

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

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

30 JUNE 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 30 June 2021, and the related interim condensed consolidated statement of comprehensive income for the three-month and six-month periods then ended, and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month 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 six month period ended 30 June 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 six month period ended 30 June 2021 that might have had a material effect on the business of the Parent Company or on its financial position.



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

3 August 2021
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)


For the period ended 30 June 2021


	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2021	2020	2021	2020
		KD	KD	KD	KD
REVENUE					
Subscription fees		1,702,741	1,735,403	3,405,482	3,470,805
Share in trading commission		2,751,415	1,154,816	4,517,675	2,666,325
Miscellaneous fees		1,447,660	141,134	2,723,844	629,285
Clearing, settlement and depository fees		2,240,529	-	4,229,508	-
		8,142,345	3,031,353	14,876,509	6,766,415
EXPENSES					
General and administrative expense		(1,039,958)	(580,713)	(1,930,294)	(1,217,871)
Staff costs		(1,948,815)	(965,708)	(3,976,467)	(1,889,472)
Reversal of (allowance for) expected credit losses	5 , 6	180,728	-	136,958	(10,127)
		(2,808,045)	(1,546,421)	(5,769,803)	(3,117,470)
OPERATING PROFIT		5,334,300	1,484,932	9,106,706	3,648,945
Net investment income		35,516	-	94,448	-
Interest income		234,862	101,259	443,308	226,509
Rental income		209,515	246,201	421,920	500,106
Other income		27,306	1,362	92,211	77,165
Share of results of an associate		-	576,225	-	1,284,497
Interest expense on lease liabilities		(11,101)	(10,736)	(22,483)	(22,502)
PROFIT BEFORE TAX		5,830,398	2,399,243	10,136,110	5,714,720
Contribution to Kuwait Foundation for Advancement of Sciences ("KFAS")		(37,542)	(15,831)	(62,003)	(38,588)
Zakat		(38,177)	(18,638)	(62,885)	(44,948)
National Labor Support Tax ("NLST")		(145,237)	-	(206,390)	-
PROFIT FOR THE PERIOD		5,609,442	2,364,774	9,804,832	5,631,184
Other comprehensive income for the period		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		5,609,442	2,364,774	9,804,832	5,631,184
Attributable to:					
Equity holders of the Parent Company		4,571,351	2,364,774	7,836,212	5,631,184
Non-controlling interest		1,038,091	-	1,968,620	-
		5,609,442	2,364,774	9,804,832	5,631,184
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
	3	22.77 fils	11.78 fils	39.03 fils	28.05 fils

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 30 June 2021

	<i>Notes</i>	<i>30 June 2021 KD</i>	<i>(Audited) 31 December 2020 KD</i>	<i>30 June 2020 KD</i>
ASSETS				
Non-current assets				
Intangible assets	4	31,801,013	31,824,089	207,859
Goodwill	4	9,492,308	9,492,308	-
Property and equipment		1,494,344	1,363,042	447,796
Right of use assets		1,174,314	840,776	892,803
Investment in an associate	4	-	-	16,813,629
Accounts receivable and other assets	5	950,127	1,418,005	556,330
Financial assets at fair value through other comprehensive income		278,902	278,902	-
Debt instruments at amortised cost	6	1,181,026	3,900,000	-
Restricted cash	8	2,600,000	2,600,000	-
		<u>48,972,034</u>	<u>51,717,122</u>	<u>18,918,417</u>
Current assets				
Accounts receivable and other assets	5	3,690,484	2,352,482	1,564,743
Debt instruments at amortised cost	6	1,000,000	1,000,000	-
Term deposits	7	33,801,380	29,484,240	-
Cash and cash equivalents	8	19,045,909	19,606,620	21,219,125
		<u>57,537,773</u>	<u>52,443,342</u>	<u>22,783,868</u>
TOTAL ASSETS		<u><u>106,509,807</u></u>	<u><u>104,160,464</u></u>	<u><u>41,702,285</u></u>
EQUITY AND LIABILITIES				
Equity				
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
Fair value reserve		(128,985)	(128,985)	(42,376)
Retained earnings		24,528,243	24,723,061	9,803,497
Equity attributable to equity holders of the Parent Company		<u>52,609,255</u>	<u>52,804,073</u>	<u>32,713,564</u>
Non-controlling interests		37,295,769	37,930,399	-
Total equity		<u><u>89,905,024</u></u>	<u><u>90,734,472</u></u>	<u><u>32,713,564</u></u>
Liabilities				
Non-current liabilities				
Employees' end of service benefits		4,790,493	5,219,202	513,283
Lease liabilities		919,722	736,856	718,700
		<u>5,710,215</u>	<u>5,956,058</u>	<u>1,231,983</u>
Current liabilities				
Accounts payable and other liabilities	10	10,724,524	7,353,764	7,656,513
Lease liabilities		170,044	116,170	100,225
		<u>10,894,568</u>	<u>7,469,934</u>	<u>7,756,738</u>
Total liabilities		<u><u>16,604,783</u></u>	<u><u>13,425,992</u></u>	<u><u>8,988,721</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>106,509,807</u></u>	<u><u>104,160,464</u></u>	<u><u>41,702,285</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 30 June 2021

	<i>Attributable to equity holders of the Parent Company</i>							
	<i>Share capital KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Fair value reserve KD</i>	<i>Retained earnings KD</i>	<i>Sub-total KD</i>	<i>Non-controlling interests KD</i>	<i>Total equity KD</i>
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	-	-	-	-	7,836,212	7,836,212	1,968,620	9,804,832
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	7,836,212	7,836,212	1,968,620	9,804,832
Dividend to equity holders of the Parent Company (Note 9)	-	-	-	-	(8,031,030)	(8,031,030)	-	(8,031,030)
Dividend paid to non-controlling interests	-	-	-	-	-	-	(2,603,250)	(2,603,250)
At 30 June 2021	20,077,575	4,066,211	4,066,211	(128,985)	24,528,243	52,609,255	37,295,769	89,905,024
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	-	-	-	-	5,631,184	5,631,184	-	5,631,184
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	5,631,184	5,631,184	-	5,631,184
Dividends (Note 9)	-	-	-	-	(5,019,394)	(5,019,394)	-	(5,019,394)
At 30 June 2020	20,077,575	1,437,434	1,437,434	(42,376)	9,803,497	32,713,564	-	32,713,564

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 30 June 2021

	Notes	Six months ended 30 June	
		2021 KD	2020 KD
OPERATING ACTIVITIES			
Profit before tax		10,136,110	5,714,720
<i>Adjustment to reconcile profit before tax to net cash flows:</i>			
Depreciation of property and equipment		311,352	127,124
Depreciation of right of use assets		106,185	57,600
Amortisation of intangible asset		39,882	127,096
(Reversal of) allowance for expected credit losses	5, 6	(136,958)	10,127
Share of results of an associate		-	(1,284,497)
Interest income		(443,308)	(226,509)
Net investment income		(94,448)	-
Interest expense on lease liabilities		22,483	22,502
Other income from rent concession		(65,699)	-
Provision for employee's end of service benefits		401,124	60,102
		10,276,723	4,608,265
<i>Working capital adjustments:</i>			
Accounts receivable and other assets		(733,166)	(46,439)
Accounts payable and other liabilities		2,264,132	3,216,238
Cash flows from operations		11,807,689	7,778,064
Employees' end of service benefits paid		(829,833)	(5,659)
Taxation paid		(270,503)	(70,161)
Net cash flows from operating activities		10,707,353	7,702,244
INVESTING ACTIVITIES			
Purchase of property and equipment		(442,654)	(17,749)
Additions on intangible assets		(16,806)	(42,832)
Proceeds from redemption of debt instruments at amortised cost		2,718,974	-
Net movement in term deposits		(4,317,140)	3,526,850
Acquisition of additional shares in an associate		-	(3,782,500)
Dividends received from an associate		-	1,068,000
Net investment income received		94,448	-
Interest income received		443,308	304,325
Net cash flows (used in) from investing activities		(1,519,870)	1,056,094
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities		(159,767)	(140,946)
Dividend paid to non-controlling interest		(2,603,250)	-
Dividends paid to equity holders of the Parent Company		(6,985,177)	(3,288,959)
Net cash flows used in financing activities		(9,748,194)	(3,429,905)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(560,711)	5,328,433
Cash and cash equivalents as at 1 January		19,606,620	15,890,692
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	8	19,045,909	21,219,125
Non-cash transactions excluded from the statement of cash flows are as follows:			
Additions to right of use assets		(439,723)	-
Additions to lease liabilities		439,723	-

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 30 June 2021

1 CORPORATE AND GROUP INFORMATION

The interim condensed consolidated financial information of Boursa Kuwait Securities Company K.P.S.C. (“the Parent Company”) and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021 was authorised for issue by the Board of Directors on 3 August 2021.

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. Dividends declared and paid by the Group for the year then ended are provided in Note 9.

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

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 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.

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 30 June 2021

1 CORPORATE AND GROUP INFORMATION (continued)

The interim condensed consolidated financial statements of the Group include:

Name of subsidiaries	Country of incorporation	% equity interest			Principal activities
		31			
		30 June 2021	December 2020	30 June 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.

2 BASIS OF PREPARATION AND CHANGES TO GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The Group has prepared the interim condensed consolidated financial statements on the basis that it will continue to operate as a going concern. The management considers that there are no material uncertainties that may cast doubt significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020.

2.2 New standards, interpretations and amendments adopted by the Group

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, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

2 BASIS OF PREPARATION AND CHANGES TO GROUP'S ACCOUNTING POLICIES (continued)

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.

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>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Profit for the period (KD)	4,571,351	2,364,774	7,836,212	5,631,184
Weighted average number of shares outstanding during the period	200,775,750	200,775,750	200,775,750	200,775,750
Basic and diluted earnings per share	22.77 fils	11.78 fils	39.03 fils	28.05 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.

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 30 June 2021

5 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	<i>30 June</i> <i>2021</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD</i>	<i>30 June</i> <i>2020</i> <i>KD</i>
Trade receivables, gross	2,834,962	3,182,149	1,535,930
Less: Allowance for expected credit losses	(761,525)	(917,457)	(498,063)
Trade receivables, net	2,073,437	2,264,692	1,037,867
Amounts due from related parties (Note 11)	1,219,635	187,500	395,075
Refundable deposits, advances and prepayments	906,655	945,442	635,243
Other receivables	440,884	372,853	52,888
	4,640,611	3,770,487	2,121,073
Non-current	950,127	1,418,005	556,330
Current	3,690,484	2,352,482	1,564,743
	4,640,611	3,770,487	2,121,073

Set out below is the movement in allowance for trade receivables:

	<i>30 June</i> <i>2021</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD</i>	<i>30 June</i> <i>2020</i> <i>KD</i>
As at 1 January	917,457	487,936	487,936
Transfer on acquisition of a subsidiary	-	358,632	-
ECL allowance included in the statement of profit or loss	104,886	70,889	10,127
Reversal of provision no longer required	(260,818)	-	-
As at the end of the period / year	761,525	917,457	498,063

6 DEBT INSTRUMENTS AT AMORTISED COST

	<i>30 June</i> <i>2021</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD</i>	<i>30 June</i> <i>2020</i> <i>KD</i>
Debt instrument at amortised cost	2,200,000	4,900,000	-
Less: Allowance for expected credit losses	(18,974)	-	-
Debt Instrument at amortised cost, net	2,181,026	4,900,000	-
Non-current	1,181,026	3,900,000	-
Current	1,000,000	1,000,000	-
	2,181,026	4,900,000	-

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 30 June 2021

6 DEBT INSTRUMENTS AT AMORTISED COST (continued)

Set out below is the movement in allowance for debt instruments at amortised cost:

	<i>30 June</i> <i>2021</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD</i>	<i>30 June</i> <i>2020</i> <i>KD</i>
As at the beginning of the period / year	-	-	-
ECL allowance included in the statement of profit or loss	18,974	-	-
As at the end of the period / year	18,974	-	-

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 5.75% per annum (31 December 2020: 4.75% to 6.5% and 30 June 2020: Nil%) and maturing over a period ranging from 2 to 6.5 years.

7 TERM DEPOSITS

Term deposits are placed with a local bank, denominated in Kuwaiti Dinar and carry an effective interest rate ranging from 1.96% to 2.3% as at 30 June 2021 (31 December 2020: 1.60% to 1.65% and 30 June 2020: Nil%) per annum and maturing within twelve months from the date of placement.

8 CASH AND CASH EQUIVALENTS

	<i>30 June</i> <i>2021</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD</i>	<i>30 June</i> <i>2020</i> <i>KD</i>
Cash at bank	12,685,564	8,434,057	3,965,127
Cash balances	8,411	4,974	7,000
Short term deposits *	8,954,936	13,770,591	17,250,000
Cash and short-term deposits	21,648,911	22,209,622	21,222,127
Less: restricted cash **	(2,600,000)	(2,600,000)	-
Less: expected credit loss	(3,002)	(3,002)	(3,002)
Cash and cash equivalents	19,045,909	19,606,620	21,219,125

*Short term deposits are placed with a local bank, denominated in Kuwaiti Dinar and carry an effective interest rate between 1.25% to 1.9% (31 December 2020: 1.26% to 1.63% and 30 June 2020: 1.18% to 2.75%) 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 stipulated 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 which 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 30 June 2021

10 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	<i>30 June</i> <i>2021</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD</i>	<i>30 June</i> <i>2020</i> <i>KD</i>
Unearned revenues	4,691,174	1,408,184	3,555,313
Trade payables	973,250	891,746	757,132
Accrued expenses	1,705,977	2,290,972	469,420
Commission payable to Capital Market Authority	146,897	234,024	282,543
Accrued staff leave gratuity	1,101,620	1,038,737	539,712
Dividends payable	1,045,853	614,905	1,730,435
Other payables	1,059,753	875,196	321,958
	10,724,524	7,353,764	7,656,513

11 RELATED PARTY DISCLOSURES

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.

The following table provides the total amount of transactions that have been entered with related parties during the six months period ended 30 June 2021 and 2020, as well as, balances with related parties as at 30 June 2021, 31 December 2020 and 30 June 2020:

	<i>30 June 2021</i>			
	<i>Subscription fees</i> <i>KD</i>	<i>Other services rendered to related parties</i> <i>KD</i>	<i>Amounts owed to related parties</i> <i>KD</i>	<i>Amounts owed by related parties</i> <i>KD</i>
Major shareholders	54,442	-	-	187,500
Other related parties	-	-	-	1,032,135
	54,442	-	-	1,219,635
	<i>31 December 2020 (Audited)</i>			
	<i>Subscription fees</i> <i>KD</i>	<i>Other services rendered to related parties</i> <i>KD</i>	<i>Amounts owed to related parties</i> <i>KD</i>	<i>Amounts owed by related parties</i> <i>KD</i>
Major shareholders	108,884	15,000	-	187,500
Other related parties	-	-	-	-
	108,884	15,000	-	187,500

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 30 June 2021

11 RELATED PARTY DISCLOSURES (continued)

	30 June 2020			
	Subscription fees KD	Other services rendered to related parties KD	Amounts owed to related parties KD	Amounts owed by related parties KD
Major shareholders	54,442	102,996	-	395,075
Other related parties	-	-	-	-
	<u>54,442</u>	<u>102,996</u>	<u>-</u>	<u>395,075</u>

Other related party transactions and balances with related parties:

	Major shareholders KD	Other related parties KD	30 June 2021 KD	(Audited) 31 December 2020 KD	30 June 2020 KD
Staff receivables	-	56,413	56,413	113,376	-
Directors' remuneration payable	-	-	-	200,000	-

Transactions with key management personnel

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions and outstanding balances related to key management personnel were as follows:

	Transaction values for the six months ended		Balance outstanding as at		
	30 June 2021 KD	30 June 2020 KD	30 June 2021 KD	31 December 2020 KD	30 June 2020 KD
Salaries and other short-term benefits	136,990	10,197	481,304	344,314	69,600
Employees end of service benefits	32,426	8,900	119,780	87,354	31,334
Board of Directors' remuneration	-	-	-	176,000	-
Board of Directors' committee remuneration	-	-	-	32,000	-
	<u>169,416</u>	<u>19,097</u>	<u>601,084</u>	<u>639,668</u>	<u>100,934</u>

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.

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 30 June 2021

12 SEGMENT INFORMATION (continued)

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

	30 June 2021			30 June 2020		
	<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	8,592,653	6,283,856	14,876,509	6,766,415	1,284,497	8,050,912
Non-operating revenue	545,913	505,974	1,051,887	803,780	-	803,780
Operating expenses	(2,923,449)	(2,846,354)	(5,769,803)	(3,117,470)	-	(3,117,470)
Non-operating expenses	(351,346)	(2,415)	(353,761)	(106,038)	-	(106,038)
Segment result	5,863,771	3,941,061	9,804,832	4,346,687	1,284,497	5,631,184
Segment assets	56,550,269	49,959,538	106,509,807	24,888,656	16,813,629	41,702,285
Segment liabilities	9,340,985	7,263,798	16,604,783	8,988,721	-	8,988,721

13 FAIR VALUE MEASUREMENT

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.

Fair value hierarchy

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

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

For assets and liabilities that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The management assessed that cash and short-term deposits, trade and other receivables, lease liabilities, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value measurements for the unquoted securities have been categorised as Level 3 fair values based on the inputs to the valuation techniques used.

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

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 six months ended 30 June 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

13 FAIR VALUE MEASUREMENT (continued)

Reconciliation of fair value measurement of non-listed equity investments classified as equity instruments designated at fair value through OCI:

	<i>Unquoted equity shares</i>		
	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2021</i>	<i>31 December</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Opening balance as at 1 January	278,902	-	-
Transferred on business acquisition during the period/year	-	384,623	-
Remeasurement recognised in OCI	-	(105,721)	-
	278,902	278,902	-

The fair value of financial instruments classified as level 3 are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by the prices from observable current market transactions in the same instrument and are not based on observable market data. The Group employs valuation techniques, depending on the instrument type and available market data. For example, in the absence of active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile and other factors. Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental. The management assessed that the impact on profit or loss or other comprehensive income would be immaterial if the relevant risk variables used to fair value the financial instruments classified as Level 3 were altered by 5 percent.

14 IMPACT OF COVID-19 OUTBREAK

On 11 March 2020, COVID-19 was declared as pandemic by the World Health Organisation and is causing disruptions to businesses and economic activities. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications. COVID-19 has brought about uncertainties in the global economic environment. In light of the rapidly escalating situation, the Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the financial statements. The Group's business operations remain largely unaffected by the current situation and the Group has considered any impairment indicators and any significant uncertainties impacting its financial instruments and non-financial assets. Based on the assessment, the carrying value of these assets have been appropriately disclosed in the interim condensed consolidated financial statements.

As the situation continues to unfold, the Group will continuously monitor the market outlook and use relevant assumptions in reflecting the values of these assets as and when they occur.

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital, and liquidity. The impact of COVID-19 may continue to evolve, but at the present time, the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2020. As a result, the interim condensed consolidated financial information has been appropriately prepared on a going concern basis.

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