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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BOURSA KUWAIT SECURITIES COMPANY K.P.S.C.

Report on the Audit of Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Boursa Kuwait Securities Company K.P.S.C. (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the related consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our reports, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BOURSA KUWAIT SECURITIES COMPANY K.P.S.C. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

We have identified the following key audit matters:

a) Revenue recognition
The Group has recognized revenue from share in trading commission of securities amounting to KD 9,709,048 for the year ended 31 December 2021. There is an inherent risk around the accuracy of share in trading commission revenue recognition because of the complexity of the related Information Technology ("IT") environment, the processing of large volumes of data through a number of different IT systems and the combination of different products. Due to the complexities and judgement required in the revenue recognition process, we have considered this as a key audit matter. The accounting policy for revenue recognition is set out in Note 2.5.4 and the related disclosures are disclosed in Note 4 in the consolidated financial statements.

Our audit procedures included, among others, the following:

- We evaluated the relevant IT systems, with the assistance of our internal IT specialists, and evaluated the design and implementation of internal controls related to revenue recognition.
- We tested the operating effectiveness of controls over the recording of revenue transactions; authorization of rate changes and its input to the systems and the change control procedures in place around those systems.
- We tested the reconciliation of the revenue generated and recorded in those systems to the general ledger and performed substantive tests of revenue recorded.
- We evaluated whether the revenue recognition policy and processes are appropriate and in accordance with IFRS 15 *Revenue from Contracts with Customers.*
- We confirmed our understanding of the revenue sharing arrangement process and accordingly adopted a substantive audit approach for the revenue sharing arrangements by testing revenue sharing calculations and agreeing key terms with the underlying contracts.
- We also used analytical procedures in the analysis of the revenue sharing streams. This included analysing monthly trading volumes and their correlation with monthly revenue recognised.
- We also assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.

b) Annual impairment of goodwill and indefinite life intangible assets
The Group has goodwill and indefinite life intangible assets with a carrying value of KD 9,492,308 and KD 31,631,600, respectively, as at 31 December 2021 arising on acquisition of a subsidiary, as disclosed in Note 6 and 7 to the consolidated financial statements.

The annual impairment tests of goodwill and indefinite life intangible assets is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgment required in determining the assumptions to be used to estimate the recoverable amount.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BOURSA KUWAIT SECURITIES COMPANY K.P.S.C. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

b) Annual impairment of goodwill and indefinite life intangible assets (continued)

The recoverable amount of the cash generating units (CGUs), which is based on the higher of the value in use or fair value less cost of disposal, has been derived from discounted forecast cash flow models. These models use several key assumptions including estimates of future trading and clearing activity volumes and prices, operating costs, terminal value growth rates and the weighted-average cost of capital (discount rate). The Group also considered, amongst these factors, the negative outlook due to the impact of the ongoing COVID-19 pandemic, in the determination of the recoverable amount of the CGUs.

Our audit procedures included, among others, the following:

- We evaluated the design and implementation of controls over the impairment assessment process.
- We involved our internal valuation specialists to assist us in evaluating the appropriateness of the valuation model and testing key assumptions used in the impairment assessment analysis, such as the discount rate and terminal growth rate.
- We compared the relevant assumptions to industry benchmarks and economic forecasts and tested the integrity of supporting calculations and corroborated certain information with third party sources.
- We compared actual historical cash flows with previous forecasts and assessed differences, if any, were within an acceptable range. We assessed the overall reasonableness of the cash flow forecasts and compared the discount rate and growth rate to market data.
- We evaluated the sensitivity analysis performed by management around the key assumptions noted above and challenged the outcome of the assessment.
- We evaluated the adequacy of the Group's disclosure included in Note 6 and 7 to the consolidated financial statements related to those assumptions.

The Group policy on impairment testing of the goodwill and indefinite life intangible assets is disclosed in Note 2.5.1 and 2.5.8 respectively to the consolidated financial statements.

Other information included in the Group's 2021 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2021 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Group's Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BOURSA KUWAIT SECURITIES COMPANY K.P.S.C. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Other information included in the Group's 2021 Annual Report (continued)
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BOURSA KUWAIT SECURITIES COMPANY K.P.S.C. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BOURSA KUWAIT SECURITIES COMPANY K.P.S.C. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, 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 year ended 31 December 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

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

15 February 2022
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	**2021** **KD**	2020 KD
REVENUE			
Subscription fees		**6,831,847**	6,983,112
Share in trading commission		**9,709,048**	6,857,276
Clearing, settlement and depository fees		**8,809,316**	4,977,210
Other miscellaneous fees		**5,669,288**	3,388,506
	4	**31,019,499**	22,206,104
EXPENSES			
General and administrative expenses		**(4,479,928)**	(3,816,834)
Staff costs		**(7,949,481)**	(6,472,495)
Allowance for expected credit losses of trade receivables and other debt instruments at amortised cost	9, 10	**(55,991)**	(70,889)
		(12,485,400)	(10,360,218)
OPERATING PROFIT		**18,534,099**	11,845,886
Net investment income		**154,460**	142,380
Interest income		**969,091**	548,591
Rental income		**845,207**	945,148
Net gain arising on business combination	6	**-**	13,223,871
Other income		**353,112**	273,749
Reversal of provision for legal claims no longer required		**-**	259,500
Interest on lease liabilities		**(44,211)**	(43,205)
Share of results of an associate		**-**	1,284,497
PROFIT BEFORE TAX AND BOARD OF DIRECTORS' REMUNERATION		**20,811,758**	28,480,417
Contribution to Kuwait Foundation for Advancement of Sciences ("KFAS")		**(108,083)**	(116,894)
Zakat		**(89,048)**	(144,567)
National Labour Support Tax ("NLST")		**(377,148)**	(42,004)
Board of Directors' remuneration		**(176,000)**	(176,000)
PROFIT FOR THE YEAR		**20,061,479**	28,000,952
Attributable to:			
Equity holders of the Parent Company		**15,890,515**	25,808,302
Non-controlling interests		**4,170,964**	2,192,650
		20,061,479	28,000,952
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	5	**79.15 fils**	128.54 fils

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021	*2020*
	KD	*KD*
PROFIT FOR THE YEAR	**20,061,479**	28,000,952
Other comprehensive loss		
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Net loss on equity instruments designated at fair value through other comprehensive income	**(119,646)**	(105,721)
Other comprehensive loss for the year	**(119,646)**	(105,721)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**19,941,833**	27,895,231
Attributable to:		
Equity holders of the Parent Company	**15,830,692**	25,721,693
Non-controlling interests	**4,111,141**	2,173,538
	19,941,833	27,895,231

The attached notes 1 to 21 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	***2021 KD***	*2020 KD*
ASSETS			
Non-current assets			
Intangible assets	6, 7	**31,917,441**	31,824,089
Goodwill	6, 7	**9,492,308**	9,492,308
Property and equipment	8	**1,597,822**	1,363,042
Right-of-use assets		**1,085,611**	840,776
Accounts receivable and other assets	9	**482,143**	1,418,005
Financial assets at fair value through other comprehensive income		**159,256**	278,902
Debt instruments at amortised cost	10	**2,092,916**	3,900,000
Restricted cash	12	**2,600,000**	2,600,000
		49,427,497	51,717,122
Current assets			
Accounts receivable and other assets	9	**2,704,149**	2,352,482
Debt instruments at amortised cost	10	**-**	1,000,000
Term deposits	11	**51,125,836**	29,484,240
Cash and cash equivalents	12	**7,111,817**	19,606,620
		60,941,802	52,443,342
TOTAL ASSETS		**110,369,299**	104,160,464
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**20,077,575**	20,077,575
Statutory reserve	13	**5,730,290**	4,066,211
Voluntary reserve	13	**5,730,290**	4,066,211
Fair value reserve	13	**(188,808)**	(128,985)
Retained earnings	13	**29,258,956**	24,723,061
Equity attributable to equity holders of the Parent Company		**60,608,303**	52,804,073
Non-controlling interests		**39,246,222**	37,930,399
Total equity		**99,854,525**	90,734,472
Liabilities			
Non-current liabilities			
Employees' end of service benefits	14	**1,227,170**	5,219,202
Lease liabilities		**918,993**	736,856
		2,146,163	5,956,058
Current liabilities			
Accounts payable and other liabilities	15	**8,181,931**	7,353,764
Lease liabilities		**186,680**	116,170
		8,368,611	7,469,934
Total liabilities		**10,514,774**	13,425,992
TOTAL EQUITY AND LIABILITIES		**110,369,299**	104,160,464

Hamad Mishari Al-Humaidhi
Chairman

Mohammad Saud Al-Osaimi
Chief Executive Officer

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to equity holders of the Parent Company							
	Share capital KD	***Statutory reserve KD***	***Voluntary reserve KD***	***Fair value reserve KD***	***Retained earnings KD***	***Sub-total KD***	***Non - controlling interests KD***	***Total equity KD***
As at 1 January 2021	**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 year	-	-	-	-	15,890,515	15,890,515	4,170,964	20,061,479
Other comprehensive loss for the year	-	-	-	(59,823)	-	(59,823)	(59,823)	(119,646)
Total comprehensive (loss) income for the year	-	-	-	(59,823)	15,890,515	15,830,692	4,111,141	19,941,833
Acquisition of non-controlling interests (Note 2.2)	-	-	-	-	4,568	4,568	(192,068)	(187,500)
Transfer to reserves	-	1,664,079	1,664,079	-	(3,328,158)	-	-	-
Cash dividends (Note 13)	-	-	-	-	(8,031,030)	(8,031,030)	(2,603,250)	(10,634,280)
At 31 December 2021	**20,077,575**	**5,730,290**	**5,730,290**	**(188,808)**	**29,258,956**	**60,608,303**	**39,246,222**	**99,854,525**
As at 1 January 2020	20,077,575	1,437,434	1,437,434	(42,376)	9,191,707	32,101,774	-	32,101,774
Profit for the year	-	-	-	-	25,808,302	25,808,302	2,192,650	28,000,952
Other comprehensive loss for the year	-	-	-	(86,609)	-	(86,609)	(19,112)	(105,721)
Total comprehensive (loss) income for the year	-	-	-	(86,609)	25,808,302	25,721,693	2,173,538	27,895,231
Acquisition of a subsidiary (Note 6)	-	-	-	-	-	-	35,869,361	35,869,361
Other net movements in non-controlling interests	-	-	-	-	-	-	(112,500)	(112,500)
Transfer to reserves	-	2,628,777	2,628,777	-	(5,257,554)	-	-	-
Cash dividends (Note 13)	-	-	-	-	(5,019,394)	(5,019,394)	-	(5,019,394)
At 31 December 2020	20,077,575	4,066,211	4,066,211	(128,985)	24,723,061	52,804,073	37,930,399	90,734,472

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	***2021*** ***KD***	*2020* *KD*
OPERATING ACTIVITIES			
Profit before tax and Board of Directors' remuneration		**20,811,758**	28,480,417
Adjustments to reconcile profit before tax to net cash flows			
Depreciation of property and equipment	8	**679,852**	418,948
Depreciation of right-of-use assets		**210,331**	164,928
Amortisation of intangible assets	7	**130,193**	248,568
Allowance for expected credit losses of trade receivables and other debt instruments at amortised cost	9, 10	**55,991**	70,889
Share of results of an associate		**-**	(1,284,497)
Net gain arising on business combination	6	**-**	(13,223,871)
Interest income		**(969,091)**	(548,591)
Net investment income		**(154,460)**	(142,380)
Loss on write-off of property and equipment		**8**	-
Rent concession income		**(65,949)**	-
Loss on derecognition of lease liabilities		**492**	-
Interest on lease liabilities		**44,211**	43,205
Reversal of provision for legal claims no longer required		**-**	259,500
Provision for employee's end of service benefits	14	**605,509**	414,250
		21,348,845	14,901,366
Working capital changes:			
Accounts receivable and other assets		**157,703**	1,148,159
Accounts payable and other liabilities		**333,952**	533,483
Cash flows from operations		**21,840,500**	16,583,008
Employees' end of service benefits paid	14	**(4,597,541)**	(167,535)
Taxes paid		**(270,503)**	(160,325)
Board of Directors' remuneration paid		**(208,000)**	(144,000)
Net cash flows from operating activities		**16,764,456**	16,111,148
INVESTING ACTIVITIES			
Purchase of property and equipment	8	**(741,719)**	(156,310)
Purchase of intangible asset	7	**(138,795)**	(61,634)
Dividends received from an associate		**-**	1,068,000
Proceeds from redemption of debt instruments at amortised cost		**2,791,000**	-
Maturity of term deposits		**13,300,000**	-
Placement of term deposits		**(34,941,596)**	(8,270,342)
Acquisition of additional shares in an associate		**-**	(3,782,500)
Net investment income received		**154,460**	142,380
Acquisition of a subsidiary, net of cash acquired	6	**-**	2,738,570
Interest income received		**910,505**	543,160
Net cash flows used in investing activities		**(18,666,145)**	(7,778,676)
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities		**(181,273)**	(212,055)
Dividends paid to equity holders of the Parent Company		**(7,808,591)**	(4,404,489)
Dividends paid to non-controlling interests		**(2,603,250)**	-
Net cash flows used in financing activities		**(10,593,114)**	(4,616,544)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(12,494,803)**	3,715,928
Cash and cash equivalents at 1 January		**19,606,620**	15,890,692
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	12	**7,111,817**	19,606,620

Non-cash transactions excluded from the statement of cash flows are as follows:

Right of use assets		**(460,085)**	-
Lease liabilities		**460,085**	-
Acquisition of non-controlling interests	2.2	**(187,500)**	-
Intangible assets	7	**(84,750)**	-
Property and equipment	8	**(172,921)**	-
Account's receivables and other assets		**445,171**	-

The attached notes 1 to 21 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Boursa Kuwait Securities Company K.P.S.C. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2021 were authorised for issue in accordance with a resolution of the board of directors on 15 February 2022, and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting (AGM).

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved by the shareholders at the AGM held on 1 April 2021. Distributions made and proposed are provided in Note 13.2.

The Parent Company is a public shareholding company incorporated and domiciled in Kuwait and whose shares are publicly traded. The registered office of the Parent Company is located at Boursa Building, Sharq and its registered postal address is P.O. Box 1027, Safat 115461 - State of Kuwait.

The Parent Company is regulated by the Capital Markets Authority ("CMA") and its primary objectives are, as follows:

- Operate as a stock exchange, incorporate or operate or contribute in the incorporation or operation of a stock exchange to reconcile buy and sell orders of securities and to follow specific procedures relating to trading and perform usual functions exercised by stock exchanges. Provide design, development and processing of electronic data services related to the field of operating securities exchanges.
- Provide design, development and information technology solutions in the field and activities of stock exchanges.
- Provide supporting services to third parties in the securities and stock markets fields.
- Offer advisory services relating to the stock exchange activities and the regulations applying to its members. Prepare economic feasibility studies in the stock exchange field.
- Incorporate and participate in the incorporation of companies inside the State of Kuwait and abroad of different types and legal forms within the scope of the Company's objectives.
- Own securities in companies that work in the field of stock market or securities activities.
- The Company may have interests in, or cooperate or contribute or participate in any way in other financial markets or companies or entities engaged in any type of business, activities or similar activities or those that may support the Company in achieving its purposes inside the State of Kuwait or abroad pursuant to the applicable laws and regulations.
- The Company may exploit the available financial surpluses by investing in bank deposits or government securities inside the State of Kuwait or abroad. The Company shall make any other types of investments inside the State of Kuwait and abroad.
- Any other purposes relating to stock exchanges provided for in the CMA Law and in the decisions issued by the CMA.

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

Information on the Group's structure is provided in Note 2.2. Information on other related party relationships of the Group is provided in Note 16.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

The consolidated financial statements have been prepared on a historical cost basis, except for equity financial assets that have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is also the functional currency of the Parent Company.

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern

The consolidated financial statements provide comparative information in respect of the previous year. Certain comparative information has been reclassified and represented to conform to classification in the current year. Such reclassification has been made to improve the quality of information presented.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The consolidated financial statements of the Group include:

Name of the subsidiary	Country of incorporation	% equity interest		Principal activities
		2021	*2020*	
Directly held				
Boursa Kuwait for Business Economical and Information Technology Advisory Services Company W.L.L.	Kuwait	**100%**	100%	Administrative, economic and information technology consulting
Kuwait Clearing Company K.S.C. (Closed) (KCC) (Note 6)	Kuwait	**50%**	50%	Provides clearing, settlement and depository services
Held through KCC				
Kuwait International Trustee Company K.S.C. (Closed)*	Kuwait	**100%**	99.25%	Providing trustee services
Kuwait Clearing House K.S.C. (Closed) [formerly Kuwait International Settlement and Clearing Company K.S.C. (Closed)] *	Kuwait	**100%**	99.25%	Performing clearing and settlement between securities trading operations
Kuwait Central Securities Depository K.S.C. (Closed) *[formerly Kuwait International Depository Services K.S.C. (Closed)]* *	Kuwait	**100%**	99.25%	Providing central depository, saving and transfer of ownership services.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

***Acquisition of additional interest in subsidiaries**
In 2021, the Group acquired an additional 0.75% interest in the above subsidiaries, increasing its ownership from 99.25% to 100%. The carrying amount of the subsidiaries' net assets in the Group's consolidated financial statements on the date of the acquisition was KD 192,068.

	KD
Consideration of NCI acquired	**(187,500)**
Carrying value of the NCI acquired	**192,068**
An increase in equity attributable to equity holders of the Parent Company	**4,568**

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). 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 financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16
On 28 May 2020, the IASB issued *Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.

The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has early adopted and applied the practical expedient effective from 1 January 2021 to all rent concessions that meet the conditions for it. As a result, the Group has elected not to assess whether a COVID-19 related rent concession from a lessor is a lease modification and has accounted the rent concessions as negative variable lease payment. During the current year ended 31 December 2021, the Group recognised amount of KD 65,949 in the statement of profit or loss under other income.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new and amended standards and interpretations are issued, but not yet effective, up to the date of issuance of the Group's financial statements. None of these are expected to have a significant impact on the Group's financial statements.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Group are set out below:

2.5.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expense.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the statement of comprehensive income in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.2 Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.5.3 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.3 Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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 in the financial statements on a recurring basis, the Group 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.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.5.4 Revenue from contracts with customers

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the control of the promised goods or services to its customers. The Group has generally concluded that it is principle in its revenue arrangements, except for the commission income below, because it is typically controls the services before transferring them to the customer. Revenue is measured at the fair value of the consideration received or receivable taking into account the following specific recognition criteria must also be met before revenue is recognised:

- Subscription fees, shareholder register services, trustee and investment controller services, data services subscriptions, online trading lines and X-stream line registration and subscription fees and other operating income are recognised on a time proportion basis over the period of the annual subscriptions.
- Share in trading commission, clearing operations, settlement operations, central depository services registration fees for listed entities and transferring of ownership and acquisition fees revenues are recognised at the time when the underlying trade and service are provided to the customer.
- Rental income arising from investment properties is accounted for on straight-line basis over the lease term.
- Interest income is recognised as interest accrues using effective interest rate method.
- Dividend income is recognised when the right to receive payment is established.
- Other income is recognised at a point in time on accrual basis.

2.5.5 Taxes

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Parent Company in accordance with the Ministry of Finance resolution No. 58/2007.

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Parent Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries, Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

National Labour Support Tax (NLST)

The Parent Company calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per the law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST are deducted from the profit for the year.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.6 Property and equipment

Capital work in progress is stated at cost, net of accumulated impairment losses, if any. Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

▸ Leasehold improvements	5-10 years
▸ Furniture, fixtures and equipment	5 years
▸ Computers	3-5 years
▸ Motor vehicles	5 years
▸ Office equipment	3-5 years

An item of property and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.5.7 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

i) Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are presented under ‘property and equipment’ in the statement of financial position and are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right of use assets are also subject to impairment. Refer below for ‘Impairment of non-financial assets’ accounting policy.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.7 Leases (continued)

Group as a lessee (continued)

ii) Lease liabilities (continued)
In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.5.8 Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Amortisation of intangible assets with finite useful life is calculated on a straight-line basis over the estimated useful lives of assets, as follows:

- Software 7-10 years

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

For the Group’s accounting policy on impairment for goodwill and intangible assets with indefinite lives, refer to Note 2.5.9.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.8 Intangible assets (continued)
An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

2.5.9 Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at the reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.10 Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement
Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivable that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivable that does not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market-place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised modified or impaired.

Since the Group's financial assets (accounts receivable and other assets, cash and cash equivalents, term deposits and debt instruments at amortised cost) meet these conditions, they are subsequently measured at amortised cost.

Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group does not have any financial assets classified under this category.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.10 Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement (continued)

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes certain equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

The Group does not have any financial assets classified under this category.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.10 Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment (continued)
ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivable, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 1 year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written-off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Refer to accounting policy on leases for the initial recognition and measurement of lease liabilities, as this is not in the scope of IFRS 9.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable and accruals and lease liabilities.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

The Group has not designated any financial liability as at fair value through profit or loss and financial liabilities at amortised cost is more relevant to the Group.

Financial liabilities at amortised cost
This is the category most relevant to the Group and generally applies to accounts payable and accruals and payables to a related party.

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.10 Financial instruments – initial recognition and subsequent measurement (continued)

ii) Financial liabilities (continued)

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.5.11 Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash on hand and non-restricted cash at banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2.5.12 Current versus non-current classification
The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

2.5.13 Employees' end of service benefits
The Group provides end of service benefits to all its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Further, with respect to its national employees, the Group also makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligation is limited to these contributions, which are expensed when due.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.5.15 Contingencies

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the statement of financial position but are disclosed when an inflow of economic benefit is probable.

2.5.16 Foreign currencies

The Group's financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Kuwaiti Dinar at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.17 Segment information
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

2.5.18 Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2.5.19 Cash dividends
The Group recognises a liability to pay a dividend when the distribution is no longer at the discretion of the Group. As per the Companies Law, a distribution is authorised when it is approved by the shareholders at the annual general assembly meeting ("AGM"). A corresponding amount is recognised directly in equity.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

2.5.20 Events after the reporting period
If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3.1 Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic region in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Classification of financial assets
The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.1 Judgements (continued)

Determining the lease term of contracts with renewal and termination options – Group as lessee
The Group has some lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group included the renewal period as part of the lease term for leases of assets with shorter non-cancellable period (i.e., three to five years), due to the significance of these assets to its operations and there will be a significant negative effect on operations if a replacement is not readily available.

3.2 Estimates and assumptions
The key assumptions concerning the future and key sources of estimation uncertainty at the reporting date, that has a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year is discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of financial assets at amortised cost
The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

Goodwill and other indefinite life intangible assets
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 2.5.9. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Fair value measurement
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 Estimates and assumptions (continued)

Accounting for business combinations

Business combinations require management to identify the fair value of assets acquired (including newly identified intangible assets), liabilities and contingent liabilities assumed as part of the Purchase Price Allocation (PPA) exercise. This requires significant management judgment and estimates made on the PPA.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

Set out below is the disaggregation of the Group's revenue:

	2021	*2020*
	KD	*KD*
Types of services:		
Subscription fees	**6,831,847**	6,983,112
Share in trading commission		
▪ Main commission	**9,474,603**	6,780,724
▪ Special transaction commission	**234,445**	76,552
	9,709,048	6,857,276
Clearing, settlement and depositary fees		
▪ Clearing operations	**2,837,874**	2,465,723
▪ Settlement operations	**2,771,738**	1,228,402
▪ Central depository services	**3,199,704**	1,283,085
	8,809,316	4,977,210
Other miscellaneous fees		
▪ Shareholder register services	**3,103,797**	1,322,927
▪ Trustee and investment controller services	**875,446**	408,506
▪ Trading commission of non-listed companies	**472,129**	508,465
▪ Data services subscriptions	**328,237**	277,170
▪ Transferring of ownership and acquisition fees	**265,129**	438,506
▪ Online trading lines and X-stream line registration and subscription fees	**248,041**	262,161
▪ Registration fees for listed entities	**145,000**	102,000
▪ Other operating income	**231,509**	68,771
	5,669,288	3,388,506
Total revenue from contracts with customers	**31,019,499**	22,206,104
Geographical markets:		
State of Kuwait	**31,019,499**	22,206,104
Total revenue from contracts with customers	**31,019,499**	22,206,104
Timing of revenue recognition:		
Services transferred over time	**11,618,877**	9,322,647
Services transferred in a point in time	**19,400,622**	12,883,457
Total revenue from contracts with customers	**31,019,499**	22,206,104

5 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	2021	*2020*
Profit for the year attributable to equity holders of the Parent Company (KD)	**15,890,515**	25,808,302
Weighted average of shares (number of shares)	**200,775,750**	200,775,750
Basic and diluted EPS attributable to equity holders of the Parent Company (Fils)	**79.15**	128.54

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements.

6 BUSINESS COMBINATIONS

Acquisitions in 2020

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 33.33% to 50%. Out of the total additional shares acquired, 26,700,000 shares were acquired from a related party at arm’s length transaction (Note 16). The Group determined that it exercises control over Kuwait Clearing Company K.S.C. (Closed) at the date of acquisition and consequently finalised the Purchase Price Allocation (“PPA”) exercise during the prior year 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 Markets Authority of Kuwait (“CMA”) and a residual goodwill arising from the transaction amounting to KD 9,492,308. The Parent Company consolidated the financial statements of KCC from the date the Group obtained control over the investee (i.e. acquisition date).

The following table summarises the consideration transferred to acquire KCC and the amounts of identified assets acquired, and liabilities assumed at the acquisition date:

	2020 *KD*
Cash and cash equivalents	20,357,320
Term deposits	17,687,048
Debt instruments at amortised cost	4,900,000
Financial assets at fair value through other comprehensive income	384,623
Accounts receivable and other assets	3,024,728
Right of use assets	52,313
Property and equipment	1,068,509
Assets acquired	47,474,541
Accounts payable and accruals	3,077,672
Employees’ end of service benefits	4,513,647
Lease liabilities	81,519
Liabilities assumed	7,672,838
Non-controlling interest	(305,419)
Total net identifiable assets	39,496,284

6 BUSINESS COMBINATIONS (continued)

Acquisitions in 2020 (continued)

	2020 *KD*
Consideration paid in cash	15,018,750
Fair value of previously held interest	30,037,500
Non-controlling interest	35,563,942
Less: Intangible assets (identified upon business combination)	(31,631,600)
Less: Net identifiable assets acquired	(39,496,284)
Goodwill on acquisition	9,492,308
Cash flows on business combination	
Cash and bank balances in subsidiary acquired	20,357,320
Cash consideration paid	(15,018,750)
	5,338,570

The non-controlling interest was recognised as a proportion of the net assets acquired.

As a result of obtaining control over KCC, the previously held interest, classified as investment in an associate, was remeasured at fair value at the acquisition date, resulting in a gain of KD 13,223,871 recognised in the consolidated statement of profit or loss for the year ended 31 December 2021.

7 GOODWILL AND INTANGIBLE ASSETS

	31 December 2021				
		Intangible assets			
	Goodwill KD	***Licence KD***	***Others KD***	***Sub-total KD***	***Total KD***
Cost:					
At 1 January 2021	9,492,308	31,631,600	997,766	32,629,366	42,121,674
Additions	-	-	223,545	223,545	223,545
At 31 December 2021	**9,492,308**	**31,631,600**	**1,221,311**	**32,852,911**	**42,345,219**
Amortisation and impairment:					
At 1 January 2021	-	-	805,277	805,277	805,277
Amortisation charge for the year	-	-	130,193	130,193	130,193
At 31 December 2021	-	-	**935,470**	**935,470**	**935,470**
Net book value:					
At 31 December 2021	**9,492,308**	**31,631,600**	**285,841**	**31,917,441**	**41,409,749**

7 GOODWILL AND INTANGIBLE ASSETS

	31 December 2020				
		Intangible assets			
	Goodwill KD	*Licence KD*	*Others KD*	*Sub-total KD*	*Total KD*
Cost:					
At 1 January 2020	-	-	848,832	848,832	848,832
Additions	-	-	61,634	61,634	61,634
Arising on a business combination	9,492,308	31,631,600	87,300	31,718,900	41,211,208
At 31 December 2020	9,492,308	31,631,600	997,766	32,629,366	42,121,674
Amortisation and impairment:					
At 1 January 2020	-	-	556,709	556,709	556,709
Amortisation charge for the year	-	-	248,568	248,568	248,568
At 31 December 2020	-	-	805,277	805,277	805,277
Net book value:					
At 31 December 2020	9,492,308	31,631,600	192,489	31,824,089	41,316,397

Intangible assets

Licence represents the regulatory license obtained from the Capital Markets Authority of Kuwait ("CMA") identified upon completion of the Purchase Price Allocation ("PPA") exercise at the step-up acquisition of KCC during the prior year (Note 6). The regulatory license has been renewed and have allowed the Group to determine that the asset has an indefinite useful life. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other intangible assets that are having finite life are amortised on a straight-line basis over their useful life.

Goodwill

The carrying amount of the goodwill amounting to KD 9,492,308 (2020: KD 9,492,308) has been allocated to the Group's investment in KCC (Note 6). Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment testing for goodwill and indefinite life intangible assets

The goodwill and indefinite life intangible assets identified on acquisition of KCC is allocated to a single CGU which consists of identifiable net assets.

The Group performed its annual impairment test for goodwill in December 2021. The recoverable amount of the goodwill has been determined based on a value in use calculation of the cash generating unit (CGU), using cash flow projections approved by senior management covering a three-year period. The pre-tax discount rate of 8.5% (2020: 8.5%) applied to cash flow projections beyond the three-year period are extrapolated using a terminal growth rate of 2.5% (2020: 2.4%), which does not exceed the long-term average growth rate of the State of Kuwait.

The Group has also performed a sensitivity analysis by varying these input factors by a reasonable possible margin.

As a result of this analysis, there is headroom in the range of KD 22 million to KD 25.5 million and management did not identify an impairment for this CGU.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions:

- Annual revenue growth rate during the forecast period
- Discount rate
- Long-term growth rates (terminal value) used to extrapolate cash flows beyond the forecast period

7 GOODWILL AND INTANGIBLE ASSETS (continued)

Sensitivity to changes in assumptions

With respect to management's assessment of value in use of the cash generating unit, management performed a sensitivity analysis to assess the changes to key assumptions that could cause the carrying value of the unit to exceed its recoverable amount. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount. These are summarised below:

- A decline in the annual revenue growth rate during the forecast period by 5% would result in a headroom of KD 12.5 million with no impairment loss required.
- A rise in the discount rate by 2% would result in a headroom of KD 13 million with no impairment loss required.
- A reduction in the long-term growth rate by -0.5%would result in a headroom of KD 22 million with no impairment loss required.

The above sensitivity analyses is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

8 PROPERTY AND EQUIPMENT

	Leasehold improvement KD	*Furniture and fixture KD*	*Computers KD*	*Motor vehicles KD*	*Office equipment KD*	*Capital work in progress KD*	*Total KD*
Cost:							
At 1 January 2020	132,217	-	890,184	-	153,227	-	1,175,628
Arising on acquisition of a subsidiary (Note 6)	-	503,931	5,879,097	36,000	-	215,656	6,634,684
Additions	32,440	-	52,892	-	18,200	52,778	156,310
Transfers	-	3,350	78,937	-	-	(82,287)	-
At 31 December 2020	164,657	507,281	6,901,110	36,000	171,427	186,147	7,966,622
Additions	159,167	-	13,015	-	172,963	569,495	914,640
Transfers	-	-	337,523	-	-	(337,523)	-
Write-off	-	-	(46,704)	-	-	-	(46,704)
At 31 December 2021	**323,824**	**507,281**	**7,204,944**	**36,000**	**344,390**	**418,119**	**8,834,558**
Depreciation:							
At 1 January 2020	83,361	-	477,592	-	57,504	-	618,457
Arising on acquisition of a subsidiary (Note 6)	-	500,723	5,053,855	11,597	-	-	5,566,175
Charge for the year	15,930	1,177	368,620	3,627	29,594	-	418,948
At 31 December 2020	99,291	501,900	5,900,067	15,224	87,098	-	6,603,580
Charge for the year	44,589	2,138	593,685	6,963	32,477	-	679,852
Write-off	-	-	(46,696)	-	-	-	(46,696)
At 31 December 2021	**143,880**	**504,038**	**6,447,056**	**22,187**	**119,575**	**-**	**7,236,736**
Net book value:							
At 31 December 2020	65,366	5,381	1,001,043	20,776	84,329	186,147	1,363,042
At 31 December 2021	**179,944**	**3,243**	**757,888**	**13,813**	**224,815**	**418,119**	**1,597,822**

9 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2021 KD	*2020 KD*
Trade receivables, gross	**2,547,698**	3,172,918
Less: Allowance for expected credit losses	**(957,364)**	(917,457)
Trade receivables, net	**1,590,334**	2,255,461
Amounts due from related parties (Note 16)	**925,096**	187,500
Refundable deposits, advances and prepayments	**513,009**	945,442
Other receivables*	**157,853**	382,084
	3,186,292	3,770,487
Non-current	**482,143**	1,418,005
Current	**2,704,149**	2,352,482
	3,186,292	3,770,487

* Other receivables balances are held with related parties amounting to KD 20,386 (2020: KD 50,012) (Note 16).

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

	2021 KD	*2020 KD*
As at 1 January	**917,457**	487,936
Arising on acquisition of a subsidiary (Note 6)	**-**	358,632
Net remeasurement of loss allowance recognised in profit or loss	**39,907**	70,889
As at 31 December	**957,364**	917,457

10 DEBT INSTRUMENTS AT AMORTISED COST

	2021 KD	*2020 KD*
Debt instrument at amortised cost	**2,109,000**	4,900,000
Less: Allowance for expected credit losses	**(16,084)**	-
Debt instrument at amortised cost, net	**2,092,916**	4,900,000
Non-current	**2,092,916**	3,900,000
Current	**-**	1,000,000
	2,092,916	4,900,000

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

	2021 KD	*2020 KD*
As at 1 January	**-**	-
ECL allowance recognised in profit or loss	**16,084**	-
As at 31 December	**16,084**	-

10 DEBT INSTRUMENTS AT AMORTISED COST (continued)

Debt instrument at amortised cost represents the Group's investment in locally issued bonds that carry an effective interest rate ranging between 4% to 5.75% (2020: between 4.75% and 6.5%) per annum and maturing over a period ranging from 2 to 6.5 years.

11 TERM DEPOSITS

Term deposits are placed with local banks, denominated in Kuwaiti Dinar, and carry an effective interest rate of 1.55% to 2.30% as at 31 December 2021 (2020: 1.6% to 1.65%) per annum and maturing within twelve months from the date of placement. Certain term deposits are held with related parties amounting to KD 5,200,000 (2020: KD Nil) (Note 16).

12 CASH AND CASH EQUIVALENTS

	2021	*2020*
	KD	*KD*
Cash at bank	**6,013,631**	8,434,057
Cash balances	**1,188**	4,974
Short term deposits *	**3,700,000**	13,770,591
Cash and short-term deposits	**9,714,819**	22,209,622
Less: restricted cash **	**(2,600,000)**	(2,600,000)
Less: expected credit loss	**(3,002)**	(3,002)
Cash and cash equivalents	**7,111,817**	19,606,620

* Short-term deposits are made for varying periods maturing within three months from the date of placements, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

** Restricted cash represents a balance deposited in a local bank in accordance with the financial clearance guarantee policy stipulated by the CMA to be used to cover defaults 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. These amounts are not available for day-to-day operations.

Certain cash at bank are held with related parties amounting to KD 2,162 (2020: KD 7,729) (Note 16).

13 EQUITY

13.1 Share capital

	2021	*2020*
	KD	*KD*
Authorised share capital:		
600,000,000 (2020: 600,000,000) shares of 100 (2020: 100) fils each	**60,000,000**	60,000,000
Issued and paid up:		
200,775,750 (2020: 200,775,750) shares of 100 (2020: 100) fils each paid in cash	**20,077,575**	20,077,575

13.2 Distributions made and proposed

	2021	*2020*
	KD	*KD*
Cash dividends on ordinary shares declared and paid:		
Final dividend for 2020: 40 fils per share (2019: 25 fils per share)	8,031,030	5,019,394
Proposed dividends on ordinary shares:		
Proposed cash dividend for 2021: 65 fils per share (2020: 40 fils per share)	13,050,424	8,031,030

Proposed dividends on ordinary shares are subject to approval at the annual general assembly meeting and are not recognised as a liability as at 31 December.

13 EQUITY (continued)

13.3 Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences, Zakat, NLST and Directors' remuneration less accumulated losses brought forward shall be transferred to the statutory reserve until this reserve reaches a minimum of 50% of the paid-up share capital.

The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice unless such reserve exceeds 50% of the issued share capital.

13.4 Voluntary reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences, Zakat, NLST and Directors' remuneration less accumulated losses brought forward shall be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

13.5 Fair value reserve

Changes in the fair value and exchange differences arising on translation of investments that are classified as financial assets at fair value through other comprehensive income (e.g. equities), are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are not reclassified to the profit or loss when the associated assets are sold or impaired.

14 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the consolidated statement of financial position are as follows:

	2021	*2020*
	KD	*KD*
As at 1 January	**5,219,202**	458,840
Acquisition of a subsidiary (Note 6)	**-**	4,513,647
Provided during the year	**605,509**	414,250
Paid during the year	**(4,597,541)**	(167,535)
As at 31 December	**1,227,170**	5,219,202

15 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2021	*2020*
	KD	*KD*
Unearned revenues	**1,441,259**	1,408,184
Trade payables	**748,783**	891,746
Accrued expenses	**3,452,760**	2,290,972
Commission payable to Capital Market Authority	**313,274**	234,024
Staff leave provision	**764,614**	1,038,737
Dividends payable	**837,344**	614,905
Other payables	**623,897**	875,196
	8,181,931	7,353,764

* Included within accounts payable and other liabilities amounts due to related parties amounting to KD 20,449 (2020: KD 11,625) (Note 16).

16 RELATED PARTY TRANSACTIONS

These represents transactions with related parties, i.e., 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 Parent Company's management.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

	Shareholders	*Other related parties*	*2021*	*2020*
	KD	*KD*	*KD*	*KD*
Consolidated statement of profit or loss:				
Subscription fees	**192,800**	**520,068**	**712,868**	772,814
General and administrative expense	**-**	**1,450**	**1,450**	19,953
Miscellaneous fees	**12,417**	**11,580**	**23,997**	12,792
Interest income	**-**	**33,290**	**33,290**	-
Rental income	**-**	**9,500**	**9,500**	9,635

	Shareholders	*Other related parties*	*2021*	*2020*
	KD	*KD*	*KD*	*KD*
Consolidated statement of financial position:				
Amounts due from related parties (Note 9)	**-**	**925,096**	**925,096**	187,500
Accounts receivable and other assets (Note 9)	**-**	**20,386**	**20,386**	50,012
Term deposits (Note11)	**-**	**5,200,000**	**5,200,000**	-
Cash and cash equivalents (Note12)	**-**	**2,162**	**2,162**	7,729
Trade and other payables (Note 15)	**7,833**	**12,616**	**20,449**	11,625

On 15 July 2020, the Parent Company acquired an additional 16.67% equity interest in Kuwait Clearing Company K.S.C. (Closed) ("KCC") (previously accounted for as investment in an associate) for a total consideration of KD 12,015,000 from a related party at an arm's length transaction (Note 6).

Compensation of key management personnel and Board of Directors

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		*Balance outstanding as at*	
	2021	*2020*	***2021***	*2020*
	KD	*KD*	***KD***	*KD*
Salaries and other short-term benefits	**460,640**	447,234	**22,126**	41,868
Employees end of service benefits	**39,215**	34,898	**115,784**	87,354
Board of Directors' remuneration	**176,000**	176,000	**176,000**	176,000
Board of Directors' committee remuneration	**32,000**	32,000	**32,000**	32,000
	707,855	690,132	**345,910**	337,222

The Board of Directors of the Parent Company proposed a directors' remuneration of KD 176,000 for the year ended 31 December 2021 (2020: KD 176,000). This proposal is subject to the approval of the shareholders of the Parent Company at the AGM.

17 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 consolidated statement of profit or loss 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:

	2021			*2020*		
	Securities exchange KD	***Clearing KD***	***Total KD***	*Securities exchange KD*	*Clearing KD*	*Total KD*
Operating revenue	**18,005,841**	**13,013,658**	**31,019,499**	15,447,586	6,758,518	22,206,104
Non-operating revenue	**1,300,679**	**1,021,191**	**2,321,870**	2,549,267	904,598	3,453,865
Operating expenses	**(6,832,475)**	**(5,332,833)**	**(12,165,308)**	(6,965,993)	(3,394,225)	(10,360,218)
Non-operating expenses	**(788,609)**	**(325,973)**	**(1,114,582)**	(426,427)	(96,243)	(522,670)
Gain arising on business combination	-	-	-	13,223,871	-	13,223,871
Segment result	**11,685,436**	**8,376,043**	**20,061,479**	23,828,304	4,172,648	28,000,952
Segment assets	**59,608,467**	**50,760,832**	**110,369,299**	52,166,819	51,993,645	104,160,464
Segment liabilities	**6,546,129**	**3,968,645**	**10,514,774**	6,015,881	7,410,111	13,425,992

18 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group's principal financial liabilities comprise of accounts payables and accruals and lease liabilities. The Group financial assets comprise of accounts receivables, cash and cash equivalents, fixed deposits, debt instruments at amortised cost and financial assets at fair value through other comprehensive income that arrive directly from its operations.

The management of the Group is responsible for the overall risk management approach and for approving the risk strategy. The management reviews and agrees policies for managing each of these risks which are summarised below:

18.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group is exposed to credit risk from its operating and investing activities.

18 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

18.1 Credit risk (continued)

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	2021 ***KD***	*2020* *KD*
Accounts receivable and other assets (excluding advances and prepayments)	**2,882,155**	3,032,124
Debt instruments at amortised cost	**2,092,916**	4,900,000
Term deposits	**51,125,836**	29,484,240
Cash and short-term deposits (excluding cash on hand)	**9,710,629**	22,201,646
	65,811,536	59,618,010

Fixed deposits and cash and short-term deposits
Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks (including saving accounts and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

Impairment on fixed deposits and cash and short-term deposits has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and short-term deposits have low credit risk based on the external credit ratings of the counterparties.

Trade receivables
Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

		Days past due				
31 December 2021	***Current KD***	***31-90 days KD***	***91-120 days KD***	***121-365 days KD***	***>365 days KD***	***Total KD***
Expected credit loss rate	**0.13%**	**28.68%**	**56.95%**	**93.41%**	**100.00%**	**37.58%**
Estimated total gross carrying amount at default	**1,542,771**	**43,196**	**31,719**	**76,530**	**853,482**	**2,547,698**
Expected credit loss	**1,944**	**12,388**	**18,063**	**71,487**	**853,482**	**957,364**

		Days past due				
31 December 2020	Current *KD*	31-90 days *KD*	91-120 days *KD*	121-365 days *KD*	>365 days *KD*	Total *KD*
Expected credit loss rate	-	24.69%	44.17%	99.18%	100%	28.92%
Estimated total gross carrying amount at default	2,157,672	76,050	69,467	210,555	659,174	3,172,918
Expected credit loss	-	18,775	30,687	208,821	659,174	917,457

The Group generally trades only with recognised and creditworthy counterparties. The Group has policies and procedures in place to limit the amount of credit exposure to any counterparty. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables on a regular basis.

18 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

18.1 Credit risk (continued)

Trade receivables (continued)
With respect to trade receivables, an impairment analysis is performed at each reporting date using a provision matrix to measure the expected credit losses. The provision rates are based on days past due and customer segments with similar loss patterns (i.e., product and customer type etc). The calculation reflects the reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due more than one year are not subject to enforcement activity and there is no possibility to recover these amounts in the near future. The maximum exposure to credit risk at the reporting date is the carrying value of each trade receivables. The Group does not have a policy to obtain collaterals against trade receivables.

Debt instruments at amortised cost
The Group limits its exposure to credit risk by investing only in liquid debt securities and only with counterparties that have appropriate credit ratings and, therefore, are considered to be low credit risk investments. Other debt instruments are considered to have a low risk of default and management believes that the counterparties have a strong capacity to meet contractual cash flow obligations in the near term.

As a result, the impact of applying the expected credit risk model at the reporting date was immaterial.

Other receivables (including receivables from a related party)
As to other receivables, the majority of the Group's counterparty exposure has a low risk of default and does not include any past-due amounts. Accordingly, management identified impairment loss to be immaterial.

18.2 Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group manages liquidity risk by monitoring on a regular basis that sufficient funds are available to meet liabilities as they fall due.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Less than 3 months KD	***3 to 12 months KD***	***More than 12 moths KD***	***Total KD***
2021				
Lease liabilities	**25,455**	**217,311**	**982,505**	**1,225,271**
Accounts payable and accruals (excluding unearned revenue)	**5,151,719**	**1,588,953**	**-**	**6,740,672**
	5,177,174	**1,806,264**	**982,505**	**7,965,943**

	Less than 3 months KD	*3 to 12 months KD*	*More than 12 moths KD*	*Total KD*
2020				
Lease liabilities	-	116,170	780,061	896,231
Accounts payable and accruals (excluding unearned revenue)	4,465,582	1,479,998	-	5,945,580
	4,465,582	1,596,168	780,061	6,841,811

18 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

18.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to change in market prices. Market risks arise for open positions in interest rate and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates and foreign exchange rates.

18.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's term deposits with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate financial assets and financial liabilities.

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows.

	2021	*2020*
	KD	*KD*
Fixed-rate instruments		
Financial assets	**56,684,836**	45,554,831
Financial liabilities	**-**	-
	56,684,836	45,554,831
Variable-rate instruments		
Financial assets	**250,000**	2,600,000
Financial liabilities	**-**	-
	250,000	2,600,000

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities, at FVTPL, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 50 basis points in interest rates at the reporting date would have resulted in an increase in profit for the year by KD 12,500 (2020: KD 130,000). This analysis assumes that all other variables remain constant, in particular foreign currency exchange rates.

18.3.2 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Foreign currency risk is managed by the management of the Parent Company on the basis of limits determined by the Board of Directors and a continuous assessment of the Group's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposures.

18 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

18.3 Market risk (continued)

18.3.2 Foreign currency risk (continued)

The Group had the following significant net exposures denominated in foreign currencies as of 31 December:

	2021 Equivalent in KD	*2020 Equivalent in KD*
US Dollar (USD)	**897,416**	(39,331)
Euro	**100,713**	229,905
Others	**(10,048)**	(8,038)
	988,081	182,536

The following table demonstrates the sensitivity of the Group's profit (due to changes in the fair value of financial assets and liabilities) and other comprehensive income to a 5% possible change in the exchange rates, with all other variables held constant.

	31 December 2021			*31 December 2020*		
Currency	***Change in currency rate %***	***Effect on profit or loss KD***	***Effect on OCI KD***	*Change in currency rate %*	*Effect on profit or loss KD*	*Effect on OCI KD*
USD	**±5**	**44,871**	**-**	±5	(1,967)	-
Euro	**±5**	**(1,256)**	**6,292**	±5	(836)	12,331
Others	**±5**	**(502)**	**-**	±5	(402)	-

18.3.3 Equity price risk

Equity price risk arises from changes in the fair values of equity financial assets. The Group's exposure to equity securities price risk arises from unlisted equity investments held by the Group and classified as at fair value through other comprehensive income (FVOCI).

The Group's unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Senior Management reviews and approves all major equity investment decisions. The Group manages this risk though diversification of investments in terms of geographical distribution and industry concentration.

At the reporting date, the exposure to non-listed equity investments at fair value was KD 159,256 (2020: KD 278,902). Sensitivity analyses of these investments have been provided in Note 20.

19 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 2020.

Capital comprises of equity attributable to equity holders of the Parent Company excluding fair value reserve and is measured at of KD 60,797,111 as at 31 December 2021 (2020: KD 52,933,058).

20 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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 in the financial statements at fair value on a recurring basis, the Group 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 methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Valuation methods and assumptions
The following methods and assumptions were used to estimate the fair values:

Financial assets and liabilities at amortised cost
Fair value of financial instruments at amortised cost 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 interest rates.

Unlisted equity investments
The Group invests in private equity companies that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Group uses a market-based valuation technique for the majority of these positions. The Group determines comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate trading multiple for each comparable company identified. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the investee company to measure the fair value. The Group classifies the fair value of these investments as Level 3.

20 FAIR VALUE MEASUREMENT (continued)

Reconciliation of Level 3 fair values

The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the reporting period:

	2021	*2020*
	KD	*KD*
As at 1 January	**278,902**	384,623
Remeasurement recognised in OCI	**(119,646)**	(105,721)
Purchases / (sales), net	**-**	-
As at 31 December	**159,256**	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 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 per cent.

21 IMPACT OF COVID-19 OUTBREAK

During March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the State of Kuwait. Governments across the globe have taken steps to contain the spread of the virus, which included closure of borders, released social distancing guidelines and enforced country-wide lockdowns and curfews.

At this stage, the impact on the Group's business and results has not been significant and management expects this to remain the case. The Group will continue to follow the various government policies and advice and, in parallel, will do its utmost to continue in operation in the best and safest way possible.