition of additional shares in an associate	-	(3,782,500)
	Net investment income received	<b>58,932</b>	-
	Interest income received	<b>208,446</b>	86,159
	Net cash flows from (used in) investing activities	<b>1,029,326</b>	(3,735,897)
<b>FINANCING ACTIVITIES</b>			
	Payment of current portion of lease liabilities	<b>(104,020)</b>	(140,946)
	Dividend paid to non-controlling interest	<b>(2,603,250)</b>	-
	Net cash flows used in financing activities	<b>(2,707,270)</b>	(140,946)
	<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>7,187,006</b>	3,155,000
	Cash and cash equivalents as at beginning of the period	<b>22,206,620</b>	15,890,692
	<b>CASH AND CASH EQUIVALENTS AS AT THE END OF THE PERIOD</b>	<b>29,393,626</b>	19,045,692
	<b>Non-cash transactions excluded from the statement of cash flows are as follows:</b>		
	Additions to right of use assets	<b>(391,458)</b>	-
	Additions to lease liabilities	<b>391,458</b>	-

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

# Boursa Kuwait Securities Company K.P.S.C. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

### 1 CORPORATE INFORMATION AND ACTIVITIES

Boursa Kuwait Securities Company K.P.S.C. (the "Parent Company") was incorporated as a Kuwaiti Shareholding Public Company under the Memorandum of Associate No. 2357 dated 22 April 2014, which was published in the official gazette dated 27 April 2014. The Parent Company was recorded in the Commercial register under No. 355538 on 16 October 2014 and is regulated by Capital Market Authority (CMA).

The Parent Company was established for the following main objectives:

- ▶ Operation of a securities exchange designated for matching bid and ask offers for securities, following the procedures of trading, and performing the usual functions of securities market.
- ▶ Provide design, development and processing of electronic data services related to the field of operating securities exchanges.
- ▶ Provide support services for third parties' accounts in the field of securities exchange.
- ▶ Provide financial matters related consultations and preparation of feasibility studies in the field of securities exchange.
- ▶ Establishment or participate in establishment of entities inside the State of Kuwait or abroad, of various legal forms within the scope of securities exchange markets business after getting prior consent of CMA.
- ▶ The Parent Company may have interests or participate in any suitable way with entities that engage in similar business activities or that may help the Parent Company achieve its objectives inside Kuwait and abroad, as per applicable laws and regulations.
- ▶ The Parent Company may utilize available financial surplus from its investment in banking deposits or government securities whether inside Kuwait or abroad.
- ▶ Any other objectives of securities exchange markets, which are stipulated for in CMA law or any of its resolutions.

The Parent Company may carry out the above business in the State of Kuwait or abroad.

The interim condensed consolidated financial information comprise the financial information of the Parent Company and its subsidiaries as follows:

Name of the company	Country of incorporation	Effective equity interest			Principal activities
		31			
		31 March 2021	December 2020	31 March 2020	
<i>Directly held</i>					
Boursa Kuwait for Business Economical and Information Technology Advisory Services Company W.L.L.	Kuwait	100%	100%	100%	Administrative, economic and information technology consulting
Kuwait Clearing Company K.S.C. (Closed) (KCC)	Kuwait	50%	50%	-	Provides clearing, settlement and depository services
<i>Held through KCC</i>					
Kuwait International Trustee Company K.S.C. (Closed)	Kuwait	99.25%	99.25%	-	Providing trustee services
Kuwait Company for Clearing K.S.C. (Closed) [formerly Kuwait International Settlement and Clearing Company K.S.C. (Closed)]	Kuwait	99.25%	99.25%	-	Performing clearing and settlement between securities trading operations
Kuwait Company for Central Depository K.S.C. (Closed) [formerly Kuwait International Custody Company K.S.C. (Closed)]	Kuwait	99.25%	99.25%	-	Providing central depository, saving and transfer of ownership services.

The registered head office of the Parent Company is located at Boursa Kuwait Building, Sharq, Kuwait P.O. Box 1027 Dasman, 15461 Kuwait.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

**1 CORPORATE INFORMATION AND ACTIVITIES (continued)**

The nationwide initial public offering of the shares of the Parent Company has been implemented between 1 October 2019 and 1 December 2019 with the distribution of the CMA's 50% share to Kuwaiti citizens. After the allocation of the remaining 50% of the Parent Company's shares, the Parent Company will be 94% owned by citizens and the private sector, while the Kuwaiti government, through the Public Institution for Social Security, will have the remaining 6%.

On 14 September 2020, the Group became listed on Boursa Kuwait.

The consolidated financial statements for the year ended 31 December 2020 were approved by the shareholders at the Annual General Assembly meeting held on 1 April 2021.

The interim condensed consolidated financial information for the period ended 31 March 2021 was authorised for issue by the Board of Directors on 10 May 2021.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

**2.1 BASIS OF PREPARATION**

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The interim condensed consolidated financial information does not contain all information and disclosures required for full consolidated financial statements prepared in accordance with IFRS and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020. In the opinion of management, all adjustments considered necessary for a fair presentation have been included in the interim condensed consolidated financial information. Operating results for the three months period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the year ending 31 December 2021. For more details refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2020.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD") and is also the functional currency of the Parent Company.

**2.2 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2020.

**2.2.1 New standards, interpretations and amendments adopted by the Group**

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim condensed consolidated financial information of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial information of the Group.

## Boursa Kuwait Securities Company K.P.S.C. and its Subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

#### 3 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing profit for the period attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period as follows:

	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2021</b>	<b>2020</b>
Profit for the period (KD)	<b>3,264,861</b>	3,266,410
Weighted average number of shares outstanding during the period	<b>200,775,750</b>	200,775,750
<b>Basic and diluted earnings per share</b>	<b>16.26 fils</b>	16.27 fils

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

#### 4 BUSINESS COMBINATIONS

On 15 July 2020 (“acquisition date”), the Parent Company acquired additional equity interest of 33,375,000 shares in Kuwait Clearing Company K.S.C. (Closed) (“KCC”) (previously accounted for as investment in an associate) for a total consideration of KD 15,018,750 increasing its interest from 33.339% to 50%. Out of the total additional shares acquired, 26,700,000 shares were acquired from a related party at arm’s length transaction. At the acquisition date, the Group determined that it exercises control over Kuwait Clearing Company K.S.C. (Closed) and consequently finalised the Purchase Price Allocation (“PPA”) exercise during the period ended 30 September 2020 and accounted for this transaction under IFRS 3 “Business Combinations”. The PPA resulted in identifying an intangible asset of KD 31,631,600 pertaining to the Regulatory License (the “License”) obtained from Capital Market Authority of Kuwait (“CMA”) and a residual goodwill arising from the transaction amounting to KD 9,492,308. The Parent Company has consolidated the financial statements of KCC from acquisition date.

#### 5 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
Trade receivables, gross	<b>2,755,736</b>	3,182,149	1,672,059
Less: Allowance for expected credit losses	<b>(921,712)</b>	(917,457)	(498,063)
Trade receivables, net	<b>1,834,024</b>	2,264,692	1,173,996
Amounts due from related parties (Note 11)	<b>187,500</b>	187,500	598,974
Refundable deposits, advances and prepayments	<b>961,409</b>	945,442	506,202
Other receivables	<b>433,148</b>	372,853	209,963
	<b>3,416,081</b>	3,770,487	2,489,135
Non-current	<b>1,158,086</b>	1,418,005	796,531
Current	<b>2,257,995</b>	2,352,482	1,692,604
	<b>3,416,081</b>	3,770,487	2,489,135

## Boursa Kuwait Securities Company K.P.S.C. and its Subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

#### 5 ACCOUNTS RECEIVABLE AND OTHER ASSETS (continued)

Movements in the allowance for expected losses of trade receivable were as follows:

	<i>31 March</i> <i>2021</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD</i>	<i>31 March</i> <i>2020</i> <i>KD</i>
As at 1 January	<b>917,457</b>	487,936	487,936
Transfer on acquisition of a subsidiary	-	358,632	-
Charge for the period / year	<b>43,770</b>	70,889	10,127
Reversal of provision no longer required	<b>(39,515)</b>	-	-
As at 31 March / December	<b>921,712</b>	917,457	498,063

#### 6 DEBT INSTRUMENTS AT AMORTISED COST

Debt instruments at amortised cost represents the Group's investment in locally issued bonds that carry an effective interest rate ranging from 4.75% to 6.5% per annum (31 December 2020: 4.75% to 6.5% and 31 March 2020: 4.75% to 6.5%) and maturing over a period ranging from 2 to 6.5 years.

#### 7 TERM DEPOSITS

Term deposits are placed with local banks, denominated in Kuwaiti Dinar and carry an effective interest rate ranging from 1.96% to 2.125% as at 31 March 2021 (31 December 2020: 1.60% to 1.65% and 31 March 2020: 3.13% to 4%) per annum and maturing within twelve months from the date of deposit.

#### 8 CASH AND CASH EQUIVALENTS

	<i>31 March</i> <i>2021</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD</i>	<i>31 March</i> <i>2020</i> <i>KD</i>
Cash at bank	<b>18,609,399</b>	11,034,057	6,039,044
Cash balances	<b>6,941</b>	4,974	7,000
Short term deposits *	<b>13,380,288</b>	13,770,591	13,000,000
	<b>31,996,628</b>	24,809,622	19,046,044
Less: restricted cash **	<b>(2,600,000)</b>	(2,600,000)	-
Less: expected credit loss	<b>(3,002)</b>	(3,002)	(352)
Cash and cash equivalents	<b>29,393,626</b>	22,206,620	19,045,692

\*Short term deposits are placed with local banks, denominated in Kuwaiti Dinar and carry an effective interest rate between 1% to 1.90% (31 December 2020: 1.26% to 1.63% and 31 March 2020: 1.75% to 3.38) per annum and maturing within three months from the date of deposit.

\*\* Restricted cash represents a balance deposited in a local bank in accordance with the financial clearance guarantee policy approved by the Capital Markets Authority to be used to cover failures resulting from the trading of the broker's clients or custodian clients, after the financial guarantee provided to these clients (the broker and custodian) has been exhausted.

#### 9 DIVIDENDS

On 1 April 2021, the shareholders approved in the AGM the distribution of cash dividends of 40 fils per share to the shareholders registered on the date of AGM amounting to KD 8,031,030 for the year ended 31 December 2020. The dividends have been recorded in the interim condensed consolidated financial statement as a liability subsequently and were paid subsequently.

On 9 June 2020, the shareholders approved in the AGM the distribution of cash dividends of 25 fils per share amounting to KD 5,019,394 for the year ended 31 December 2019 which were paid subsequently.

Boursa Kuwait Securities Company K.P.S.C. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

**10 ACCOUNTS PAYABLE AND OTHER LIABILITIES**

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2021</i>	<i>31 December</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Unearned revenues	<b>5,862,049</b>	1,408,184	5,364,361
Trade payables	<b>849,854</b>	891,746	604,399
Accrued expenses	<b>2,506,440</b>	2,290,972	560,386
Commission payable to Capital Market Authority	<b>468,544</b>	234,024	247,610
Staff leave provision	<b>1,090,545</b>	1,038,737	463,642
Dividends payable	<b>544,342</b>	614,905	-
Other payables	<b>802,016</b>	875,196	161,914
	<b>12,123,790</b>	7,353,764	7,402,312

**11 RELATED PARTY TRANSACTIONS**

These represents transactions with related parties, i.e. major shareholders, associate, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Transactions and balances with related parties are as follows:

	<i>Shareholders</i>	<i>Three months ended 31 March</i>	
	<i>KD</i>	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Interim condensed consolidated statement of comprehensive income:</i>			
Subscription fees	<b>27,221</b>	<b>27,221</b>	27,221
General and administrative expense	-	-	49,998

	<i>Shareholders</i>	<i>Other related</i>	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>KD</i>	<i>parties</i>	<i>2021</i>	<i>31 December</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>2020</i>	<i>KD</i>
<i>Interim condensed consolidated statement of financial position:</i>					
Amounts due from related parties (included in accounts receivable and other assets) (Note 5)	<b>187,500</b>	-	<b>187,500</b>	187,500	598,974
Staff receivables (included under other receivables in accounts receivable and other assets) (Note 5)	-	<b>92,356</b>	<b>92,356</b>	113,376	-
Director remunerations (included under other payables in accounts payable and other liabilities) (Note 10)	-	-	-	200,000	-

# Boursa Kuwait Securities Company K.P.S.C. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

### 11 RELATED PARTY TRANSACTIONS (continued)

#### Compensation of key management personnel

The remuneration of key management personnel during the period was as follows:

	<i>Three months ended 31 March</i>	
	<b>2021 KD</b>	<b>2020 KD</b>
Short-term benefits	<b>264,437</b>	37,800
Employees' end of service benefits	<b>77,018</b>	7,990
	<b>341,455</b>	45,790

### 12 SEGMENT INFORMATION

The Group's operating segments are determined based on the reports reviewed by the decision makers that are used for strategic decisions. These segments are strategic business units that offer different products and services. They are managed separately since the nature of the products and services; class of customers and marketing strategies of these segments are different.

Operating revenue recognised in the interim condensed consolidated statement of comprehensive income represents revenue from external customers and originated in the State of Kuwait.

The Group is primarily engaged in operating securities exchange related activities in the State of Kuwait. Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments.

The following tables present information regarding the Group's segments activities:

	<i>31 March 2021</i>			<i>31 March 2020</i>		
	<i>Securities exchange KD</i>	<i>Clearing KD</i>	<i>Total KD</i>	<i>Securities exchange KD</i>	<i>Clearing KD</i>	<i>Total KD</i>
Operating revenue	<b>3,725,966</b>	<b>3,008,198</b>	<b>6,734,164</b>	3,735,062	708,272	4,443,334
Non-operating revenue	<b>237,569</b>	<b>307,119</b>	<b>544,688</b>	454,958	-	454,958
Operating expenses	<b>(1,449,645)</b>	<b>(1,512,113)</b>	<b>(2,961,758)</b>	(1,571,049)	-	(1,571,049)
Non-operating expenses	<b>(117,323)</b>	<b>(4,381)</b>	<b>(121,704)</b>	(60,833)	-	(60,833)
Segment result	<b>2,396,567</b>	<b>1,798,823</b>	<b>4,195,390</b>	2,558,138	708,272	3,266,410
Segment assets	<b>62,506,943</b>	<b>47,909,358</b>	<b>110,416,301</b>	26,745,823	17,305,404	44,051,227
Segment liabilities	<b>10,799,903</b>	<b>7,289,786</b>	<b>18,089,689</b>	8,683,043	-	8,683,043

### 13 FAIR VALUE MEASUREMENT

#### Fair value hierarchy

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

Financial assets and financial liabilities measured at fair value in the interim condensed consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

**13 FAIR VALUE MEASUREMENT (continued)**

**Fair value hierarchy (continued)**

- ▶ 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

**Fair value measurement:**

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

<i>31 March 2021</i>	<i>Level 3 KD</i>	<i>Total KD</i>
<i>Financial assets at fair value through other comprehensive income</i>	<u>278,902</u>	<u>278,902</u>
<i>31 December 2020 (Audited)</i>	<i>Level 3 KD</i>	<i>Total KD</i>
<i>Financial assets at fair value through other comprehensive income</i>	<u>278,902</u>	<u>278,902</u>
<i>31 March 2020</i>	<i>Level 3 KD</i>	<i>Total KD</i>
<i>Financial assets at fair value through other comprehensive income</i>	<u>-</u>	<u>-</u>

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the three months ended 31 March 2021.

**Level 3 Fair value measurements**

The Group's measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market date. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

<i>31 March 2021</i>	<i>As at 1 January 2021 KD</i>	<i>Transferred on business acquisition during the period KD</i>	<i>Other comprehensive income KD</i>	<i>As at 31 March 2021 KD</i>
<i>Financial assets at fair value through other comprehensive income</i>				
Local unquoted equity securities	31,937	-	-	31,937
Foreign unquoted equity securities	246,965	-	-	246,965
	<u>278,902</u>	<u>-</u>	<u>-</u>	<u>278,902</u>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

**13 FAIR VALUE MEASUREMENT (continued)****Level 3 Fair value measurements (continued)**

<i>31 December 2020 (Audited)</i>	<i>As at 1 January 2020 KD</i>	<i>Transferred on business acquisition during the year KD</i>	<i>Other comprehensive income KD</i>	<i>As at 31 December 2020 KD</i>
<i>Financial assets at fair value through other comprehensive income</i>				
Local unquoted equity securities	-	31,937	-	31,937
Foreign unquoted equity securities	-	352,686	(105,721)	246,965
	<u>-</u>	<u>384,623</u>	<u>(105,721)</u>	<u>278,902</u>

**Description of significant unobservable inputs to valuation performed at the reporting date is as follows:**

Unquoted equity securities are valued based on price to book multiple method, multiples using latest financial statements available of the investee entities and adjusted for lack of marketability discount of 30%. The Group has determined that market participants would take into account these discounts when pricing the investments.

A change in assumptions used for valuing the Level 3 financial instruments, by possible using an alternative  $\pm 5\%$  higher or lower liquidity and market discount could have resulted in an immaterial change in fair value.

Fair value of other financial instruments is not materially different from their carrying values, at the reporting date, as most of these instruments are of short-term maturity or re-priced immediately based on market movement in profit rates.

**14 IMPACT OF COVID-19**

The coronavirus ("COVID-19") pandemic has spread across various geographies globally, causing disruption to business and economic activities. While the disruption is currently expected to be temporary, economic uncertainties have arisen. The existing and anticipated effects of the outbreak of COVID-19 on the economy is expected to continue to evolve.

The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance.

The uncertainties caused by COVID-19, and the volatility in oil prices have required the Group to update the estimates and assumptions used for the following:

***Expected credit losses on financial assets at amortised cost***

The Group's exposure to credit risk from trade receivables and debt instruments is influenced mainly by the individual characteristics of each customer. Trade receivable credit risk is managed by ensuring that collections are made on a timely manner, substantially eliminating the Group's credit risk in this respect. However, the effects of COVID-19 may increase the amount of ECL recognised relating to trade receivables and debt instruments, due to the disruptive effects of the pandemic (e.g. shutdown of operations, reduced consumer spending, etc.). In measuring ECL, the Group considered the actions taken and the effect of those actions on cash flows which were immaterial.

***Impairment of non-financial assets, primarily goodwill and intangible assets***

As at the end of the period, the Group has considered the potential impact of the current economic volatility in the determination of the reported amounts of the Group's non-financial assets and the unobservable inputs are developed using the best available information about the assumptions that market participants would make in pricing these assets at the end of the period. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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As at and for the period ended 31 March 2021

**14 IMPACT OF COVID-19 (continued)**

*Valuation of financial assets*

The Group has considered the potential impacts of the current economic volatility in determination of the reported amounts of the Group's financial assets and these are considered to represent management's best assessment based on observable information. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.



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