

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

**Interim Condensed Financial Information (Unaudited)**  
**and the Review Report**

For the six month period ended 30 June 2021

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

**Interim Condensed Financial Information (Unaudited) and the Review Report**  
For the six month period ended 30 June 2021

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## **Review Report on Interim Condensed Financial Information**

### **To the Board of Directors of 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 30 June 2021, and the interim condensed statements of comprehensive income, changes in equity and cash flows for the six 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 six month period ended 30 June 2021 that would materially affect the Company's activities or its interim condensed financial position.



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

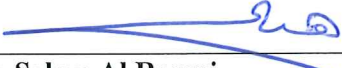
**Kuwait: 4 August 2021**

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

**Interim Condensed Statement of Financial Position (Unaudited)**  
**As at 30 June 2021**

			(Audited)	
	Notes	30 June 2021 KD	31 December 2020 KD	30 June 2020 KD
<b>Assets</b>				
<b>Non-current assets</b>				
Furniture and equipment		97,367	82,636	56,730
Right-of-use assets		107,198	135,602	27,625
Intangible assets		20,480	27,049	26,036
Restricted bank balances	3	758,683	505,961	513,158
Term deposit		-	-	50,000
		<u>983,728</u>	<u>751,248</u>	<u>673,549</u>
<b>Current assets</b>				
Accounts receivable and other debit balances	4	1,233,886	158,589	148,844
Financial assets at fair value through profit or loss	9	367,384	222,985	114,130
Cash and cash equivalents	3	9,535,875	11,435,344	11,112,314
		<u>11,137,145</u>	<u>11,816,918</u>	<u>11,375,288</u>
<b>Total assets</b>		<u>12,120,873</u>	<u>12,568,166</u>	<u>12,048,837</u>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital		10,000,000	10,000,000	10,000,000
Statutory reserve		716,058	716,058	670,779
Retained earnings		800,163	721,430	489,141
<b>Total equity</b>		<u>11,516,221</u>	<u>11,437,488</u>	<u>11,159,920</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Employees' end of service benefits		267,420	349,196	294,497
Lease liabilities		64,926	74,294	2,248
		<u>332,346</u>	<u>423,490</u>	<u>296,745</u>
<b>Current liabilities</b>				
Lease liabilities		61,845	62,573	25,211
Accounts payable and other credit balances	5	210,461	644,615	566,961
		<u>272,306</u>	<u>707,188</u>	<u>592,172</u>
<b>Total Liabilities</b>		<u>604,652</u>	<u>1,130,678</u>	<u>888,917</u>
<b>Total equity and liabilities</b>		<u>12,120,873</u>	<u>12,568,166</u>	<u>12,048,837</u>

The accompanying notes on pages 6 to 11 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 six month period ended 30 June 2021

	Note	Three months ended		Six months ended	
		30 June		30 June	
		2021	2020	2021	2020
		KD	KD	KD	KD
<b>Revenues:</b>					
Trading commission revenues	6	628,106	237,608	999,037	498,881
Net investment income		34,889	50,567	56,812	116,683
Other income		52	-	52	-
		<u>663,047</u>	<u>288,175</u>	<u>1,055,901</u>	<u>615,564</u>
<b>Expenses and charges:</b>					
General and administrative expenses		245,792	209,953	466,604	433,254
Provision for expected credit losses		-	5,000	129	12,306
Finance costs		607	267	2,918	681
		<u>246,399</u>	<u>215,220</u>	<u>469,651</u>	<u>446,241</u>
<b>Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat</b>		416,648	72,955	586,250	169,323
Contribution to Kuwait Foundation for the Advancement of Sciences		(2,471)	(671)	(4,167)	(1,538)
Zakat		<u>(1,763)</u>	<u>(1,018)</u>	<u>(3,350)</u>	<u>(2,103)</u>
<b>Total comprehensive income for the period</b>		<u>412,414</u>	<u>71,266</u>	<u>578,733</u>	<u>165,682</u>

The accompanying notes on pages 6 to 11 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 six month period ended 30 June 2021

	<u>Share capital</u> KD	<u>Statutory reserve</u> KD	<u>Retained earnings</u> KD	<u>Total equity</u> KD
<b>At 1 January 2020</b>	10,000,000	670,779	323,459	10,994,238
Total comprehensive income for the period	-	-	165,682	165,682
<b>At 30 June 2020</b>	<u>10,000,000</u>	<u>670,779</u>	<u>489,141</u>	<u>11,159,920</u>
<b>At 1 January 2021</b>	10,000,000	716,058	721,430	11,437,488
Total comprehensive income for the period	-	-	578,733	578,733
Dividend payments (Note 8)	-	-	(500,000)	(500,000)
<b>At 30 June 2021</b>	<u>10,000,000</u>	<u>716,058</u>	<u>800,163</u>	<u>11,516,221</u>

The accompanying notes on pages 6 to 11 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 six month period ended 30 June 2021

	Notes	Six months ended 30 June	
		2021	2020
		KD	KD
<b>Operating activities</b>			
Profit for the period		578,733	165,682
<i>Adjustments for:</i>			
Depreciation		8,179	14,000
Amortization of right-of-use assets and intangible assets		53,136	50,501
Net investment income		(56,812)	(116,683)
Provision for expected credit losses		129	12,306
Finance costs		2,918	681
Employees' end of service benefits		18,000	60,000
		604,283	186,487
<i>Changes in working capital:</i>			
Accounts receivable and other debit balances		(147,055)	13,622
Accounts payable and other credit balances		(62,682)	(47,321)
<b>Cash flows from operations</b>		394,546	152,788
Net movement in restricted bank balances		(252,722)	32,296
Employees end of service benefits paid		(99,776)	(25,223)
<b>Net cash flows from operating activities</b>		42,048	159,861
<b>Investing activities</b>			
Purchase of furniture and equipment		(27,810)	(11,373)
Purchase of intangible assets		(4,700)	(2,656)
Advance payment for purchase of an investment	4	(923,471)	-
Purchase of financial assets at fair value through profit or loss		(164,545)	(123,878)
Dividends received		-	7,701
Interest revenues received		73,129	136,060
<b>Net cash flows (used in)/ generated from investing activities</b>		(1,047,397)	5,854
<b>Financing activities</b>			
Dividend payments		(871,472)	-
Payment of principal portion of lease liabilities		(19,730)	(22,972)
Finance costs paid		(2,918)	(681)
<b>Net cash flows used in financing activities</b>		(894,120)	(23,653)
<b>Net (decrease) / increase in cash and cash equivalents</b>		(1,899,469)	142,062
Cash and cash equivalents at beginning of the period		11,435,344	10,970,252
<b>Cash and cash equivalents at end of the period</b>	3	9,535,875	11,112,314

The Company has the following non-cash transactions during the period which are not presented in the statement of interim condensed statement of cash flows.

**Non-cash transactions:**

Additions to right-of-use assets and lease liabilities	11,910	9,233
Selling furniture and equipment through accounts receivable and other debit balances	4,900	-

The accompanying notes on pages 6 to 11 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 six month period ended 30 June 2021

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**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 of 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 by CMA from time to time.
- 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 total number of employees of the Company was 52 employees as at 30 June 2021 (31 December 2020: 55 employees and 30 June 2020: 52 employees)

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

This interim condensed financial information of the Company for the six month period ended 30 June 2021 was authorised for issue by the Board of Directors on 4 August 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 information 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”).

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. The operating results for the six month period ended 30 June 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 financial year ended 31 December 2020.



**Notes to Interim Condensed Financial Information (Unaudited)**  
For the six month period ended 30 June 2021

**2. Basis of preparation (Continued)**

**Significant accounting policies**

The accounting policies used in the preparation of this interim condensed financial information are consistent with those used in the preparation of annual financial statements for the financial year ended 31 December 2020. Certain amendments are effective from 1 January 2021 but do not have a material effect on the Company's interim condensed financial information.

**Use of judgements and estimates**

In preparing this interim condensed financial information, management has made judgements 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 judgements 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 9.

**3. Cash and cash equivalents**

	<b>30 June 2021</b>	<b>(Audited) 31 December 2020</b>	<b>30 June 2020</b>
	KD	KD	KD
Cash and bank balances	535,875	668,821	418,828
Short term deposits	9,000,000	10,766,523	10,693,486
Restricted bank balances	758,683	505,961	513,158
Cash on hand and at banks	10,294,558	11,941,305	11,625,472
Less: Restricted bank balances	(758,683)	(505,961)	(513,158)
Cash and cash equivalents	<u>9,535,875</u>	<u>11,435,344</u>	<u>11,112,314</u>

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

**Notes to Interim Condensed Financial Information (Unaudited)**  
For the six month period ended 30 June 2021

**3. Cash and cash equivalents (Continued)**

- The profit rate on short term deposits is 1.75% (31 December 2020: 1.37% to 3.5%, and 30 June 2020: 2.5% to 3% 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 (K.S.C) to manage these bank accounts is irrevocable.

**4. Accounts receivable and other debit balances**

	<b>30 June 2021</b>	<b>(Audited) 31 December 2020</b>	<b>30 June 2020</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
Accounts receivable	386,268	252,622	239,844
Less: Provision for expected credit losses	(153,647)	(153,518)	(153,518)
	232,621	99,104	86,326
*Advance payment for purchase of an investment	923,471	-	-
Prepaid expenses	32,298	24,690	29,828
Refundable deposits	12,526	7,884	7,884
Staff receivables	32,970	26,911	24,806
	<u>1,233,886</u>	<u>158,589</u>	<u>148,844</u>

\* Advance payment for purchase of an investment item represents an amount of KD 923,471 that has been paid to purchase an investment in an Islamic fund through a local bank. The Company's management will determine the appropriate classification of this investment in the subsequent period.

**5. Accounts payable and other credit balances**

	<b>30 June 2021</b>	<b>(Audited) 31 December 2020</b>	<b>30 June 2020</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
Accounts payable	25,902	24,916	12,823
Dividends payable (Note 7)	107,467	478,939	478,939
Employees' accrued leave	55,748	47,162	50,694
Accrued expenses	4,283	54,054	13,573
Accrued committees' remuneration (Note 7)	-	30,000	-
Contribution to Kuwait Foundation for the Advancement of Sciences	8,242	4,075	4,846
Zakat	8,819	5,469	6,086
	<u>210,461</u>	<u>644,615</u>	<u>566,961</u>

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

**Notes to Interim Condensed Financial Information (Unaudited)**  
For the six month period ended 30 June 2021

**6. Trading commission revenues**

The Company's trading commission revenues are as follows:

	<b>Trading Division</b>	
	<b>For the six month period ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>KD</b>	<b>KD</b>
Trading commission revenues	999,037	498,881
<b>Total revenue from contracts with customers</b>	<b>999,037</b>	<b>498,881</b>
<i>Type of service</i>		
Trading commission revenues— listed shares	983,884	485,047
Trading commission revenues— unlisted shares	15,153	13,834
<b>Total revenue from contracts with customers</b>	<b>999,037</b>	<b>498,881</b>
	<b>Trading Division</b>	
	<b>For the six month period ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>KD</b>	<b>KD</b>
<i>Geographical markets</i>		
State of Kuwait	999,037	498,881
<b>Total revenue from contracts with customers</b>	<b>999,037</b>	<b>498,881</b>
<i>Timing of revenue recognition</i>		
Services rendered at a point in time	999,037	498,881
<b>Total revenue from contracts with customers</b>	<b>999,037</b>	<b>498,881</b>
	<b>Trading Division</b>	
	<b>For the three month period ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>KD</b>	<b>KD</b>
Trading commission revenues	628,106	237,608
<b>Total revenue from contracts with customers</b>	<b>628,106</b>	<b>237,608</b>
<i>Type of service</i>		
Trading commission revenues— listed shares	622,799	237,608
Trading commission revenues— unlisted shares	5,307	-
<b>Total revenue from contracts with customers</b>	<b>628,106</b>	<b>237,608</b>
<i>Geographical markets</i>		
State of Kuwait	628,106	237,608
<b>Total revenue from contracts with customers</b>	<b>628,106</b>	<b>237,608</b>
<i>Timing of revenue recognition</i>		
Services rendered at a point in time	628,106	237,608
<b>Total revenue from contracts with customers</b>	<b>628,106</b>	<b>237,608</b>

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

**Notes to Interim Condensed Financial Information (Unaudited)**  
For the six month period ended 30 June 2021

**7. Related party balances and transactions**

Related parties represent major shareholders, 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.

The related party transactions included in the interim condensed financial information are as follows:

<b>Interim condensed statement of financial position:</b>	<b>30 June</b>	<b>(Audited) 31 December</b>	<b>30 June</b>
	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
<b>Balances</b>			
Accrued key management personnel compensation	-	-	8,000
Dividends payable (Note 5)	107,467	478,939	478,939
Accrued committees' remuneration (Note 5)	-	30,000	-

**Interim condensed statement of comprehensive income:**

	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>
<b>Transactions</b>				
<i>KAMCO Investment Company K.S.C.P - Shareholder</i>				
Trading commission revenues	9,665	3,297	12,491	8,197
<b>Key management personnel compensation</b>				
Salaries and short-term benefits	18,515	13,730	33,515	25,730

**8. 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.

**9. 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:

**Notes to Interim Condensed Financial Information (Unaudited)**  
For the six month period ended 30 June 2021

**9. Fair value measurement (Continued)**

- 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:

<b>30 June 2021</b>	<b>Level 1</b>	<b>Level 3</b>	<b>Total</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
<i>Financial assets at fair value through profit or loss</i>			
Local quoted securities	350,677	-	350,677
Local unquoted securities	-	16,707	16,707
	<u>350,677</u>	<u>16,707</u>	<u>367,384</u>

<b>31 December 2020 (Audited)</b>	<b>Level 1</b>	<b>Level 3</b>	<b>Total</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
<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>

<b>30 June 2020</b>	<b>Level 1</b>	<b>Level 3</b>	<b>Total</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
<i>Financial assets at fair value through profit or loss</i>			
Local quoted securities	96,823	-	96,823
Local unquoted securities	-	17,307	17,307
	<u>96,823</u>	<u>17,307</u>	<u>114,130</u>