

Al Sharq Financial Brokerage Company K.S.C. (Closed)
State of Kuwait

Interim Condensed Financial Information (Unaudited)
And the review report
For the three month period ended 31 March 2021

Al Sharq Financial Brokerage Company K.S.C. (Closed)
State of Kuwait

Interim Condensed Financial Information (Unaudited) and the Review Report
For the three month period ended 31 March 2021

Contents	Page
Review Report on Interim Condensed Financial Information	1
Interim Condensed Statement of Financial Position (Unaudited)	2
Interim Condensed Statement of Comprehensive Income (Unaudited)	3
Interim Condensed Statement of Changes in Equity (Unaudited)	4
Interim Condensed Statement of Cash Flows (Unaudited)	5
Notes to Interim Condensed Financial Information (Unaudited)	6-10



Tel: +965 2242 6999
Fax: +965 2240 1666
www.bdo.com.kw

Al Shaheed Tower, 6th Floor
Khaled Ben Al Waleed Street, Sharq
P.O. Box 25578, Safat 13116
Kuwait

Review Report on Interim Condensed Financial Information

**To the Board of Directors
Al Sharq Financial Brokerage Company K.S.C. (Closed)
State of Kuwait**

Introduction

We have reviewed the interim condensed financial information of Al Sharq Financial Brokerage Company K.S.C. (Closed) ("the Company"), which comprise the interim condensed statement of financial position as at 31 March 2021, and the interim condensed statements of comprehensive income, changes in equity and cash flows for the three month period then ended. The preparation and fair presentation of this interim condensed financial information is the responsibility of the Company's management in accordance with IAS 34: "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed 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 financial information is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed financial information is in agreement with the books of account of the Company. We further report that nothing has come to our attention indicating any violations of the Companies' Law No. 1 of 2016, and its Executive Regulations, as amended, or of the Company's Articles of Association and Memorandum of Incorporation, as amended, or of the Law No. 7 of 2010 concerning the Establishment of Capital Markets Authority and Organization of Securities Activity and its Executive Regulations, as amended, during the three month period ended 31 March 2021 that would materially affect the Company's activities or its interim condensed financial position.

**Qais M. Al Nisf
License No. 38 "A"
BDO Al Nisf & Partners**

Kuwait: 4 May 2021

Al Sharq Financial Brokerage Company K.S.C. (Closed)
State of Kuwait

Interim Condensed Statement of Financial Position (Unaudited)
As at 31 March 2021

			(Audited)	
	Notes	31 March 2021	31 December 2020	31 March 2020
		KD	KD	KD
Assets				
Non-current assets				
Furniture and equipment		99,501	82,636	58,056
Right of use		221,549	135,602	40,039
Intangible assets		24,349	27,049	26,380
Restricted bank balances	3	444,963	505,961	545,100
Term deposit		-	-	50,000
		<u>790,362</u>	<u>751,248</u>	<u>719,575</u>
Current assets				
Accounts receivable and other debit balances		269,622	158,589	153,161
Financial assets at fair value through profit or loss	8	387,530	222,985	134,481
Cash and cash equivalents	3	10,419,954	11,435,344	10,964,477
		<u>11,077,106</u>	<u>11,816,918</u>	<u>11,252,119</u>
Total assets		<u>11,867,468</u>	<u>12,568,166</u>	<u>11,971,694</u>
Equity and liabilities				
Equity				
Share capital		10,000,000	10,000,000	10,000,000
Statutory reserve		716,058	716,058	670,779
Retained earnings		387,749	721,430	417,875
Total equity		<u>11,103,807</u>	<u>11,437,488</u>	<u>11,088,654</u>
Liabilities				
Non-current liabilities				
Employees' end of service benefits		338,189	349,196	264,497
Lease Liabilities		99,344	74,294	1,845
		<u>437,533</u>	<u>423,490</u>	<u>266,342</u>
Current liabilities				
Lease Liabilities		121,154	62,573	39,767
Accounts payable and other credit balances	4	204,974	644,615	576,931
		<u>326,128</u>	<u>707,188</u>	<u>616,698</u>
Total Liabilities		<u>763,661</u>	<u>1,130,678</u>	<u>883,040</u>
Total equity and liabilities		<u>11,867,468</u>	<u>12,568,166</u>	<u>11,971,694</u>

The accompanying notes on pages 6 to 10 form an integral part of this interim condensed financial information.



Hesham Salem Al Roomi
Chairman

Al Sharq Financial Brokerage Company K.S.C. (Closed)
State of Kuwait

Interim Condensed Statement of Comprehensive Income (Unaudited)
For the three month period ended 31 March 2021

	Note	Three months ended 31 March	
		2021 KD	2020 KD
Income:			
Trading commission income	5	370,931	261,273
Net investment income		21,923	66,116
		<u>392,854</u>	<u>327,389</u>
Expenses and charges:			
General and administrative expenses		220,812	223,301
Provision for expected credit losses		129	7,306
Finance costs		2,311	414
		<u>223,252</u>	<u>231,021</u>
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat		169,602	96,368
Contribution to Kuwait Foundation for the Advancement of Sciences		(1,696)	(867)
ZAKAT		(1,587)	(1,085)
Total comprehensive income for the period		<u>166,319</u>	<u>94,416</u>

The accompanying notes on pages 6 to 10 form an integral part of this interim condensed financial information.

Al Sharq Financial Brokerage Company K.S.C. (Closed)
State of Kuwait

Interim Condensed Statement of Changes in Equity (Unaudited)
For the three month period ended 31 March 2021

	Share capital KD	Statutory reserve KD	Retained earnings KD	Total equity KD
At 1 January 2020	10,000,000	670,779	323,459	10,994,238
Total comprehensive income for the period	-	-	94,416	94,416
At 31 March 2020	<u>10,000,000</u>	<u>670,779</u>	<u>417,875</u>	<u>11,088,654</u>
At 1 January 2021	10,000,000	716,058	721,430	11,437,488
Total comprehensive income for the period	-	-	166,319	166,319
Dividends paid (Note 7)	-	-	(500,000)	(500,000)
At 31 March 2021	<u>10,000,000</u>	<u>716,058</u>	<u>387,749</u>	<u>11,103,807</u>

The accompanying notes on pages 6 to 10 form an integral part of this interim condensed financial information.

Al Sharq Financial Brokerage Company K.S.C. (Closed)
State of Kuwait

Interim Condensed Statement of Cash Flows (Unaudited)
For the three month period ended 31 March 2021

	Note	Three months ended 31 March	
		2021	2020
		KD	KD
Operating activities			
Profit for the period		166,319	94,416
<i>Adjustments for:</i>			
Depreciation		6,300	7,001
Amortization of right of use and intangible assets		22,990	25,854
Provision for expected credit losses		129	7,306
Net investment income		(21,923)	(66,116)
Finance costs		2,311	414
Employees' end of service indemnity benefits		9,000	30,000
		<u>185,126</u>	<u>98,875</u>
<i>Changes in working capital:</i>			
Accounts receivable and other debit balances		(111,162)	14,305
Accounts payable and other credit balances		<u>(68,169)</u>	<u>(37,351)</u>
Cash flows from operations		<u>5,795</u>	<u>75,829</u>
Net movement in restricted bank balances		60,998	354
Employees' end of service benefits paid		<u>(20,007)</u>	<u>(25,223)</u>
Net cash flows from operating activities		<u>46,786</u>	<u>50,960</u>
Investing activities			
Purchases of furniture and equipment		(23,165)	(5,700)
Purchase of financial assets at fair value through profit or loss		(164,545)	(123,878)
Interest income received		<u>31,969</u>	<u>72,843</u>
Net cash flows used in investing activities		<u>(155,741)</u>	<u>(56,735)</u>
Financing activities			
Dividends paid		(871,472)	-
Payment of lease liabilities		<u>(34,963)</u>	<u>-</u>
Net cash flows used in financing activities		<u>(906,435)</u>	<u>-</u>
Net decrease in cash and cash equivalents		<u>(1,015,390)</u>	<u>(5,775)</u>
Cash and cash equivalents at beginning of the period		11,435,344	10,970,252
Cash and cash equivalents at end of the period	3	<u>10,419,954</u>	<u>10,964,477</u>

The accompanying notes on pages 6 to 10 form an integral part of this interim condensed financial information.

Al Sharq Financial Brokerage Company K.S.C. (Closed)
State of Kuwait

Notes to Interim Condensed Financial Information (Unaudited)
For the three month period ended 31 March 2021

1. Incorporation and Activities

Al Sharq Financial Brokerage Company K.S.C (Closed) (the “Company”) is a Kuwaiti Shareholding Closed Company registered in the State of Kuwait. The Company was incorporated on 16 March 1986 as per Memorandum of Incorporation No. 406/Vol. 1, as amended. The last amendment to the Memorandum of Incorporation and Articles of Association was notarized in the commercial register under No. 16158 on 28 March 2021.

The Company is regulated and supervised by the Capital Markets Authority (“CMA”) as a financial brokerage Company.

In accordance with the Memorandum of Incorporation and Articles of Association, the Company’s objectives comprise the following:

- Carrying out securities brokerage marketable in Kuwait Stock Exchange.
- The Company may not carry out any other activity, other than what is mentioned in the previous paragraph, especially securities speculation or any other commercial or real estate acts.
- Excluded from this prohibition mentioned in the previous paragraph the Company's investment for its funds (which do not exceed half of its total share capital and its reserves) in long-term investment shares and purchase of properties to be utilized as offices or for residential purposes for the Company’s staff, after getting prior approval from Capital Markets Authority, considering the regulations and decisions issued occasionally by the Committee.
- Selling, buying and subscription to Sukuk and bonds for the Company’s account only.

On 6 January 2021, the Extraordinary General Assembly has approved the latest amendment to Article No. 5, paragraph 4 of the Memorandum of Incorporation and to Article No. 4, paragraph 4 of the Articles of Association to add the following objective:

- Securities broker not registered with the stock exchange market.

This amendment was notarized in the commercial register on 28 March 2021.

The Company's total number of employees is 52 employees as at 31 March 2021 (31 December 2020: 55 employees and 31 March 2020: 52 employees).

The registered address of the Company is: Boursa Kuwait, P.O. Box 187, Al-Dakhli Market, Postal Code 15252, the State of Kuwait.

The interim condensed financial information of the Company for the three month period ended 31 March 2021 was authorised for issue by the Board of Directors on 4 May 2021.

2. Basis of preparation

This interim condensed financial information has been prepared in accordance with the IAS 34 “Interim Financial Reporting”. It does not include all the information required for preparation of complete financial statements in accordance with the International Financial Reporting Standards (“IFRSs”). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s interim condensed financial position and performance since the last annual audited financial statements. So, please refer to the Company's last annual audited financial statements for the financial year ended 31 December 2020 (“last annual financial statements”).

Notes to Interim Condensed Financial Information (Unaudited)
For the three month period ended 31 March 2021

2. Basis of preparation (Continued)

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the three month period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021. For further information, refer to the Company's annual audited financial statements for the year ended 31 December 2020.

Significant accounting policies

The accounting policies used in the preparation of the interim condensed financial information are consistent with those used in the preparation of annual financial statements for the year ended 31 December 2020. Certain amendments are effective from 1 January 2020 but do not have a material effect on the Company's interim condensed financial information.

Use of judgments and estimates

In preparing this interim condensed financial information, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in adopting the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

The Company has established a control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Further details about the assumptions made in measuring fair value are included in Note 8.

Al Sharq Financial Brokerage Company K.S.C. (Closed)
State of Kuwait

Notes to Interim Condensed Financial Information (Unaudited)
For the three month period ended 31 March 2021

3. Cash and cash equivalents

	31 March 2021	(Audited) 31 December 2020	31 March 2020
	KD	KD	KD
Cash and bank balances	419,954	668,821	964,477
Short term deposits	10,000,000	10,766,523	10,000,000
Restricted bank balances	444,963	505,961	545,100
Cash on hand and at banks	10,864,917	11,941,305	11,509,577
Less: restricted bank balances	(444,963)	(505,961)	(545,100)
Cash and cash equivalents	<u>10,419,954</u>	<u>11,435,344</u>	<u>10,964,477</u>

- The profit rate on short term deposits is 1.625% (31 December 2020: 2.75% to 3.30%, and 31 March 2019: 2.75% to 2.80% per annum).
- Restricted bank balances represent bank accounts restricted in favor of Kuwait Clearing Company K.S.C. ("KCC") to guarantee the brokerage operations. The authorization granted to Kuwait Clearing Company to manage these bank accounts is irrevocable.

4. Accounts payable and other credit balances

	31 March 2021	(Audited) 31 December 2020	31 March 2020
	KD	KD	KD
Accounts payable	26,038	24,916	12,226
Dividends payable (Note 6)	107,467	478,939	478,939
Employees' accrued leave	54,629	47,162	42,909
Accrued expenses	4,013	54,054	6,925
Accrued committees' remuneration (Note 6)	-	30,000	25,000
Contribution to Kuwait Foundation for the Advancement of Sciences	5,771	4,075	3,308
ZAKAT	7,056	5,469	7,624
	<u>204,974</u>	<u>644,615</u>	<u>576,931</u>

5. Trading commission income

The Company's trading commission income is as follows:

	Trading Division For the three month period ended 31 March	
	2021	2020
	KD	KD
Trading commission income	370,931	261,273
Total revenue from contracts with customers	<u>370,931</u>	<u>261,273</u>
<i>Type of service</i>		
Trading commission income – listed shares	361,085	247,439
Trading commission income – unlisted shares	9,846	13,834
Total revenue from contracts with customers	<u>370,931</u>	<u>261,273</u>

Al Sharq Financial Brokerage Company K.S.C. (Closed)
State of Kuwait

Notes to Interim Condensed Financial Information (Unaudited)
For the three month period ended 31 March 2021

5. Trading commission income (Continued)

	Trading Division	
	For the three month period ended 31 March	
	2021	2020
	KD	KD
Geographical markets		
State of Kuwait	370,931	261,273
Total revenue from contracts with customers	370,931	261,273
Timing of revenue recognition		
Services rendered at a point in time	370,931	261,273
Total revenue from contracts with customers	370,931	261,273

6. Related party balances and transactions

Related parties represent major shareholders, Board of Directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties. The pricing policies and conditions for these transactions are approved by the Company management.

Balances and transactions with related parties included in the interim condensed financial information are as follows:

	31 March 2021 KD	(Audited) 31 December 2020 KD	31 March 2020 KD
Statement of financial position:			
Accrued key management compensation	-	-	4,000
Dividends payable (Note 4)	107,467	478,939	478,939
Accrued committees' remuneration (Note 4)	-	30,000	25,000
Statement of comprehensive income			
KAMCO Investment Company K.S.C.P - Shareholder			
Trading commission income		2,826	4,900
Key management personnel Compensation			
Salaries and short-term benefits		15,000	12,000

7. Annual General Assembly

The annual Ordinary General Assembly of Company's Shareholders, held on 10 March 2021, approved the financial statements for the financial year ended 31 December 2020. It also approved to distribute cash dividends at an amount of KD 500,000 for the financial year ended 31 December 2020.

The annual Ordinary General Assembly of Company's Shareholders, held on 17 March 2020, approved the financial statements for the financial year ended 31 December 2019. It also approved not to distribute cash dividends for the financial year ended 31 December 2019.

Notes to Interim Condensed Financial Information (Unaudited)
For the three month period ended 31 March 2021

8. Fair value measurement

The fair value represents 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 following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, Grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical financial assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

The level within which the financial assets are classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets measured at fair value in the interim condensed statement of financial position are grouped into the fair value hierarchy as follows:

31 March 2021	Level 1	Level 3	Total
	KD	KD	KD
<i>Financial assets at fair value through profit or loss</i>			
Local quoted securities	370,823	-	370,823
Local unquoted securities	-	16,707	16,707
	<u>370,823</u>	<u>16,707</u>	<u>387,530</u>
31 December 2020 (Audited)	Level 1	Level 3	Total
	KD	KD	KD
<i>Financial assets at fair value through profit or loss</i>			
Local quoted securities	206,278	-	206,278
Local unquoted securities	-	16,707	16,707
	<u>206,278</u>	<u>16,707</u>	<u>222,985</u>
31 March 2020	Level 1	Level 3	Total
	KD	KD	KD
<i>Financial assets at fair value through profit or loss</i>			
Local quoted securities	117,174	-	117,174
Local unquoted securities	-	17,307	17,307
	<u>117,174</u>	<u>17,307</u>	<u>134,481</u>