

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

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

31 MARCH 2023





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

Report on the Interim Condensed Consolidated Financial Information

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Bursa Kuwait Securities Company K.P.S.C. (the “Parent Company”) and its subsidiaries (collectively, the “Group”) as at 31 March 2023, and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three-month period then ended. Management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34: *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.


Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, during the three-month period ended 31 March 2023 that might have had a material effect on the business of the Parent Company or on its financial position.

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

Report on Other Legal and Regulatory Requirements (continued)

We further report that during the course of our review, to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the three-month period ended 31 March 2023 that might have had a material effect on the business of the Parent Company or on its financial position.



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

2 May 2023
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(UNAUDITED)

For the period ended 31 March 2023

	Notes	Three months ended 31 March	
		2023 KD	2022 KD
REVENUE			
Subscription fees		1,792,748	1,929,193
Share in trading commission		1,597,657	3,045,066
Clearing operations		1,025,275	924,353
Central depository services		1,083,635	952,680
Shareholders register services		794,771	669,774
Settlement operations		489,730	693,399
Miscellaneous fees		876,309	575,192
		<u>7,660,125</u>	<u>8,789,657</u>
EXPENSES			
Staff costs		(1,455,345)	(1,427,963)
General and administrative expense		(886,452)	(696,723)
Depreciation and amortisation		(181,859)	(217,972)
Allowance for expected credit losses	4	(55,650)	(131,743)
		<u>(2,579,306)</u>	<u>(2,474,401)</u>
OPERATING PROFIT		<u>5,080,819</u>	<u>6,315,256</u>
Net investment income		26,161	24,531
Interest income		677,990	286,595
Rental income		207,818	139,577
Other income		5,900	10,963
Interest expense on lease liabilities		(9,026)	(10,766)
PROFIT BEFORE TAX		<u>5,989,662</u>	<u>6,766,156</u>
Taxation		(178,445)	(228,068)
PROFIT FOR THE PERIOD		<u>5,811,217</u>	<u>6,538,088</u>
Attributable to:			
Equity holders of the Parent Company		4,312,258	5,245,503
Non-controlling interests		1,498,959	1,292,585
		<u>5,811,217</u>	<u>6,538,088</u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	3	<u>21.48 Fils</u>	<u>26.13 Fils</u>

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

For the period ended 31 March 2023

	<i>Note</i>	<i>Three months ended</i>	
		<i>31 March</i>	<i>2022</i>
		<i>2023</i>	<i>2022</i>
		<i>KD</i>	<i>KD</i>
PROFIT FOR THE PERIOD		5,811,217	6,538,088
Other comprehensive income			
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>			
Net profit on equity instruments designated at fair value through other comprehensive income	12	122	-
Other comprehensive income for the period		122	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		5,811,339	6,538,088
Attributable to:			
Equity holders of the Parent Company		4,312,319	5,245,503
Non-controlling interests		1,499,020	1,292,585
		5,811,339	6,538,088

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Boursa Kuwait Securities Company K.P.S.C. and its Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION (UNAUDITED)
As at 31 March 2023

		<i>31 March</i>	<i>(Audited)</i> <i>31 December</i>	<i>31 March</i>
	<i>Notes</i>	<i>2023</i>	<i>2022</i>	<i>2022</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>
ASSETS				
Non-current assets				
Intangible assets		33,424,549	33,404,556	32,689,588
Goodwill		9,492,308	9,492,308	9,492,308
Property and equipment		1,117,696	1,140,965	1,059,911
Right-of-use assets		842,465	898,574	1,043,145
Accounts receivable and other assets	4	288,012	285,896	486,096
Financial assets at fair value through other comprehensive income	12	338	33,424	159,256
Debt instruments at amortised cost	5	1,405,066	1,404,316	2,097,116
Restricted cash	7	2,600,000	2,600,000	2,600,000
		49,170,434	49,260,039	49,627,420
Current assets				
Accounts receivable and other assets	4	3,609,776	2,987,334	3,233,212
Debt instruments at amortised cost	5	700,000	700,000	-
Term deposits	6	49,214,445	57,064,445	41,250,000
Cash and cash equivalents	7	20,605,278	9,542,599	27,292,462
		74,129,499	70,294,378	71,775,674
TOTAL ASSETS		123,299,933	119,554,417	121,403,094
EQUITY AND LIABILITIES				
Equity				
Share capital		20,077,575	20,077,575	20,077,575
Statutory reserve		7,628,311	7,628,311	5,730,290
Voluntary reserve		7,628,311	7,628,311	5,730,290
Fair value reserve		(252,299)	(251,724)	(188,808)
Retained earnings		17,662,424	30,415,469	21,454,035
Equity attributable to equity holders of the Parent Company		52,744,322	65,497,942	52,803,382
Non-controlling interests		39,607,374	42,613,979	40,538,807
Total equity		92,351,696	108,111,921	93,342,189
Liabilities				
Non-current liabilities				
Employees' end of service benefits		1,628,573	1,542,531	1,333,424
Lease liabilities		548,206	705,415	903,836
		2,176,779	2,247,946	2,237,260
Current liabilities				
Accounts payable and other liabilities	9	28,551,599	8,971,675	25,624,726
Lease liabilities		219,859	222,875	198,919
		28,771,458	9,194,550	25,823,645
Total liabilities		30,948,237	11,442,496	28,060,905
TOTAL EQUITY AND LIABILITIES		123,299,933	119,554,417	121,403,094


Hamad Mishari Al-Humaidhi
Chairman


Mohammad Saud Al-Osaimi
Chief Executive Officer

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2023

	<i>Attributable to equity holders of the Parent Company</i>					<i>Sub-total KD</i>	<i>Non- controlling interests KD</i>	<i>Total equity KD</i>
	<i>Share capital KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Fair value reserve KD</i>	<i>Retained earnings KD</i>			
As at 1 January 2023 (Audited)	20,077,575	7,628,311	7,628,311	(251,724)	30,415,469	65,497,942	42,613,979	108,111,921
Profit for the period	-	-	-	-	4,312,258	4,312,258	1,498,959	5,811,217
Other comprehensive income for the period	-	-	-	61	-	61	61	122
Total comprehensive income for the period	-	-	-	61	4,312,258	4,312,319	1,499,020	5,811,339
Transfer of reserve on disposal of equity investments designated at FVOCI to retained earnings	-	-	-	(636)	636	-	-	-
Cash dividends (Note 8)	-	-	-	-	(17,065,939)	(17,065,939)	(4,505,625)	(21,571,564)
At 31 March 2023	20,077,575	7,628,311	7,628,311	(252,299)	17,662,424	52,744,322	39,607,374	92,351,696
As at 1 January 2022 (Audited)	20,077,575	5,730,290	5,730,290	(188,808)	29,258,956	60,608,303	39,246,222	99,854,525
Profit for the period	-	-	-	-	5,245,503	5,245,503	1,292,585	6,538,088
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	5,245,503	5,245,503	1,292,585	6,538,088
Cash dividends (Note 8)	-	-	-	-	(13,050,424)	(13,050,424)	-	(13,050,424)
At 31 March 2022	20,077,575	5,730,290	5,730,290	(188,808)	21,454,035	52,803,382	40,538,807	93,342,189

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 31 March 2023

	Notes	Three months ended	
		31 March	
		2023	2022
		KD	KD
OPERATING ACTIVITIES			
Profit before tax		5,989,662	6,766,156
<i>Adjustment to reconcile profit before tax to net cash flows:</i>			
Depreciation of property and equipment		51,353	43,766
Depreciation of right-of-use assets		56,109	70,663
Amortisation of intangible asset		74,397	103,543
Allowance for expected credit losses	4	55,650	131,743
Interest income		(677,990)	(286,595)
Net investment income		(26,161)	(24,531)
Foreign exchange differences		(750)	(4,200)
Interest expense on lease liabilities		9,026	10,766
Gain on derecognition of lease liabilities		-	(365)
Provision for employee's end of service benefits		101,065	116,642
		5,632,361	6,927,588
<i>Working capital adjustments:</i>			
Accounts receivable and other assets		(816,553)	(560,787)
Accounts payable and other liabilities		2,600,095	4,199,853
		7,415,903	10,566,654
Cash flows from operations		7,415,903	10,566,654
Employees' end of service benefits paid		(15,023)	(10,388)
Board of Directors' remuneration paid		(200,000)	-
		7,200,880	10,556,266
Net cash flows from operating activities			
INVESTING ACTIVITIES			
Purchase of property and equipment		(28,084)	(150,161)
Additions on intangible assets		(94,390)	(246,384)
Placement of term deposits		(4,700,000)	(6,400,000)
Maturity of term deposits		12,550,000	16,275,836
Proceeds from sale of financial assets through other comprehensive income		33,208	-
Net investment income received		104,567	10,063
Interest income received		735,929	197,091
		8,601,230	9,686,445
Net cash flows from investing activities			
FINANCING ACTIVITIES			
Payment of lease liabilities		(169,251)	(26,516)
Dividends paid to equity holders of the Parent Company		(64,555)	(35,550)
Dividends paid to non-controlling interests		(4,505,625)	-
		(4,739,431)	(62,066)
Net cash flows used in financing activities			
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as at 1 January		11,062,679	20,180,645
		9,542,599	7,111,817
CASH AND CASH EQUIVALENTS AS AT 31 March			
	7	20,605,278	27,292,462
Non-cash transactions excluded from the interim condensed consolidated statement of cash flows are as follows:			
Additions to right-of-use assets		-	(42,466)
Additions to lease liabilities		-	42,466
Derecognition of leases (adjusted with right-of-use assets)		-	29,269
Derecognition of leases (adjusted with lease liabilities)		-	(29,269)

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

1 CORPORATE AND GROUP INFORMATION

The interim condensed consolidated financial information of Boursa Kuwait Securities Company K.P.S.C. ("the Parent Company") and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2023 were authorised for issue in accordance with a resolution of the board of directors on 2 May 2023.

The consolidated financial statements for the year ended 31 December 2022 were approved by the shareholders at the Annual General Assembly meeting ("AGM") held on 23 March 2023. Dividends declared and paid by the Group for the year then ended are provided in Note 8.

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, Dasman 15461 - 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

1 CORPORATE AND GROUP INFORMATION (continued)

The interim condensed consolidated financial information of the Group include:

Name of the subsidiary	Country of incorporation	% equity interest			Principal activities
		<i>(Audited)</i>			
		31 March 2023	31 December 2022	31 March 2022	
Directly held:					
Boursa Kuwait Company for Business Economic and IT Consultancy W.L.L.	Kuwait	100%	100%	100%	Administrative, economic and information technology consulting
Kuwait Clearing Company K.S.C. (Closed) (KCC)	Kuwait	50%	50%	50%	Provides clearing, settlement and depository services
Held through KCC:					
Kuwait International Trustee Company K.S.C. (Closed)	Kuwait	100%	100%	100%	Providing trustee services
Kuwait Clearing House K.S.C. (Closed)	Kuwait	100%	100%	100%	Performing clearing and settlement between securities trading operations
Kuwait Central Securities Depository K.S.C. (Closed)	Kuwait	100%	100%	100%	Providing central depository, saving and transfer of ownership services.

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

2.1 Basis of preparation

The interim condensed consolidated financial information for the three months ended 31 March 2023 has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD"), which is also the functional currency of the Group.

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

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2022.

Certain prior period amounts have been reclassified to conform to the current period presentation. There is no effect of these reclassifications on the previously reported equity and profit for the period then ended. Such reclassification has been made to improve the quality of information presented.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

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

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial information of the Group.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's interim condensed consolidated financial information.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic EPS amounts are calculated by dividing the profit for the period attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. 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 period 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.

	<i>Three months ended</i>	
	<i>31 March</i>	
	2023	2022
Profit for the period attributable to equity holders of the Parent Company (KD)	4,312,258	5,245,503
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)	21.48	26.13

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

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of this interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

4 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	<i>31 March</i> <i>2023</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2022</i> <i>KD</i>	<i>31 March</i> <i>2022</i> <i>KD</i>
Trade receivables, gross	2,494,903	2,419,194	2,575,962
Less: Allowance for expected credit losses	(1,139,936)	(1,084,286)	(1,089,107)
Trade receivables, net	1,354,967	1,334,908	1,486,855
Amounts due from related parties (Note 10)	532,458	496,994	1,084,996
Refundable deposits, advances and prepayments	954,889	611,019	803,827
Accrued interest income	964,986	754,879	282,316
Other receivables*	90,488	75,430	61,314
	3,897,788	3,273,230	3,719,308
Non-current	288,012	285,896	486,096
Current	3,609,776	2,987,334	3,233,212
	3,897,788	3,273,230	3,719,308

* Other receivables balances include balances held with related parties amounting to KD 1,052 (31 December 2022: KD 1,735 and 31 March 2022: KD 78) (Note 10).

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

	<i>31 March</i> <i>2023</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2022</i> <i>KD</i>	<i>31 March</i> <i>2022</i> <i>KD</i>
As at 1 January	1,084,286	957,364	957,364
ECL allowance included in the interim condensed consolidated statement of profit or loss	55,650	131,743	131,743
Unused amounts reversed	-	(4,821)	-
As at the end of the period/year	1,139,936	1,084,286	1,089,107

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

5 DEBT INSTRUMENTS AT AMORTISED COST

	<i>31 March 2023 KD</i>	<i>(Audited) 31 December 2022 KD</i>	<i>31 March 2022 KD</i>
Debt instrument at amortised cost	2,121,150	2,120,400	2,113,200
Less: Allowance for expected credit losses	(16,084)	(16,084)	(16,084)
Debt instrument at amortised cost, net	<u>2,105,066</u>	<u>2,104,316</u>	<u>2,097,116</u>
Non-current	1,405,066	1,404,316	2,097,116
Current	700,000	700,000	-
	<u>2,105,066</u>	<u>2,104,316</u>	<u>2,097,116</u>

Debt instruments at amortised cost represents the Group's investment in locally issued bonds that carry an effective interest rate ranging from 4% to 7% per annum (31 December 2022: 4% to 6.5% and 31 March 2022: 4% to 5.75%) and maturing over a period ranging from 2 to 6.5 years.

6 TERM DEPOSITS

Term deposits are placed with a local bank, denominated in Kuwaiti Dinar and carry an effective interest rate ranging from 3.3% to 5.5% as at 31 March 2023 (31 December 2022: 3.15% to 5.5% and 31 March 2022: 1.75% to 2.32%) per annum and maturing within twelve months from the date of placement. Certain term deposits are held with related parties amounting to Nil (31 December 2022: KD Nil and 31 March 2022: KD 5,100,000) (Note 10).

7 CASH AND CASH EQUIVALENTS

	<i>31 March 2023 KD</i>	<i>(Audited) 31 December 2022 KD</i>	<i>31 March 2022 KD</i>
Cash at banks	22,000,486	5,293,645	22,333,455
Cash balances	6,048	1,956	5,249
Short term deposits *	1,201,746	6,850,000	7,556,760
Cash and short-term deposits	<u>23,208,280</u>	<u>12,145,601</u>	<u>29,895,464</u>
Less: restricted cash **	(2,600,000)	(2,600,000)	(2,600,000)
Less: expected credit loss	(3,002)	(3,002)	(3,002)
Cash and cash equivalents	<u>20,605,278</u>	<u>9,542,599</u>	<u>27,292,462</u>

* 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 Capital Markets Authority to be used to cover failures resulting from the trading of the broker's clients or custodian clients, after the financial guarantee provided to these clients (the broker and custodian) has been exhausted. These amounts are not available for day-to-day operations.

Certain cash at banks are held with related parties amounting to Nil as at 31 March 2023 (31 December 2022: KD 995 and 31 March 2022: KD 1,000) (Note 10).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

8 DIVIDENDS DECLARED AND PAID

On 23 March 2023, the shareholders approved in the AGM the distribution of cash dividends of 85 fils per share to the shareholders registered on the date of AGM aggregating to KD 17,065,939 for the year ended 31 December 2022. The dividends were recorded in the interim condensed consolidated financial information as a liability and were paid subsequently. Dividends amounting to KD 18,038,991 are payable as at the reporting date (Note 9).

On 24 March 2022, the shareholders approved in the AGM the distribution of cash dividends of 65 fils per share to the shareholders registered on the date of AGM amounting to KD 13,050,424 for the year ended 31 December 2021. The dividends were recorded in the interim condensed consolidated financial information as a liability and were paid subsequently.

9 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	<i>31 March</i>	<i>(Audited)</i>	
	<i>2023</i>	<i>31 December</i>	<i>31 March</i>
	<i>KD</i>	<i>2022</i>	<i>2022</i>
		<i>KD</i>	<i>KD</i>
Unearned revenue*	6,662,230	1,503,282	7,194,476
Trade payables	386,302	495,488	440,871
Accrued expenses	2,110,009	4,195,094	2,318,699
Commission payable to Capital Markets Authority	63,505	322,957	410,642
Accrued staff leave gratuity	877,872	834,612	801,454
Dividends payable	18,038,991	1,037,607	13,852,218
Other payables *	412,690	582,635	606,366
	28,551,599	8,971,675	25,624,726

*Included within accounts payable and other liabilities amounts due to related parties amounting to KD 429,532 (31 December 2022: KD 10,310 and 31 March 2022: KD 441,402) (Note 10).

10 RELATED PARTY DISCLOSURES

These represents transactions with related parties, i.e. major shareholders, associate, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Transactions with related parties were made on substantially the same terms, prevailing at the same time for comparable transactions with unrelated parties and are approved by the Parent Company's management.

The following table provides the total amount of transactions that have been entered with related parties during the three months period ended 31 March 2023 and 2022, as well as balances with related parties as at 31 March 2023, 31 December 2022 and 31 March 2022:

	<i>Three months ended 31 March</i>			
	<i>Major</i>	<i>Other related</i>		
	<i>shareholders</i>	<i>parties</i>	<i>2023</i>	<i>2022</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Interim condensed consolidated statement of profit or loss:</i>				
Subscription fees	64,993	75,576	140,569	143,689
General and administrative expense	-	370	370	310
Miscellaneous fees	2,363	750	3,113	3,125
Interest income	-	-	-	28,039
Rental income	-	2,373	2,373	2,375

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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10 RELATED PARTY DISCLOSURES (continued)

Balances with related parties included in the interim condensed consolidated statement of financial position are as follows:

	<i>Major shareholders KD</i>	<i>Other related parties KD</i>	<i>31 March 2023 KD</i>	<i>(Audited) 31 December 2022 KD</i>	<i>31 March 2022 KD</i>
<i>Interim condensed consolidated statement of financial position:</i>					
Amounts due from related parties (Note 4)	-	532,458	532,458	496,994	1,084,996
Accounts receivable and other assets (Note 4)	-	1,052	1,052	1,735	78
Term deposits (Note 6)	-	-	-	-	5,100,000
Cash and cash equivalents (Note 7)	-	-	-	995	1,000
Accounts payable and other liabilities (Note 9)	197,593	231,939	429,532	10,310	441,402
Dividends payable	8,524,747	682,046	9,206,793	-	7,033,407

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:

	<i>Transaction values for the three months ended</i>		<i>Balance outstanding as at (Audited)</i>		
	<i>31 March 2023 KD</i>	<i>31 March 2022 KD</i>	<i>31 March 2023 KD</i>	<i>31 December 2022 KD</i>	<i>31 March 2022 KD</i>
Salaries and other short-term benefits	730,257	409,147	160,668	132,369	155,997
Employees end of service benefits	15,697	12,379	259,876	206,110	127,548
Board of Directors' remuneration	-	-	-	200,000	176,000
Board of Directors' committee remuneration	-	-	-	40,000	32,000
	745,954	421,526	420,544	578,479	491,545

The Board of Directors of the Parent Company proposed a directors' remuneration of KD 200,000 for the year ended 31 December 2022 (31 December 2021: KD 176,000). This proposal was approved by the shareholders of the Parent Company at the AGM held on 23 March 2023.

11 SEGMENT INFORMATION

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

11 SEGMENT INFORMATION (continued)

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

	<i>As at and for the three-month period ended 31 March 2023</i>			<i>As at and for the three-month period ended 31 March 2022</i>		
	<i>Securities exchange KD</i>	<i>Clearing KD</i>	<i>Total KD</i>	<i>Securities exchange KD</i>	<i>Clearing KD</i>	<i>Total KD</i>
Operating revenue	4,058,412	3,601,713	7,660,125	5,323,869	3,465,788	8,789,657
Non-operating revenue	372,072	545,797	917,869	197,127	264,539	461,666
Operating expenses	(1,439,750)	(1,076,847)	(2,516,597)	(1,333,939)	(1,088,541)	(2,422,480)
Non-operating expenses	(186,407)	(63,773)	(250,180)	(237,471)	(53,284)	(290,755)
Segment results	2,804,327	3,006,890	5,811,217	3,949,586	2,588,502	6,538,088
Segment assets	72,513,408	50,786,525	123,299,933	68,506,289	52,896,805	121,403,094
Segment liabilities	27,676,200	3,272,037	30,948,237	24,541,457	3,519,448	28,060,905

12 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.

Fair value hierarchy

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

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

For assets and liabilities that are recognised at fair value on a recurring basis, the 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

12 FAIR VALUE MEASUREMENT (continued)

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.

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:

	<i>Unquoted equity shares</i>		
	<i>31 March</i>	<i>(Audited)</i>	
	<i>2023</i>	<i>31 December</i>	<i>31 March</i>
	<i>KD</i>	<i>2022</i>	<i>2022</i>
		<i>KD</i>	<i>KD</i>
As at 1 January	33,424	159,256	159,256
Remeasurement recognised in OCI	122	(125,832)	-
Purchases / (sales), net	(33,208)	-	-
As at end of the period/year	338	33,424	159,256

The fair value of financial instruments classified as level 3 are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by the prices from observable current market transactions in the same instrument and are not based on observable market data. The Group employs valuation techniques, depending on the instrument type and available market data. For example, in the absence of active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile and other factors.

Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental. The management assessed that the impact on profit or loss or other comprehensive income would be immaterial if the relevant risk variables used to fair value the financial instruments classified as Level 3 were altered by 5 percent.

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