

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

**Independent auditor's report and financial statements**  
For the year ended 31 December 2025

DRAFT

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DRAFT

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF AL SHARQ FINANCIAL BROKERAGE COMPANY K.S.C.  
(CLOSED)  
STATE OF KUWAIT**

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the financial statements of Al Sharq Financial Brokerage Company K.S.C. (Closed) (the "Company"), which comprise the statement of financial position as at 31 December 2025, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the financial year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2025, its financial performance and its cash flows for the financial year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

***Basis of 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 Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") together with ethical requirements that are relevant to our audit of the financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Other Information***

Management is responsible for the other information. The other information comprises the report of the Board of Directors but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the 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 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 Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)  
TO THE SHAREHOLDERS OF AL SHARQ FINANCIAL BROKERAGE COMPANY K.S.C.  
(CLOSED)  
STATE OF KUWAIT**

**Report on the Audit of the Financial Statements (Continued)**

***Auditor's Responsibilities for the Audit of Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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.
- 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)  
TO THE SHAREHOLDERS OF AL SHARQ FINANCIAL BROKERAGE COMPANY K.S.C.  
(CLOSED)  
STATE OF KUWAIT**

**Report on Other Legal and Regulatory Requirements**

In our opinion, proper books of account have been kept by the Company and the financial statements, together with the contents of the report of the Company's Board of Directors' relating to these 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 financial statements incorporate all information that is required by the Companies' Law No. 1 of 2016, its Executive Regulations, as amended (the "Companies' Law"), or Law No. 7 of 2010 concerning the establishment of Capital Markets Authority and Organization of Securities Activity and its Executive Regulations, as amended, and by the Company's Articles of Association and Memorandum of Incorporation, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies' Law, nor Law No. 7 of 2010 concerning the establishment of Capital Markets Authority and Organization of Securities Activity and its Executive Regulations, as amended, or the Company's Articles of Association and Memorandum of Incorporation, as amended, have occurred during the financial year ended 31 December 2025, that might have had a material effect on the business or the financial position of the Company.

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**Faisal Saqer Al Saqer**  
**License No. 172 - A**  
**BDO Al Nisf & Partners**

**Kuwait: ----**

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

**Statement of financial position**  
As at 31 December 2025

	Notes	2025 KD	2024 KD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Furniture and equipment		155,964	98,186
Right of use assets	7	156,129	267,810
Intangible assets		60,600	71,289
Accounts receivable and other debit balances	8	3,023,423	-
Restricted bank balances	11	150,005	506,729
		<u>3,546,121</u>	<u>944,014</u>
<b>Current assets</b>			
Accounts receivable and other debit balances	8	440,058	319,150
Financial assets at fair value through profit or loss ("FVPL")	9	3,679,658	1,182,762
Term deposit	10	5,656,500	7,000,000
Cash and cash equivalents	11	1,166,725	3,933,364
		<u>10,942,941</u>	<u>12,435,276</u>
<b>Total assets</b>		<u>14,489,062</u>	<u>13,379,290</u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	12	10,000,000	10,000,000
Statutory reserve	13	1,323,406	1,111,508
Retained earnings		1,843,251	1,004,049
<b>Total equity</b>		<u>13,166,657</u>	<u>12,115,557</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Employees' end of service benefits	14	636,953	580,627
Lease liabilities	7	72,003	111,403
		<u>708,956</u>	<u>692,030</u>
<b>Current liabilities</b>			
Lease liabilities	7	105,201	177,401
Accounts payable and other credit balances	15	508,248	394,302
		<u>613,449</u>	<u>571,703</u>
<b>Total liabilities</b>		<u>1,322,405</u>	<u>1,263,733</u>
<b>Total equity and liabilities</b>		<u>14,489,062</u>	<u>13,379,290</u>

The notes on pages 8 to 33 form an integral part of these financial statements.

**Hesham Salem Al Roomi**  
*Chairman*

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

**Statement of comprehensive income**  
For the year ended 31 December 2025

	Notes	2025 KD	2024 KD
<b>Revenues</b>			
Trading commission income	16	3,490,208	2,163,731
Net investments income	17	393,898	485,041
Other income		-	640
		<u>3,884,106</u>	<u>2,649,412</u>
<b>Expenses and charges</b>			
General and administrative expenses	18	1,743,422	1,486,453
Finance costs	7	14,320	19,989
Foreign currency exchange loss		7,387	-
		<u>1,765,129</u>	<u>1,506,442</u>
<b>Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), Zakat and Board of Directors' remuneration</b>			
		2,118,977	1,142,970
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")	15	(21,190)	(10,280)
Zakat		(21,687)	(13,587)
Board of Directors' remuneration	19	(25,000)	(25,000)
<b>Profit for the year</b>		<u>2,051,100</u>	<u>1,094,103</u>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<u>2,051,100</u>	<u>1,094,103</u>

The notes on pages 8 to 33 form an integral part of these financial statements.

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

**Statement of changes in equity**  
For the year ended 31 December 2025

	<b>Share capital</b>	<b>Statutory reserve</b>	<b>Retained earnings</b>	<b>Total equity</b>
	KD	KD	KD	KD
<b>At 1 January 2024</b>	10,000,000	997,211	824,243	11,821,454
Total comprehensive income for the year	-	-	1,094,103	1,094,103
Transfer to statutory reserve	-	114,297	(114,297)	-
Dividends (Note 20)	-	-	(800,000)	(800,000)
<b>At 31 December 2024</b>	<u>10,000,000</u>	<u>1,111,508</u>	<u>1,004,049</u>	<u>12,115,557</u>
<b>At 1 January 2025</b>	10,000,000	1,111,508	1,004,049	12,115,557
Total comprehensive income for the year	-	-	2,051,100	2,051,100
Transfer to statutory reserve	-	211,898	(211,898)	-
Dividends (Note 20)	-	-	(1,000,000)	(1,000,000)
<b>At 31 December 2025</b>	<u>10,000,000</u>	<u>1,323,406</u>	<u>1,843,251</u>	<u>13,166,657</u>

The notes on pages 8 to 33 form an integral part of these financial statements.

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

**Statement of cash flows**

For the year ended 31 December 2025

	Notes	<u>2025</u> KD	<u>2024</u> KD
<b>OPERATING ACTIVITIES</b>			
Profit for the year		2,051,100	1,094,103
<i>Adjustments for:</i>			
Depreciation of furniture and equipment		41,916	37,452
Gain on sale of furniture and equipment		-	(640)
Amortisation of right of use assets and intangible assets		137,118	128,492
Net investments income	17	(393,898)	(485,041)
Employees' end of service benefits	14	58,943	176,362
Provision for KFAS	15	21,190	10,280
Provision for Zakat		21,687	13,587
Finance costs	7	14,320	19,989
Foreign currency exchange loss		7,387	-
		<u>1,959,763</u>	<u>994,584</u>
<i>Changes in working capital:</i>			
Accounts receivable and other debit balances		(3,144,331)	(76,119)
Accounts payable and other credit balances		105,005	83,470
<b>Net cash flows (used in) / generated from operations</b>		<u>(1,079,563)</u>	<u>1,001,935</u>
Net movement in restricted bank balances		356,724	(40,715)
Employees' end of service benefits paid	14	(2,617)	(40,438)
KFAS paid	15	(10,280)	(5,819)
Zakat paid		(12,820)	(6,921)
Board of Directors' remuneration paid	20	(25,000)	(25,000)
<b>Net cash flows (used in) / generated from operating activities</b>		<u>(773,556)</u>	<u>883,042</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of furniture and equipment		(99,694)	(68,756)
Proceeds from sale of furniture and equipment		-	4,600
Purchase of intangible assets		(14,748)	(39,692)
Purchase of financial assets at fair value through profit or loss ("FVPL")	9	(2,898,518)	-
Proceeds from redemption of financial assets at fair value through profit or loss ("FVPL")	9	393,257	15,278
Maturity of term deposit		1,343,500	-
Interest income received	17	328,797	421,953
Dividends received	17	73,466	64,927
<b>Net cash flows (used in) / generated from investing activities</b>		<u>(873,940)</u>	<u>398,310</u>
<b>FINANCING ACTIVITIES</b>			
Payment of principal portion of lease liabilities		(111,600)	(105,471)
Dividends paid		(993,223)	(795,188)
Finance costs paid	7	(14,320)	(19,989)
<b>Net cash flows used in financing activities</b>		<u>(1,119,143)</u>	<u>(920,648)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<u>(2,766,639)</u>	<u>360,704</u>
Cash and cash equivalents at the beginning of the year		3,933,364	3,572,660
<b>Cash and cash equivalents at the end of the year</b>	11	<u>1,166,725</u>	<u>3,933,364</u>

The notes on pages 8 to 33 form an integral part of these financial statements.

## **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 Articles of Association and the Memorandum of Incorporation was notarized in the Commercial Register under No. 68787 on 28 July 2024.

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

On 6 July 2025, the Company has acquired primary approval to be licensed as a qualified broker from the Capital Markets Authority.

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

- Carrying out securities brokerage marketable in Boursa Kuwait.
- 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 the prohibition mentioned in the previous paragraph is the investment of the Company's funds (which does 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 employees’, after obtaining prior approval from Capital Markets Authority (“CMA”), considering the regulations and decisions issued by the 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.4, paragraph 4 of the Articles of Association and Article No. 5, paragraph 4 of the Memorandum of Incorporation and 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.

On July 14, 2024, the Extraordinary General Assembly has approved the latest amendment to Article No.4, paragraph 4 of the Articles of Association and Article No. 5, paragraph 4 of the Memorandum of Incorporation to add the following objectives:

- Registered Securities Broker in Boursa Kuwait.
- Unregistered Securities Broker in Boursa Kuwait.
- Buying and selling of securities and bonds for the Company's account.
- Buying and selling of land and real estate exclusively for the Company's account.

This amendment was notarized in the Commercial Register on 28 July 2024.

**Notes to the financial statements**

For the year ended 31 December 2025

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**1. INCORPORATION AND ACTIVITIES (CONTINUED)**

The number of the Company's employees' as at 31 December 2025 was 62 employees (31 December 2024: 57 employees).

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

The Company's financial statements for the year ended 31 December 2025 were authorised for issue by the Board of Directors on ----- and are subject to the approval of the Annual General Assembly of the shareholders. The shareholders of the Company have the power to amend these financial statements at the Annual General Assembly of the shareholders.

**2. BASIS OF PREPARATION**

The financial statements have been presented in Kuwaiti Dinar ("KD") which is also the functional currency of the Company and are prepared under the historical cost convention except for financial assets at fair value through profit or loss that are measured at fair value.

**3. STATEMENT OF COMPLIANCE**

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and the IFRS interpretations Committee applicable to companies reporting under IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and applicable requirements of the State of Kuwait.

The preparation of financial statements in compliance with adopted IFRS Accounting Standards requires the use of certain material accounting estimates. It also requires the Company's management to exercise judgment in applying the Company's material accounting policies. The areas of material accounting judgments and estimation uncertainty made in preparing the financial statements and their effect are disclosed in Note 6.

**4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS ACCOUNTING STANDARDS")**

**a) New standards, interpretations and amendments effective from 1 January 2025**

The accounting policies used in the preparation of these financial statements are consistent with those used in the previous year except for the changes due to implementation of the following new and revised IFRS Accounting standards, which are effective for annual periods beginning on or after 1 January 2025.

*Lack of Exchangeability (Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates)*  
In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

This amendment had no material effect on the financial statements of the Company.

**Notes to the financial statements**

For the year ended 31 December 2025

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**4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS ACCOUNTING STANDARDS”) (CONTINUED)**

**b) New standards, interpretations and amendments not yet effective**

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

*IFRS 18 Presentation and Disclosure in Financial Statements*

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, where of the first three are new. It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified ‘roles’ of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from ‘profit or loss’ to ‘operating profit or loss’ and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

*Amendments to IFRS 9 - Financial instruments and IFRS 7 - Financial instruments: Disclosures*

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 to:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system
- clarify and add further guidance for assessing whether a financial asset meets the sole payments of principal and interest (SPPI) criterion,
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets), and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The amendments will be effective for annual reporting periods beginning on or after 1 January 2026.

*IFRS 19 Subsidiaries without Public Accountability: Disclosures*

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS Accounting Standards. IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

The Company is currently assessing to identify all impacts the amendments will have on the financial statements and notes to the financial statements.

## **5. MATERIAL ACCOUNTING POLICY INFORMATION**

### **5.1 Current versus non-current classification**

The Company presents assets and liabilities in the statement of financial position based on their 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 year or;
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting year.

All other assets are classified as non-current.

A liability is current when it is:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the reporting year or;
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting year.

The Company classifies all other liabilities as non-current.

### **5.2 Furniture and equipment**

The initial cost of furniture and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after furniture and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to statement of comprehensive income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of furniture and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of furniture and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful lives of 5 years.

Furniture and equipment are stated at cost less accumulated depreciation and impairment losses (if any). When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in statement of comprehensive income for the year. The carrying values of furniture and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

**5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**5.3 Leases**

The Company 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.

***Operating lease***

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

***When the Company is a lessee***

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

**a) Right of use assets**

The Company recognizes 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 amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are amortized on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

**b) Lease liabilities**

At the commencement date of the lease, the Company 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 Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

**5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**5.3 Leases (Continued)**

**b) Lease liabilities (continued)**

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest 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 in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

**c) Short-term leases and leases of low-value assets**

The Company 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). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. 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 in the statement of comprehensive income.

**5.3 Intangible assets**

At initial recognition, acquired intangible assets are measured at cost, which represents the purchase value plus the direct costs incurred for preparation of the asset to be used in its intended purpose.

Following initial recognition, intangible assets with definite lives are carried at cost less accumulated amortization and accumulated impairment losses. The useful life and amortization method are reviewed periodically to ensure that the method and period of amortization are consistent with the expected pattern of economic benefits from items of intangible assets. Intangible assets with indefinite lives are carried at cost less accumulated impairment losses.

Profits or losses on disposal of intangible assets are measured by the difference between the net disposal proceeds and the carrying amount of the assets, and are recognized in the statement of comprehensive income on disposal.

The useful lives of intangible assets are finite and amortized on a straight line basis over 5 years.

**5.4 Impairment of non-financial assets**

At each financial position date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

## **5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

### **5.4 Impairment of non-financial assets (Continued)**

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income.

### **5.5 Financial instruments**

The Company classifies its financial instruments as financial assets and financial liabilities. Financial assets and financial liabilities are recognized when the Company becomes a party of the contractual provisions of such instruments.

Financial assets and financial liabilities carried in the statement of financial position includes accounts receivable and other debit balances (excluding prepaid expenses), restricted bank balances, financial assets at fair value through profit or loss ("FVPL"), term deposit, cash and cash equivalents, lease liabilities and accounts payable and other credit balances.

#### **5.5.1 Financial assets**

##### **Recognition, initial measurement and classification**

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives and in order to generate contractual cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets.

If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVPL. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

Purchases and sales of those financial assets are recognized on trade date the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVPL.

**5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**5.5 Financial instruments (Continued)**

**5.5.1 Financial assets (continued)**

**Recognition, initial measurement and classification (continued)**

**Classification of financial assets**

Financial assets are classified in the financial statements into the following categories upon initial recognition:

- Financial assets at amortised cost.
- Financial assets at fair value through profit or loss (“FVPL”).

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method adjusted for impairment losses if any. Gains and losses are recognized in statement of comprehensive income when the asset is derecognized, modified or impaired.

Financial assets carried at amortised cost consist of includes accounts receivable and other debit balances (excluding prepaid expenses), restricted bank balances, term deposit and cash and cash equivalents.

*Effective interest rate method (“EIR”)*

The EIR method is a method of calculating the amortised cost of a financial asset. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

**Subsequent measurement**

*Accounts receivable*

Accounts receivable are amounts due from customers for services provided in the ordinary course of business and recognized initially at transaction price and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

*Term deposit*

Term deposit is placed with a local bank and has a contractual maturity of more than three months from the placement date and less than one year from the financial position date.

*Cash and cash equivalents*

Cash and cash equivalents comprise of bank balances and cash, deposit with maturity less than three months from the placement date (“short term deposit”), and restricted bank balances. Bank balances, short term deposit and restricted bank balances are exposed to an insignificant risk of changes in value.

**5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**5.5 Financial instruments (Continued)**

**5.5.1 Financial assets (continued)**

**Subsequent measurement (continued)**

Financial assets at fair value through profit or loss (“FVPL”)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. 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 comprehensive income. This category includes equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on equity investments are also recognised as net investments income in the statement of comprehensive income when the right of payment has been established.

**Derecognition of financial assets**

The financial assets are derecognised (wholly or partially) when the contractual rights to receive the cash flows from the financial assets expire or when the Company transfers its right to receive cash flows from the financial assets in either of the following circumstances: (a) when the Company transfers all risks and rewards of the financial assets ownership, or (b) when all risks and rewards of the financial assets are not transferred or retained, but the control over the financial assets is transferred. When the Company retains control, it must continue to recognise the financial assets to the extent of its participation therein.

**Impairment of financial assets**

The Company recognises an allowance for expected credit losses (ECLs) for financial assets measured at amortised cost.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset’s original effective interest rate.

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 accounts receivable and other debit balances (excluding prepaid expenses), the Company has applied the standard’s simplified approach and has calculated ECLs based on lifetime expected credit losses. Accordingly, the Company does not track changes in credit risk and assesses impairment on a collective basis. The Company has established a provision matrix that is based on the Company’s historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. Exposures were segmented based on common credit characteristics such as credit risk grade, geographic region and industry, delinquency status and age of relationship where applicable.

**5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**5.5 Financial instruments (Continued)**

**5.5.1 Financial assets (continued)**

**Impairment of financial assets (continued)**

Exposures were segmented based on common credit characteristics such as credit risk grade, geographic region and industry, delinquency status and age of relationship where applicable. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

In applying this forward-looking approach, the Company applies a three stage assessment to measuring ECL as follows:

- Stage 1 - financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk and
- Stage 2 - (not credit impaired) - financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low.
- Stage 3 - (credit impaired) - financial assets that have objective evidence of impairment at the reporting date and assessed as credit impaired when one or more events have a detrimental impact on the estimated future cash flows have occurred.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment that includes forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

12-month expected credit losses' are recognized for Stage 1 while 'lifetime expected credit losses' are recognized for Stage 2.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. ECLs for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and charged to the statement of comprehensive income.

**5.5.2 Financial liabilities**

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 Company's financial liabilities include lease liabilities and accounts payable and other credit balances.

**Notes to the financial statements**

For the year ended 31 December 2025

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**5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**5.5 Financial instruments (Continued)**

**5.5.2 Financial liabilities (continued)**

*Accounts payable*

Accounts payable include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

**Derecognition of financial liabilities**

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 comprehensive income.

**5.6 Offsetting financial assets and liabilities**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**5.7 Employees' end of service benefits**

The Company provides end of service benefits to its employees. The entitlement to these benefits are based upon the employees' final salary and length of service subject to the completion of a minimum service period in accordance with Kuwait labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability which is unfunded represents the amount payable to each employee as a result of termination on the reporting date.

Further, with respect to its national employees, the Company also makes contributions to public institution for social security calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

**5.8 Revenue recognition**

The Company is in the business of providing brokerage services to its customers through sale and purchase of shares. When completion of rendering services of sale or purchase of shares, the Company recognises revenue in the amount of commission to which it expects to be entitled in exchange for brokerage services. The Company's commission is the net amount of consideration that the Company retains after rendering services to be provided.

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a good to a customer.

The Company follows a 5-step process:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied.

**Notes to the financial statements**

For the year ended 31 December 2025

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**5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**5.8 Revenue recognition (Continued)**

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

Revenue is recognised at a point in time, when the Company satisfies performance obligations by transferring the control of promised goods to its customers.

Control is transferred at a point in time if none of the criteria for a service to be transferred over time are met. The Company considers the following factors in determining whether control of an asset has been transferred:

- The Company has a present right to payment for the service.
- The customer has legal title to the service.
- The Company has transferred the service.
- The customer has the significant risks and rewards of ownership of the service.
- The customer has accepted the service.

Revenue of the Company arises from:

*Trading commission income*

Performance obligations related to the Company's trading commission income from brokerage operations are satisfied at a point in time typically on execution of share purchase/sale transactions for its customers.

*Dividend income*

Dividend income is recognised when the right to receive the payment is established.

*Other income*

Other income is recognised on accrual basis.

**5.9 Related parties**

Related parties represent major shareholders, directors and senior management personnel of the Company, and companies controlled, or significantly influenced by such parties. The pricing policies and conditions for these transactions are approved by the Company's management.

**5.10 Taxation**

*Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")*

The Company is legally required to contribute to the Kuwait Foundation for the Advancement of Sciences ("KFAS"). The Company's contributions to KFAS are recognised as an expense in the period during which the Company's contribution is legally required. KFAS is imposed at 1% of profit of the Company, less permitted deductions.

*Zakat*

Zakat is calculated at 1% of the profit before contribution to KFAS, Zakat, and Board of Directors' remuneration and cash dividends received from Kuwaiti shareholding companies in accordance with Law No. 46 of 2006 and Ministerial resolution No. 58 of 2007 and their Executive Regulations.

**5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**5.11 Contingent assets and contingent liabilities**

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

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

**5.12 Dividends**

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the Companies' Law of the State of Kuwait, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

**6. MATERIAL ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described in Note 5, management is required to make judgments, estimates and assumption about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Material accounting judgments**

In the process of applying the Company's accounting policies, management has made the following material judgments, which have the most significant effect on the amounts recognised in the financial statements:

*Useful lives of non-financial assets*

The Company reviews the estimated useful lives over which its non-financial assets are depreciated and amortized. The Company's management is satisfied that the estimates of useful lives are appropriate.

*Determining the lease term of contracts with a renewal option – Company as a lessee*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include an extension option. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company 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 (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company included the renewal period as part of the lease term for Company's office spaces with shorter non-cancellable period (i.e., five years). The Company typically exercises its option to renew for these leases because there will be a significant negative effect on the operations and services of the Company if a replacement asset are not readily available.

**6. MATERIAL ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)**

**Material accounting judgments (Continued)**

*Classification of financial instruments*

On acquisition of a financial asset, the Company decides whether it should be classified as "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortised cost". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Company's business model for managing the assets of the instrument's contractual cash flow characteristics. The Company follows the guidance of IFRS 9 on classifying its financial assets and is explained in Note 5.

*Principal versus agent considerations*

The Company enters into contracts to provide financial brokerage services to its customers and executes purchase/sale transactions on behalf of its customers for a consideration in the form of a commission. The Company determined that it is an agent in these contracts.

- The Company is not exposed to credit risk for the amount receivable from a customer in exchange for the other party's services.
- The Company has no discretion in establishing the price for the specified service. The Company, as an intermediary, negotiates the terms and conditions of the deal economics with the counterparty. However, determination of the price of the securities is based on industry convention and market conditions.

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

*Impairment of non-financial assets*

The Company's management estimates whether there is an indication to impairment of non-financial assets. The recoverable amount of an asset is determined based on "value in use method".

*Estimating the incremental borrowing rate for leases*

The Company 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 Company 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 Company '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 Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

*Provision for expected credit losses of accounts receivable*

The Company uses a provision matrix to calculate ECLs for accounts receivable. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geographical region, services type, customer and type). The provision matrix is initially based on the Company's historical observed default rates.

The Company will calibrate the matrix to adjust the credit loss experience with forward-looking information.

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**6. MATERIAL ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)**

**Estimation uncertainty (Continued)**

*Provision for expected credit losses of accounts receivable (continued)*

For instance, if forecast economic conditions (i.e., gross domestic product, stock market capitalization) are expected to deteriorate over the next year which can lead to an increased number of defaults in the brokerage sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Company's accounts receivable is disclosed in Note 21.2

*Fair value measurement*

Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the financial instruments.

Where such data is not observable, management uses its best estimate. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the financial statements date.

**7. LEASES**

The carrying amount of the Company's right of use assets and the movement during the year is as follows:

	<u>2025</u>	<u>2024</u>
	KD	KD
At 1 January	267,810	379,104
Amortization expense	(111,681)	(111,294)
At 31 December	<u>156,129</u>	<u>267,810</u>

The carrying amount of the Company's lease liabilities and the movement during the the year:

	<u>2025</u>	<u>2024</u>
	KD	KD
At 1 January	288,804	394,275
Finance costs	14,320	19,989
Payments during the year	(125,920)	(125,460)
At 31 December	<u>177,204</u>	<u>288,804</u>

The Company recognised rent expense from short-term leases for the year ended 31 December 2025 amounted to KD 5,700 (2024: KD 5,700) (Note 18).

The lease liabilities are classified in the statement of financial position as follows:

	<u>2025</u>	<u>2024</u>
	KD	KD
Non-current portion	72,003	111,403
Current portion	105,201	177,401
	<u>177,204</u>	<u>288,804</u>

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**8. ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES**

	<u>2025</u>	<u>2024</u>
	KD	KD
Accounts receivable	368,442	342,474
Less: provision for expected credit losses	<u>(153,647)</u>	<u>(153,647)</u>
	214,795	188,827
Prepaid expenses	49,897	28,907
Refundable deposits	10,476	18,429
Staff receivables	164,890	82,987
*Margin deposits	<u>3,023,423</u>	<u>-</u>
	<u>3,463,481</u>	<u>319,150</u>

\* Effective July 2025, and in accordance with the Capital Markets Authority post-trade framework, the Company is required to post clearing margin with the CMA-licensed central counterparty (Kuwait Clearing House K.S.C. (Closed) (“KCH”). The margin represents collateral amounts to cover potential future exposure from unsettled trades. The required level is variable and recalculated (typically daily) based on KCH’s risk parameters and the Company’s open positions.

Accounts receivable and other debit balances are presented in the statement of financial position as follows:

	<u>2025</u>	<u>2024</u>
	KD	KD
Non-current portion	3,023,423	-
Current portion	<u>440,058</u>	<u>319,150</u>
	<u>3,463,481</u>	<u>319,150</u>

Disclosures relating to the credit risk exposures and analysis relating to the provision for expected credit losses are set forth in Note 21.2.

**9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (“FVPL”)**

	<u>2025</u>	<u>2024</u>
	KD	KD
Local quoted equity securities	141,607	142,500
Local unquoted equity securities	23,400	22,740
Investment funds	<u>3,514,651</u>	<u>1,017,522</u>
	<u>3,679,658</u>	<u>1,182,762</u>

Local quoted equity securities fair values are determined by reference to quoted prices in active markets.

Valuation techniques of financial assets at fair value through profit or loss are disclosed in Note 22.

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**9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (“FVPL”) (CONTINUED)**

Below is the net movement during the year on financial assets at fair value through profit or loss:

	<u>2025</u>	<u>2024</u>
	KD	KD
At 1 January	1,182,762	1,199,879
Additions during the year	2,898,518	-
Redemption during the year	(393,257)	(15,278)
Disposal during the year	-	(223)
Change in fair value (Note 17)	(8,365)	(1,616)
At 31 December	<u>3,679,658</u>	<u>1,182,762</u>

**10. TERM DEPOSIT**

As at 31 December 2025, term deposit is denominated in Kuwaiti Dinars and placed with a local bank having an original maturity period of more than three months from the placement date and less than one year from the statement of financial position date. Term deposit yield an interest rate at 4% (2024: 4%) per annum.

**11. CASH AND CASH EQUIVALENTS**

	<u>2025</u>	<u>2024</u>
	KD	KD
Bank balances and cash	166,725	903,364
Short term deposit	1,000,000	3,030,000
Restricted bank balances*	150,005	506,729
Cash at banks and on hand	1,316,730	4,440,093
Less: restricted bank balances	(150,005)	(506,729)
Cash and cash equivalents	<u>1,166,725</u>	<u>3,933,364</u>

- The effective interest rate on short-term deposit is 3.5% (2024: 3.9%) per annum.

- \*Restricted bank balances represent bank accounts restricted in favour of Kuwait Clearing Company K.S.C. (Closed) (“KCC”) to guarantee the brokerage operations. The authorization granted to KCC to manage these bank accounts is irrevocable.

**12. SHARE CAPITAL**

The Company’s authorized, issued, and paid up share capital is KD 10,000,000 (2024: KD 10,000,000) divided into 100,000,000 (2024:100,000,000) shares of 100 fils each. All shares are paid in cash.

**13. STATUTORY RESERVE**

In accordance with the requirements of Companies’ Law, and the Company’s Articles of Association, as amended, 10% of the profit for the year before contribution to KFAS, Zakat and Board of Directors’ remuneration is required to be transferred to the statutory reserve. Such transfer may be discontinued when the reserve balance exceeds 50% of the share capital. Distribution of the reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

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**14. EMPLOYEES' END OF SERVICE BENEFITS**

	<u>2025</u>	<u>2024</u>
	KD	KD
At 1 January	580,627	444,703
Charge for the year	58,943	176,362
Paid during the year	(2,617)	(40,438)
At 31 December	<u>636,953</u>	<u>580,627</u>

**15. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES**

	<u>2025</u>	<u>2024</u>
	KD	KD
Accounts payable	20,076	33,610
Dividends payable (Note 19)	127,871	121,094
Accrued staff leave	70,513	64,563
Accrued expenses	169,911	88,935
Accrued committees' remuneration (Note 19)	52,000	38,000
Accrued Board of Directors' remuneration (Note 19)	25,000	25,000
KFAS payable*	21,190	10,280
Zakat	21,687	12,820
	<u>508,248</u>	<u>394,302</u>

\*Movement in KFAS payable is as follows:

	<u>2025</u>	<u>2024</u>
	KD	KD
At 1 January	10,280	5,819
Charge for the year	21,190	10,280
Paid during the year	(10,280)	(5,819)
At 31 December	<u>21,190</u>	<u>10,280</u>

**16. TRADING COMMISSION INCOME**

The disaggregation of the Company's trading commission income is set out below:

	<u>2025</u>	<u>2024</u>
	KD	KD
Trading commission income	3,490,208	2,163,731
<b>Total revenue from contracts with customers</b>	<u>3,490,208</u>	<u>2,163,731</u>
<i>Type of service</i>		
Trading commission income – listed shares	3,440,687	2,141,171
Trading commission income – unlisted shares	49,521	22,560
<b>Total revenue from contracts with customers</b>	<u>3,490,208</u>	<u>2,163,731</u>
<i>Geographical markets</i>		
State of Kuwait	3,490,208	2,163,731
<b>Total revenue from contracts with customers</b>	<u>3,490,208</u>	<u>2,163,731</u>
<i>Timing of revenue recognition</i>		
Services rendered at a point in time	3,490,208	2,163,731
<b>Total revenue from contracts with customers</b>	<u>3,490,208</u>	<u>2,163,731</u>

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

**Notes to the financial statements**

For the year ended 31 December 2025

**17. NET INVESTMENTS INCOME**

	<u>2025</u>	<u>2024</u>
	KD	KD
Interest income	328,797	421,953
Dividend income	73,466	64,927
Change in fair value of financial assets at fair value through profit or loss (“FVPL”) (Note 9)	(8,365)	(1,616)
Realized loss on disposal of financial assets at fair value through profit or loss (“FVPL”)	-	(223)
	<u>393,898</u>	<u>485,041</u>

**18. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>2025</u>	<u>2024</u>
	KD	KD
Staff costs	1,327,841	1,162,259
Depreciation and amortization	179,034	165,944
Rent (Note 7)	5,700	5,700
Fees and subscriptions	136,457	90,445
Miscellaneous expenses	94,390	62,105
	<u>1,743,422</u>	<u>1,486,453</u>

**19. RELATED PARTY BALANCES AND TRANSACTIONS**

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

The related party balances and transactions included in the financial statements are as follows:

	<u>2025</u>	<u>2024</u>
	KD	KD
<b>Statement of financial position</b>		
Accounts receivable and other debit balances	121,332	56,832
Dividends payable (Note 15)	127,871	121,094
Accrued committees’ remuneration (Note 15, 20)	52,000	38,000
Accrued Board of Directors’ remuneration (Note 15, 20)	25,000	25,000
<b>Statement of comprehensive income</b>		
<i>KAMCO Investment Company K.S.C.P.</i>		
Trading commission income	8,977	55,784

***Transactions with key management personnel***

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

	<u>2025</u>	<u>2024</u>
	KD	KD
<b>Key management compensation</b>		
Salaries and short-term benefits	457,187	221,532
Committees’ remuneration	52,000	38,000
Board of Directors’ remuneration	25,000	25,000
	<u>534,187</u>	<u>284,532</u>

**20. ANNUAL GENERAL ASSEMBLY MEETING AND BOARD OF DIRECTORS' PROPOSAL**

*Annual General Assembly Meeting*

The Annual Ordinary General Assembly of the shareholders of the Company held on 19 March 2025 approved the financial statements for the financial year ended 31 December 2024, and the distribution of 10% cash dividends amounted to KD 1,000,000 from the retained earnings for the financial year ended 31 December 2024 (2023: KD 800,000) to the shareholders of the Company as on the date of the Ordinary Annual General Assembly of the Company's shareholders. In addition, the Annual General Assembly of the shareholders approved KD 25,000 as a remuneration to be paid to the Board of Directors' for the financial year ended 31 December 2024 (2023: KD 25,000) and KD 38,000 (2023: KD 33,000) as a remuneration to be paid to the Committees' for the financial year ended 31 December 2024.

*Board of Directors' proposal*

The Board of Directors' in their meeting held on 2026, proposed KD 25,000 as a remuneration to be paid to the Board of Directors' for the financial year ended 31 December 2025 (2024: KD 25,000) and KD 52,000 as a remuneration to be paid to the committees' for the the financial year ended 31 December 2025 (2024: KD 38,000).

The above proposal is subject to the approval of the Shareholders' Annual General Assembly

**21. FINANCIAL RISK AND CAPITAL MANAGEMENT**

The Company's activities expose it to variety of financial risks: e.g. market risk (interest rate risk, foreign currency risk and equity price risk), credit risk and liquidity risk. The Company's management policies for reducing each of the risks are discussed below. The Company does not use derivative financial instruments based on future speculations.

**21.1 Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Market risk comprises of interest rate risk, foreign currency risk and equity price risk.

**(a) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company is not exposed to interest rate risk on its term deposit, short term deposit and lease liabilities since these carry fixed interest rates. The Company has no other floating rate interest bearing financial assets or financial liabilities as at the reporting date.

**21. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)**

**21.1 Market risk (Continued)**

**(b) Foreign currency risk**

Foreign currency risk is the risk that the value of the financial instrument will fluctuate due to changes in the foreign exchange rate. The Company incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Company ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The Company had the following net exposures:

<u>Currency</u>	<u>2025</u>	<u>2024</u>
	KD (Equivalent)	KD (Equivalent)
United States Dollar	<u>1,006,298</u>	<u>1,017,522</u>

The effect of a 5% strengthening in value of the currency rate against the KD from levels applicable at 31 December, with all other variables held constant on the statement of comprehensive income and equity is shown below:

<u>Currency</u>	<u>Change in currency rate (%)</u>	<u>Effect on statement of comprehensive income and equity</u>	
		<u>2025</u>	<u>2024</u>
		KD (Equivalent)	KD (Equivalent)
United States Dollar	+5%	<u>50,315</u>	<u>50,876</u>

The effect of decreases in value of the currency rate is expected to be equal and opposite to the effect of the increases shown above.

**(c) Equity price risk**

The Company is exposed to price risk through its investments classified in the financial statements as financial assets at fair value through profit or loss. The Company manages this risk by diversifying its investments based on pre-determined asset allocation across various categories, continuous appraisal of market conditions and trends and management's estimate of changes in fair value. Also, the Company keeps certain investments at specialized investment funds, which manage these investments.

The following table shows the impact on the financial assets sensitive to equity price risk considering a 5% change with other factors constant.

	<u>Effect on statement of comprehensive income and equity</u>	
	<u>2025</u>	<u>2024</u>
	KD	KD
Financial assets at fair value through profit or loss	<u>183,983</u>	<u>59,138</u>

There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

The effect of decrease in equity price is expected to be equal and opposite to the effect of the increases shown above.

**21. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)**

**21.2 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets which potentially subject the Company to credit risk consist principally of accounts receivable and other debit balances (excluding prepaid expenses), term deposit, bank balances (including restricted bank balances), and short term deposit. The Company's term deposit, bank balances (including restricted bank balances) and short term deposit are placed with high credit rating financial institutions.

*Accounts receivable*

The Company applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all account receivables as these items do not have a significant financing component. In measuring the expected credit losses, accounts receivable have been assessed on a collective basis and grouped based on shared credit risk characteristics and the days past due.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, service type and customer type). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Company's accounts receivable using a provision matrix:

**31 December 2025**

	<i>Less than 365 days</i>	<i>More than 365 days</i>	<b>Total</b>
	KD	KD	KD
Expected credit loss rate	-	100%	
Gross carrying amount	214,795	153,647	368,442
Expected credit losses	-	153,647	153,647

**31 December 2024**

	<i>Less than 365 days</i>	<i>More than 365 days</i>	<b>Total</b>
	KD	KD	KD
Expected credit loss rate	-	100%	
Gross carrying amount	188,827	153,647	342,474
Expected credit losses	-	153,647	153,647

Accounts receivable are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to make payments within 365 days from the invoice date and failure to engage with the Company on alternative payment arrangement among others is considered indicators of no reasonable expectation of recovery and therefore is considered as credit impaired.

**Notes to the financial statements**

For the year ended 31 December 2025

**21. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)**

**21.2 Credit risk (Continued)**

*Term deposit, bank balances (including restricted bank balances) and short term deposit*

The Company's term deposit, bank balances (including restricted bank balances) and short term deposit measured at amortized cost are considered to have a low credit risk and the loss allowance is based on the 12 months expected loss. The management believes that the Company's term deposit, bank balances (including restricted bank balances) and short term deposit are placed with high credit rating financial institutions with no previous history of default. Based on management's assessment, the expected credit loss impact arising from such financial assets are insignificant to the Company.

The Company's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the financial position date, as summarised below:

	<u>2025</u>	<u>2024</u>
	KD	KD
Accounts receivable and other debit balances (excluding prepaid expenses)	3,413,584	290,243
Term deposit	5,656,500	7,000,000
Bank balances (including restricted bank balances) and short-term deposit	1,314,730	4,438,093
	<u>10,384,814</u>	<u>11,728,336</u>

**21.3 Liquidity risk**

Liquidity risk is the risk that the Company will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

Ultimate responsibility for liquidity risk management rests with the shareholders, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The maturity profile of financial liabilities is as follows:

<b>31 December 2025</b>	<u>Less than one year</u>	<u>More than one year</u>	<u>Total</u>
	KD	KD	KD
Lease liabilities	110,461	75,603	186,064
Accounts payable and other credit balances	508,248	-	508,248
	<u>618,709</u>	<u>75,603</u>	<u>694,312</u>
<b>31 December 2024</b>	<u>Less than one year</u>	<u>More than one year</u>	<u>Total</u>
	KD	KD	KD
Lease liabilities	186,271	116,973	303,244
Accounts payable and other credit balances	394,302	-	394,302
	<u>580,573</u>	<u>116,973</u>	<u>697,546</u>

**21. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)**

**21.4 Capital risk management**

A key objective of the Company is to maximize shareholders' value with optimal levels of risk, whilst maintaining a strong capital base to support the development of its business. The Company's management of capital risks is supported by a risk committee that advises on these risks and the appropriate risk governance framework for the Company. The risk committee provides assurance that the Company's capital risk activities are governed by appropriate policies and procedures and that risks are identified, measured, and managed in accordance with the Company's policies and risk objectives.

**22. 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.

In the opinion of the Company's management, the estimated fair value of financial assets and liabilities are not materially different from their carrying values.

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: inputs are quoted prices (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs are those derived from valuation techniques that include inputs for the asset or liability by either directly or indirectly.

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 statement of financial position are grouped into the fair value hierarchy as follows:

<b>31 December 2025</b>	<b>Level 1</b>	<b>Level 3</b>	<b>Total</b>
	KD	KD	KD
<b><i>Financial assets at fair value through profit or loss ("FVPL")</i></b>			
Local quoted equity securities	141,607	-	141,607
Local unquoted equity securities	-	23,400	23,400
Investment funds	-	3,514,651	3,514,651
	<u>141,607</u>	<u>3,538,051</u>	<u>3,679,658</u>

**22. FAIR VALUE MEASUREMENT (CONTINUED)**

<b>31 December 2024</b>	<u><b>Level 1</b></u>	<u><b>Level 3</b></u>	<u><b>Total</b></u>
	KD	KD	KD
<i><b>Financial assets at fair value through profit or loss (“FVPL”)</b></i>			
Local quoted equity securities	142,500	-	142,500
Local unquoted equity securities	-	22,740	22,740
Investment funds	-	<u>1,017,522</u>	<u>1,017,522</u>
	<u>142,500</u>	<u>1,040,262</u>	<u>1,182,762</u>

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

**Reconciliation of Level 3 fair value measurements:**

	<u><b>2025</b></u>	<u><b>2024</b></u>
	KD	KD
1 January	1,040,262	1,035,502
Additions during the year	2,898,518	-
Change in fair value	(7,472)	20,261
Redemption during the year	(393,257)	(15,278)
Disposal during the year	-	(223)
31 December	<u>3,538,051</u>	<u>1,040,262</u>

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The sensitivity of the changes in the prices of local unquoted equity securities is insignificant to the Company.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

During the year, there were no transfers between level 1, level 2 and level 3.

**23. FIDUCIARY ASSETS**

Effective July 2025, the Capital Markets Authority (“CMA”) launched a post-trade framework, including the Qualified Broker Model, under CMA Resolution No. 101/2025. Among other matters, this framework requires brokers to segregate and safeguard client assets in accordance with CMA Rulebook Module 7 – Clients’ Funds and Assets, and to maintain regulatory collateral/margin with the CMA-licensed Clearing Company to support trading, settlement, and risk management activities.

Accordingly, the Company holds and administers certain client bank accounts in a fiduciary capacity. These client assets are segregated from the Company’s own assets, and the Company has no ownership interest or recourse to these balances, nor do the clients have recourse to the Company’s general assets.

As such, these fiduciary assets are excluded from the Company’s financial statements in accordance with IFRS Accounting Standards, as they do not meet the criteria for recognition. The total balance of such client assets under custody amounted to KD 35,947,210 (31 December 2024: Nil).

**24. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current year’s presentation. Such reclassification did not affect previously reported statement of comprehensive income, equity or opening balances of the earliest comparative period presented and accordingly, a third statement of financial position was not presented.

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