

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

Interim Condensed Financial Information (Unaudited)
And the review report
For the three month period ended 31 March 2022

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

Interim Condensed Financial Information (Unaudited) and the Review Report
For the three month period ended 31 March 2022

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Review Report on Interim Condensed Financial Information

To the Board of Directors

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

State of Kuwait

Introduction

We have reviewed the interim condensed financial information of Al Sharq Financial Brokerage Company K.S.C. (Closed) (“the Company”), which comprise the interim condensed statement of financial position as at 31 March 2022, and the interim condensed statements of comprehensive income, changes in equity and cash flows for the three month period then ended. The preparation and fair presentation of this interim condensed financial information is the responsibility of the Company's management in accordance with IAS 34: “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of Review

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

Conclusion

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

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed financial information is in agreement with the books of account of the Company. We further report that nothing has come to our attention indicating any violations of the Companies' Law No. 1 of 2016, and its Executive Regulations, as amended, or of the Company's Articles of Association and Memorandum of Incorporation, as amended, or of the Law No. 7 of 2010 concerning the Establishment of Capital Markets Authority and Organization of Securities Activity and its Executive Regulations, as amended, during the three month period ended 31 March 2022 that would materially affect the Company's activities or its interim condensed financial position.

Faisal Saqer Al Saqer
Licence No. 172 – A
BDO Al Nisf & Partners

Kuwait: ----- 2022

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

Interim Condensed Statement of Financial Position (Unaudited)
As at 31 March 2022

	Notes	31 March 2022 KD	(Audited) 31 December 2021 KD	31 March 2021 KD
Assets				
Non-current assets				
Furniture and equipment		91,927	95,696	99,501
Right of use		125,385	155,965	221,549
Intangible assets		74,480	20,480	24,349
Restricted bank balances	3	576,377	786,090	444,963
		<u>868,169</u>	<u>1,058,231</u>	<u>790,362</u>
Current assets				
Accounts receivable and other debit balances		299,467	219,952	269,622
Financial assets at fair value through profit or loss	8	1,343,784	1,308,203	387,530
Cash and cash equivalents	3	10,658,662	10,204,669	10,419,954
		<u>12,301,913</u>	<u>11,732,824</u>	<u>11,077,106</u>
Total assets		<u>13,170,082</u>	<u>12,791,055</u>	<u>11,867,468</u>
Equity and liabilities				
Equity				
Share capital		10,000,000	10,000,000	10,000,000
Statutory reserve		825,626	825,626	716,058
Retained earnings		1,579,318	1,162,484	387,749
Total equity		<u>12,404,944</u>	<u>11,988,110</u>	<u>11,103,807</u>
Liabilities				
Non-current liabilities				
Employees' end of service benefits		301,075	287,912	338,189
Lease liabilities		39,765	39,765	99,344
		<u>340,840</u>	<u>327,677</u>	<u>437,533</u>
Current liabilities				
Lease liabilities		96,251	125,518	121,154
Accounts payable and other credit balances	4	324,261	349,750	204,974
		<u>420,512</u>	<u>475,268</u>	<u>326,128</u>
Total liabilities		<u>761,352</u>	<u>802,945</u>	<u>763,661</u>
Total equity and liabilities		<u>13,170,082</u>	<u>12,791,055</u>	<u>11,867,468</u>

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

Hesham Salem Al Roomi
Chairman

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

Interim Condensed Statement of Comprehensive Income (Unaudited)

For the three month period ended 31 March 2022

	Note	Three month ended	
		31 March	
		2022	2021
		KD	KD
Income:			
Trading commission income	5	575,330	370,931
Net investment income		88,905	21,923
		<u>664,235</u>	<u>392,854</u>
Expenses and charges:			
General and administrative expenses		239,490	220,812
Provision for expected credit losses		-	129
Finance costs		2,164	2,311
		<u>241,654</u>	<u>223,252</u>
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat		422,581	169,602
Contribution to Kuwait Foundation for the Advancement of Sciences		(3,786)	(1,696)
ZAKAT		(1,961)	(1,587)
Total comprehensive income for the period		<u>416,834</u>	<u>166,319</u>

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

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

Interim Condensed Statement of Changes in Equity (Unaudited)

For the three month period ended 31 March 2022

	Share capital	Statutory reserve	Retained earnings	Total equity
	KD	KD	KD	KD
At 1 January 2021	10,000,000	716,058	721,430	11,437,488
Total comprehensive income for the period	-	-	166,319	166,319
Dividends paid (Note 7)	-	-	(500,000)	(500,000)
At 31 March 2021	<u>10,000,000</u>	<u>716,058</u>	<u>387,749</u>	<u>11,103,807</u>
At 1 January 2022	10,000,000	825,626	1,162,484	11,988,110
Total comprehensive income for the period	-	-	416,834	416,834
At 31 March 2022	<u>10,000,000</u>	<u>825,626</u>	<u>1,579,318</u>	<u>12,404,944</u>

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

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

Interim Condensed Statement of Cash Flows (Unaudited)
For the three month period ended 31 March 2022

	Note	Three month ended	
		31 March	
		2022	2021
		KD	KD
Operating activities			
Profit for the period		416,834	166,319
<i>Adjustments for:</i>			
Depreciation		10,000	6,300
Amortization of right of use and intangible assets		34,580	22,990
Provision for expected credit losses		-	129
Net investment income		(88,905)	(21,923)
Finance costs		2,164	2,311
Employees' end of service indemnity benefits		13,163	9,000
		<u>387,836</u>	<u>185,126</u>
<i>Changes in working capital:</i>			
Accounts receivable and other debit balances		(79,515)	(111,162)
Accounts payable and other credit balances		(21,703)	(68,169)
Cash flows from operations		<u>286,618</u>	<u>5,795</u>
Net movement in restricted bank balances		209,713	60,998
Employees' end of service benefits paid		-	(20,007)
Net cash flows generated from operating activities		<u>496,331</u>	<u>46,786</u>
Investing activities			
Purchases of furniture and equipment		(6,231)	(23,165)
Purchases of intangible assets		(58,000)	-
Purchase of financial assets at fair value through profit or loss		-	(164,545)
Interest income received		53,324	31,969
Net cash flows used in investing activities		<u>(10,907)</u>	<u>(155,741)</u>
Financing activities			
Dividends paid		-	(871,472)
Payment of lease liabilities		(31,431)	(34,963)
Net cash flows used in financing activities		<u>(31,431)</u>	<u>(906,435)</u>
Net movement on cash and cash equivalents		<u>453,993</u>	<u>(1,015,390)</u>
Cash and cash equivalents at beginning of the period		10,204,669	11,435,344
Cash and cash equivalents at end of the period	3	<u>10,658,662</u>	<u>10,419,954</u>

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

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

Notes to Interim Condensed Financial Information (Unaudited)

For the three month period ended 31 March 2022

1. Incorporation and Activities

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

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

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

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

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

- Securities broker not registered with the stock exchange market.

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

The Company's total number of employees is --- employees as at 31 March 2022 (31 December 2021: 51 employees and 31 March 2021: 52 employees).

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

The interim condensed financial information of the Company for the three month period ended 31 March 2022 was authorised for issue by the Board of Directors on ----- 2022.

2. Basis of preparation

This interim condensed financial information has been prepared in accordance with the IAS 34 “Interim Financial Reporting”. It does not include all the information required for preparation of complete financial statements in accordance with the International Financial Reporting Standards (“IFRSs”). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s interim condensed financial position and performance since the last annual audited financial statements. So, please refer to the Company's last annual audited financial statements for the financial year ended 31 December 2021 (“last annual financial statements”).

Notes to Interim Condensed Financial Information (Unaudited)

For the three month period ended 31 March 2022

2. Basis of preparation (Continued)

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the three month period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022. For further information, refer to the Company's annual audited financial statements for the year ended 31 December 2021.

Significant accounting policies

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

Use of judgments and estimates

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

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

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

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

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

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

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

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

Notes to Interim Condensed Financial Information (Unaudited)

For the three month period ended 31 March 2022

3. Cash and cash equivalents

	31 March 2022	(Audited) 31 December 2021	31 March 2021
	KD	KD	KD
Cash and bank balances	938,662	1,124,669	419,954
Short term deposits	9,720,000	9,080,000	10,000,000
*Restricted bank balances	<u>576,377</u>	<u>786,090</u>	<u>444,963</u>
Cash on hand and at banks	11,235,039	10,990,759	10,864,917
Less: restricted bank balances	<u>576,377</u>	<u>(786,090)</u>	<u>(444,963)</u>
Cash and cash equivalents	<u>10,658,662</u>	<u>10,204,669</u>	<u>10,419,954</u>

- The profit rate on short term deposits is 1.7% (31 December 2021: 1.25% to 1.77% and 31 March 2021: 1.625% per annum).
- *Restricted bank balances represent bank accounts restricted in favor of Kuwait Clearing Company K.S.C. ("KCC") to guarantee the brokerage operations. The authorization granted to Kuwait Clearing Company to manage these bank accounts is irrevocable.

4. Accounts payable and other credit balances

	31 March 2022	(Audited) 31 December 2021	31 March 2021
	KD	KD	KD
Accounts payable	80,187	20,073	26,038
Dividends payable (Note 6)	108,286	107,467	107,467
Employees' accrued leave	51,928	47,805	54,629
Accrued expenses	801	91,346	4,013
Accrued committees' remuneration (Note 6)	38,000	38,000	-
Accrued Board of Directors' remuneration (Note 6)	25,000	25,000	-
Contribution to Kuwait Foundation for the Advancement of Sciences	13,647	9,861	5,771
ZAKAT	<u>10,198</u>	<u>10,198</u>	<u>7,056</u>
	<u>328,047</u>	<u>349,750</u>	<u>204,974</u>

5. Trading commission income

The Company's trading commission income is as follows:

	Trading Division	
	For the three month period ended 31 March	
	2022	2021
	KD	KD
Trading commission income	575,330	370,931
Total revenue from contracts with customers	<u>575,330</u>	<u>370,931</u>
<i>Type of service</i>		
Trading commission income – listed shares	565,081	361,085
Trading commission income – unlisted shares	9,424	9,846
Total revenue from contracts with customers	<u>575,330</u>	<u>370,931</u>

Al Sharq Financial Brokerage Company K.S.C. (Closed)
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Notes to Interim Condensed Financial Information (Unaudited)
For the three month period ended 31 March 2022

5. Trading commission income (Continued)

	Trading Division	
	For the three month	
	period ended 31 March	
	2022	2021
	KD	KD
<i>Geographical markets</i>		
State of Kuwait	575,330	370,931
Total revenue from contracts with customers	575,330	370,931
<i>Timing of revenue recognition</i>		
Services rendered at a point in time	575,330	370,931
	575,330	370,931

6. Related party balances and transactions

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

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

	31 March	(Audited)	31 March
	2022	31 December	2021
	KD	KD	KD
Statement of financial position:			
Accrued key management compensation	25,000	25,000	-
Dividends payable (Note 4)	108,286	107,467	107,467
Accrued committees' remuneration (Note 4)	38,000	38,000	-
Three month period ended			
31 March			
	2022	2021	
	KD	KD	
Statement of comprehensive income			
<i>KAMCO Investment Company K.S.C.P - Shareholder</i>			
Trading commission income	26,303	2,826	
Key management personnel Compensation			
Salaries and short-term benefits	19,315	15,000	

7. Annual General Assembly

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

Al Sharq Financial Brokerage Company K.S.C. (Closed)
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Notes to Interim Condensed Financial Information (Unaudited)

For the three month period ended 31 March 2022

8. Fair value measurement

The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date

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

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

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

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

31 March 2022	Level 1	Level 3	Total
	KD	KD	KD
<i>Financial assets at fair value through profit or loss</i>			
Local quoted securities	403,611	-	403,611
Local unquoted securities	-	940,173	940,173
	<u>403,611</u>	<u>940,173</u>	<u>1,343,784</u>
31 December 2021 (Audited)	Level 1	Level 3	Total
	KD	KD	KD
<i>Financial assets at fair value through profit or loss</i>			
Local quoted securities	368,031	-	368,031
Local unquoted securities	-	16,701	16,701
Investment fund	-	923,471	923,471
	<u>368,031</u>	<u>940,172</u>	<u>1,308,203</u>
31 March 2021	Level 1	Level 3	Total
	KD	KD	KD
<i>Financial assets at fair value through profit or loss</i>			
Local quoted securities	370,823	-	370,823
Local unquoted securities	-	16,707	16,707
	<u>370,823</u>	<u>16,707</u>	<u>387,530</u>