



بورصة الكويت  
BOURSA KUWAIT



# ANNUAL REPORT

31<sup>st</sup> December 2019



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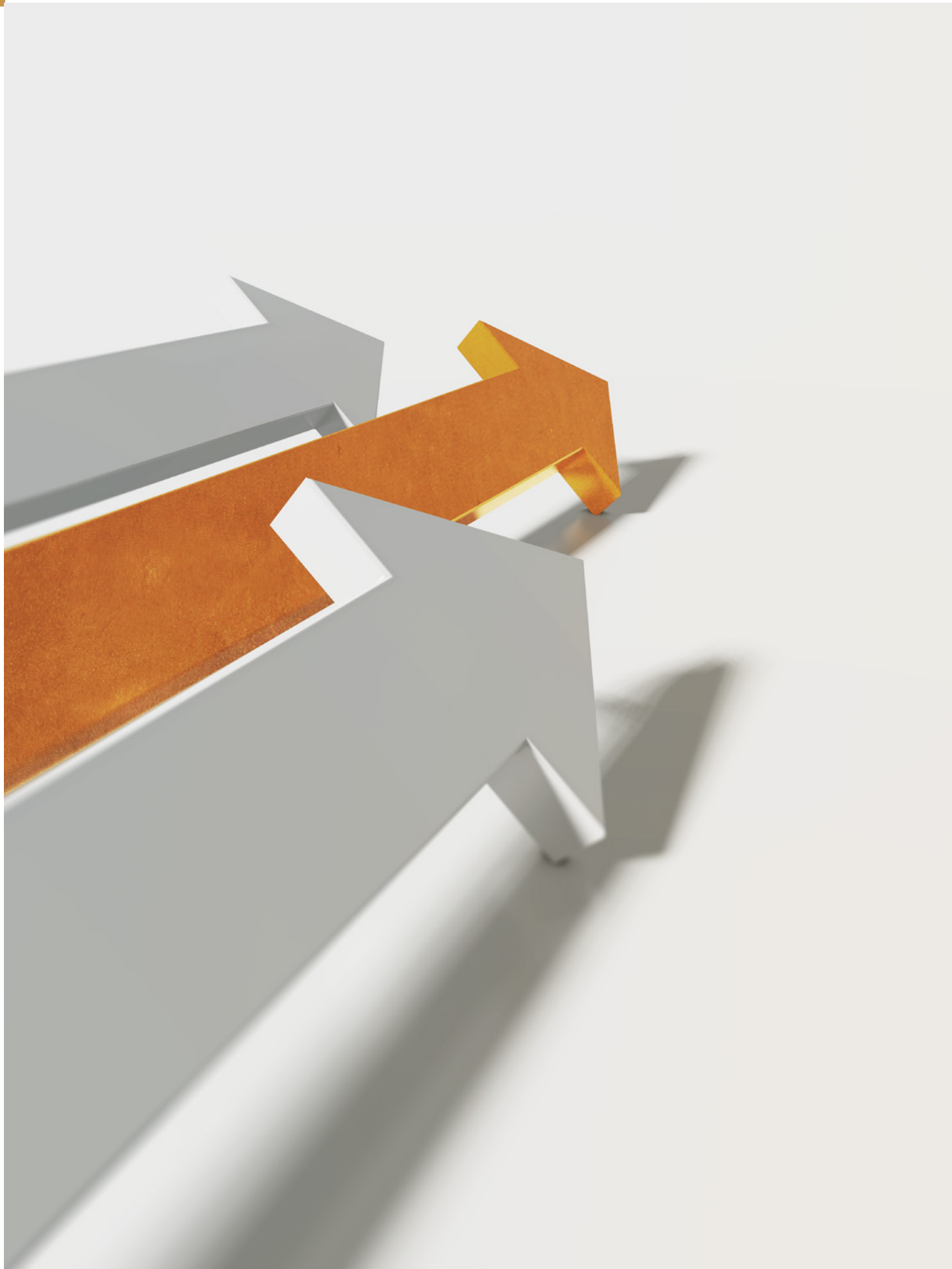




His Highness  
**Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah**  
The Amir of the State of Kuwait



His Highness  
**Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah**  
The Crown Prince of the State of Kuwait



## Table Of Contents

Company Overview	8
2019 Highlights	11
Statement From The Chairman	12
Statement From The CEO	14
The Company Strategy	16
Board Of Directors	18
Financial Performance Summary	22
Summary Of Market Performance	26
Timeline Of Achievements	36
Acheivements	38
Corporate Sustainability	42
Information Technology	47
Corporate Governance Report	48
Integrity Of Financial Report Assurance	74
Consolidated Financial Statements And Independent Auditor's Report	76

## Company Overview

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Boursa Kuwait was established in April 2014 by the Capital Markets Authority Commissioners' Council Resolution No. 37/2013, dated November 20, 2013. On April 25, 2016, Boursa Kuwait was entrusted to operate Kuwait Stock Exchange, and on October 5, 2016, the Capital Markets Authority, in its capacity as the regulator of securities activities, granted Boursa Kuwait an official license to practice the activity of a securities exchange, paving the way for the privatization of the company.

The first phase of privatization kicked off two years later in February 2019, when a consortium comprised of an international exchange and a group of Kuwaiti investment companies was awarded the bid for a 44% equity stake in the company. In December 2019, the privatization process was finalized after the initial public offering of the Capital Markets Authority's 50% stake in the company was offered to Kuwaiti citizens, with an oversubscription rate of 850%.

As a testament to the company's efforts, Boursa Kuwait became the only stock exchange in the Middle East owned by the private sector, also becoming the first government entity to undergo privatization. This step is expected to solidify Kuwait's role as a leading financial hub in the region, in line with the "New Kuwait 2035" state development plan, giving the private sector a larger role in developing the national economy and its diversification.

Since its inception, and through the scope of its strategy, Boursa Kuwait has played a pivotal role in the development of Kuwait's capital market, adopting the best-in-class international standards. The company has strived valiantly to meet the needs of the market, offering competitive investment products and services and restructuring the market and its infrastructure to increase its efficiency and effectiveness through increasing liquidity, raising investor confidence and attracting investments on both the local and international level. As a result of this strategy, and the myriad progressive market reforms the company has undertaken, the Kuwaiti capital market is a pioneer in the region and was recently reclassified as an Emerging Market by MSCI in December 2019. This comes after the recent reclassifications of Kuwait as an Emerging Market by both FTSE Russell, in September 2017, and S&P DJI in December 2018.

These achievements are a strong indicator of investors' confidence in the market and their willingness to invest in Kuwait. This is in response to the reforms implemented by Boursa Kuwait through diligent planning in collaboration with its partners - the Capital Markets Authority and the Kuwait Clearing Company. This is also a testament to the success of the company's strategy to reach and attract foreign institutional investors.

Boursa Kuwait's ongoing market reforms have paved the way towards the implementation of operational and regulatory reforms in the stock market. These aim to increase liquidity and capital, establish wealth, and facilitate the exchange of knowledge in order for the Kuwaiti private sector to grow and play a substantial part in the national economy.

The company has launched many products and services, including a comprehensive rulebook that enabled the seamless segmentation of the market according to international standards, as well as a transparent platform for Over the Counter (OTC) trading of stocks and securities. In 2019, Boursa Kuwait also introduced a package of products and enhancements, including Real Estate Investment Trusts (REITs), which will help attract more investors into the Kuwaiti capital market.





## Vision

We are working to develop a strong and efficient financial market with liquidity and transparency, that can effectively put issuers and investors in touch with one other for investment opportunities and high returns on investment to create a developed capital market that is a pioneer in the region.



## Mission

To develop an effective and fair platform for trading with high transparency, one that is able to provide financial and investment services efficiently for all, with a focus on excellence in each service we provide.



## Core Values

### Accountability

We take responsibility for our performance in the eyes of all. We are ready to be held accountable for our individual actions and to receive commensurate rewards for our hard work and achievements.

### Prudence

We continuously strive to achieve sustainable profits and returns for everyone, and are committed to taking prudent steps, stemming from our understanding of the risk factors that our organization and our clients are exposed to. Our diligence in managing these factors mitigates risks.

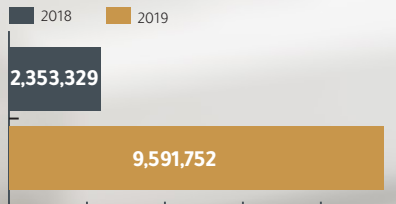
### Client Impact

We are results-oriented and strive to make a difference. We create sustainable impact with our work in our industry and communities, while delivering on our sustainability commitments.

### Professionalism

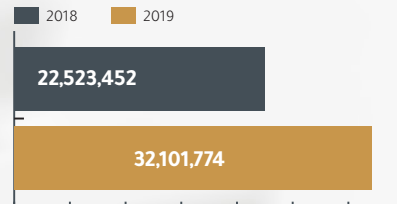
We adhere to widely accepted, proven international standards in our work. We deal with our customers, colleagues and all stakeholders in utmost professional manner.

# 2019 Highlights



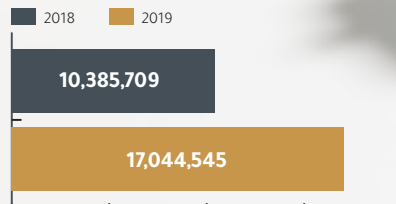
Net Profit (Kuwaiti Dinar)

↑ An increase of **307.58%**



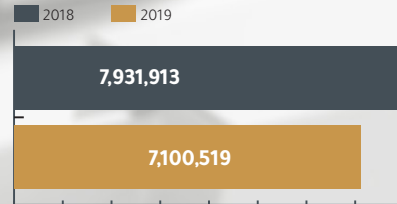
Total Equity (Kuwaiti Dinar)

↑ An increase of **42.53%**



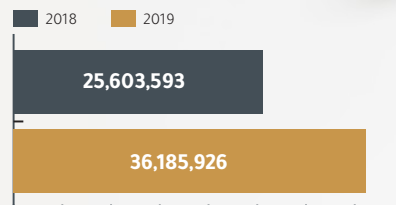
Total Income (Kuwaiti Dinar)

↑ An increase of **64.12%**



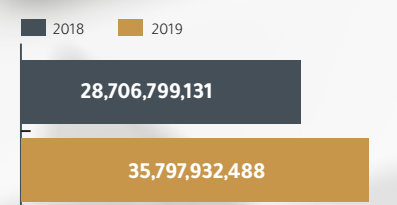
Total Operating Expenses (Kuwaiti Dinar)

↓ A decrease of **10.5%**



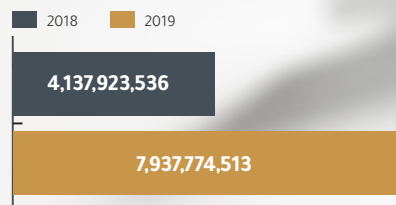
Total Assets (Kuwaiti Dinar)

↑ An increase of **41.33%**



Market Cap (Kuwaiti Dinar)

↑ An increase of **24.7%**



Value Traded (Kuwaiti Dinar)

↑ An increase of **91.83%**

# %32.4

The increase in the "Premier" Market Index, making it the best performing index in the GCC for 2019

## Statement from the Chairman

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### An effective strategy mapping our path to success

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Partners and shareholders,

It gives me and my colleagues on the Board and Executive Team great pleasure to present the fourth annual report of Boursa Kuwait, highlighting the most important developments witnessed by your company in 2019, and the financial statements of the company for the full year ended December 31, 2019.

The year 2019 was full of accomplishments for Boursa Kuwait and the Kuwaiti capital market, as the company continued its strategy in support of the “New Kuwait 2035” vision developed by His Highness the Emir, Sheikh Sabah Al-Ahmad Al-Sabah, in an effort to place the Kuwaiti market on the investment map as one of the best financial markets, and to raise the country’s profile to become a regional commercial and financial center.

In 2019, we made significant progress on our journey to become a prominent stock exchange in the Middle East and a capital market ranked by the most prominent international providers of equity, fixed income, hedge fund stock market indexes, and multi-asset portfolio analysis tools.

As a result of the continuous development and improvement of the market, Kuwait ended the year as the best performing GCC market, with a 32.44% increase in its “Premier” Market index and a 23.68% increase in the All-Share index. The company also achieved a net profit of KD 9.6 million, an increase of over 307% over the net profit for 2018, which is considered the highest since its establishment.

Boursa Kuwait also made many notable achievements in its development process, perhaps most prominently was the completion of its privatization process. With that, the company became the first government entity in the country to undergo successful privatization as well as the first and only stock exchange owned by the private sector in the Middle East, with private investors owning 94% of shares of issued and paid up capital.

As a result of fruitful cooperation between Boursa Kuwait, the Capital Markets Authority and the Kuwait Clearing Company, Kuwait was officially reclassified into an “Emerging Market” in the MSCI Emerging Markets Index. This milestone will allow Boursa Kuwait to continue its path towards achieving its strategy to develop a strong financial market with high liquidity and transparency, and also provide an effective financial trading platform that delivers investment services efficiently to all investors regardless of classification.

As we look ahead in our development journey, I would like to reiterate the Board’s endorsement of the company’s strategy for its future growth. We continue to support its infrastructure development

plans, adopting best in-class international standards internally and in the building of a robust trading platform that is highly competitive and can gain investors’ confidence as well as diversify their base, offering attractive investment opportunities for all.

Finally, I would like to thank our Board of Directors and the members of our Executive Team for their unlimited contributions in supporting Boursa Kuwait’s strategy that impacts the Kuwaiti capital market’s development and its rise on the international investment map and all company employees for their active contribution to these achievements. It also gives me pleasure to thank our partners, the Capital Markets Authority and the Kuwait Clearing Company, for their cooperation and support, and to all the issuers, investors, brokers and market participants for continuing to put their trust in us. I have full confidence in our ability to take confident steps forward towards achieving Boursa Kuwait’s vision and strategic goals to develop a credible and liquid financial market that is able to create opportunities for issuers to communicate with investors to create diversified opportunities to achieve the best returns on investment and will help to create an developed and leading capital market on the regional level.

**Hamad Mishari Al-Humaidhi**

Chairman - Boursa Kuwait

## Statement from the Chief Executive Officer

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### A journey of accomplishments sets the path and broadens the horizon for investors

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Boursa Kuwait has taken a step towards establishing its leadership in the regional financial markets industry and driving its advancement to new levels of development and growth with its ambitious strategy for 2019. This strategy has enabled us to occupy a prominent position on the global stock exchange map, attracting investments to not only advance the Kuwaiti economy but also contribute to strengthening the country's standing by transforming it into a regional financial and commercial center, in line with the vision of the "New Kuwait 2035" state development plan.

The Kuwaiti financial market enjoyed an exceptional year in 2019 with the Kuwaiti capital market leading its Gulf Cooperation Council counterparts in terms of the performance of market indicators and the increase in the average daily trading values. The

successful and exceptional implementation of many organizational and operational improvements in the past few years has contributed to many accomplishments, the most important of which is the reclassification of Kuwait as an "emerging market" within the MSCI Emerging Markets Index as of 2020 following the positive results achieved by the country during the annual review process for 2019. This upgrade is a testament to the comprehensive and continuous market development efforts made by Boursa Kuwait, the Capital Markets Authority and the Kuwait Clearing Company during the past few years and represents the third upgrade for Kuwait to an emerging market after its reclassification in the FTSE Russell index in September 2017 and the S&P DJI index in December 2018.

The efforts of Boursa Kuwait and other Kuwaiti capital market participants paid off once again as the company became the first stock market owned by the private sector in the Middle East. The privatization process was carried out in two phases, the first of which was the award of a bid for a 44% equity stake in the company to a consortium of prominent Kuwaiti investment companies and a world-renowned exchange in February 2019. The second phase was the initial public offering of the Capital Markets Authority's 50% stake in the company to Kuwaiti citizens. The offering, which took place between October and December 2019, was oversubscribed by more than 850%.

Similarly, Boursa Kuwait focused on providing products and services that meet the need of all parties in line with international standards. In 2019, the company launched Intentional Crossing Orders in which a broker can enter a buy and sell orders that will be executed under certain conditions and controls. The company also offered four new products as a part of the third phase of the Market Development plan: Real Estate Investment Traded Funds (REITs), Swap Transactions, Tender Offer, Trade at last, as well as amendments to closing auctions mechanisms.

In terms of initiatives, the company organized a series of investor relations workshops and seminars in collaboration with the Middle East Investor Relations Association (MEIRA) and its Kuwait chapter highlighting the latest trends and international best practices for annual reports and IR websites.

Boursa Kuwait also arranged a series of roadshows and corporate days in New York, Boston, London, and Dubai, showcasing investment opportunities in the country and raising awareness among representatives of investment institutions, asset management companies, and portfolio managers of the Kuwaiti market. The events also helped Boursa Kuwait gain a deep understanding of the needs and expectations of investors and exchange experiences in order to develop a dynamic and diversified investment market in line with international best practices.

In closing, I would like to thank the Board of Directors for their unwavering support of the company's strategy and operations, as well as my fellow Executive Team and every employee of this company, who have all played a significant role in achieving the results we proudly record today. Their contributions are the bedrock of this company, and I am grateful for all their efforts in advancing the Kuwaiti capital market.

I would also like to extend my deepest gratitude to our partners, the Capital Markets Authority and the Kuwait Clearing Company, whose expertise, knowledge and professionalism have been reflected in each stage of the market's development. I have no doubt that we will continue to push ahead with our endeavors that continue to focus on developing and modernizing the Kuwaiti capital market, to further raise the country's economic position and help it become a stronger financial center on both regional and international levels.

**Mr. Mohammad Saud Al-Osaimi**  
CEO - Boursa Kuwait

## The Company Strategy

Boursa Kuwait's corporate strategy seeks to develop a more transparent and solvent capital market through the implementation of a group of enhancements and regulatory projects as well as the technology to raise the capital market's profile locally, regionally and around the world, in line with the "New Kuwait 2035" state development plan.

The company has continued its strategy in 2019, progressing with the process of restructuring and officially receiving all the tasks of managing the Kuwaiti stock exchange, to create an attractive investment environment. It has implemented many steps to keep pace with international practices and standards, forging ahead towards a bright future in which Kuwait is a regional and global investment destination and putting in place a multi-pillared plan to achieve its mission and vision, which are as follows:

### Increase the issuer base

This was accomplished through the adoption of best-in-class international practices and standards, as well as launching campaigns and creating new investment opportunities by sponsoring conferences and putting on roadshows and corporate days all over the world

### Create an attractive issuer base

This was achieved through market segmentation and new listing rules to help increase liquidity, and attracted companies to list on the stock exchange as well as creating alternative investment opportunities such as the Over the Counter (OTC) platform

### Develop an improved infrastructure and world-class working environment

This was accomplished by implementing new listing procedures and streamlining the relationship with the Capital Markets Authority and other market participants, as well as creating increased transparency by developing the disclosure procedures and making quarterly analyst conferences mandatory for "Premier" Market companies

### Develop a more comprehensive product line

This was achieved through the implementation and enhancement of products and their regulations, offering investors more opportunities to make a profit



## Board of Directors



**Mr. Hamad Mishari Ahmad Al-Humaidhi**  
Chairman of the Board

Mr. Hamad Al-Humaidhi has over forty-two years of experience in the legal, administration, and financial fields. He commenced his career in the legal department at the Public Institution for Social Security in Kuwait, where he took on many roles until progressing to the post of General Manager in 2014, a position he held until his departure in January 2019.

Mr. Al-Humaidhi has served as a member and Chairman of the Board of Directors for several financial and banking institutions in Bahrain, the UK and the UAE, including Ahli United Bank. He is the Chairman of the Board Corporate Governance Committee and a member of the Board Executive Committee at Boursa Kuwait.

Mr. Al-Humaidhi holds a bachelor's degree in law and sharia from Kuwait University.



**Mr. Ahmad Hamad Abdulrahman Al-Thunayan**  
Vice Chairman of the Board

Mr. Ahmad Al-Thunayan has over twenty-seven years of experience in finance and accounting across various sectors. He is currently the Chief Operations Officer at the Public Institution for Social Security in Kuwait. Prior to his appointment, he held several leadership positions including the Assistant Deputy Director of the Investment function at the Kuwait Fund for Arab Economic Development and was the Asset Management and Payables Manager at Mobile Telecommunications Company "Zain".

Mr. Al-Thunayan is a Board member at Agility and Iskan International for Real Estate Development. He is the Vice Chairman of the Board of Directors of Boursa Kuwait and also serves as a Board member in the Corporate Governance Committee and the Board Audit Committee.

He holds a bachelor's degree in accounting from Kuwait University.



**Mr. Bader Naser Mohammed Al-Kharafi**

Non-Executive Board Member

Mr. Bader Al-Kharafi has more than twenty years of experience in the financial, banking, industrial, and telecommunication sectors. He began his career with Al-Kharafi Group and held several leadership roles until reaching the position of Director of the Executive Committee in the industrial sector of Al-Kharafi Group. Mr. Bader is currently the Vice Chairman and CEO of Mobile Telecommunications Company "Zain".

In addition, he serves as the Chairman of Gulf Cable and Electrical Industries, Vice Chairman of Mobile Telecommunications Company Saudi Arabia and Injaz Kuwait, and as a Board member in the Middle East Advisory of Coutts & Co. (United Kingdom), Gulf Bank (Kuwait), Coca-Cola (Kuwait), United Stainless Steel Company (Bahrain), Foulath Holding (Bahrain), the Kuwait-British Friendship Society, and United Nations High Commissions for Refugees (UNHCR) Sustainability Board.

Mr. Bader is the Chairman of the Board Executive Committee and a member of the Board Nomination and Remuneration Committee at Boursa Kuwait.

He holds an MBA from the London Business School in the UK and a bachelor's degree in mechanical engineering from Kuwait University.



**Mr. Talal Jassim Mohammed Al-Bahar**

Non-Executive Board Member

Mr. Talal Al-Bahar has over seventeen years of experience in the financial sector and real estate investment and development.

Locally, Mr. Al-Bahar is the Chairman of IFA Hotels & Resorts and Vice Chairman and CEO of Kuwait Real Estate Company. He is also a Board member of the Commercial Real Estate Co. (Al-Tijaria) and First Takaful Insurance Company.

Internationally, he chairs the Board of Directors of IFA Hotels and Resorts Ltd. (South Africa), United Investments (Portugal) and Yotel Limited (UK), as well as serving on the Board of Directors of Kingdom-Beirut (Lebanon), Miami International Securities Exchange - MIAX (USA) and Miami International Holding (USA).

Previously, Mr. Al-Bahar served as Chairman of the Board of Directors of International Financial Advisors, and as Chairman and Managing Director of Kuwait Invest Holding, Jeezan Holding and Al-Deera Holding Company.

Mr. Talal is the Chairman of the Board Nomination and Remuneration Committee and a member of the Board Executive Committee at Boursa Kuwait. He holds a bachelor's degree in business administration from Loyola Marymount University.

## Board of Directors



**Mr. Khaled Waleed Khaled Al-Falah**

**Non-Executive Board Member**

Mr. Khaled Al-Falah has extensive experience in financial services and the industrial sector. He is currently the Business Development Director at M.A. Al Kharafi & Sons, as well as the Vice Chairman and CEO of MENA Capital. Previously, he was part of the Investment Banking Division at Goldman Sachs and the Investment Products Department at NBK Capital.

Mr. Al-Falah is a member of the Board of Directors at National Investments Company (NIC). He is the Chairman of the Board Risk Committee and a member of the Board Audit Committee at Boursa Kuwait.

Mr. Al-Falah holds a Bachelor's of Science degree in business administration from the University of Southern California.



**Mr. Raed Jawad Ahmad Bukhamseen**

**Independent Board Member**

Mr. Raed Bukhamseen has more than two decades of experience in the banking, real estate, and investment sectors. He is the Vice Chairman and Chief Executive Officer at Kuwait International Bank and the Chairman of Arab Investment Company.

Mr. Bukhamseen is a Board member at several pioneering companies including Bukhamseen Group Holding Company, Warba Insurance Company, The Shared Electronic Banking Services Company (KNET), Egyptian Gulf Bank (Egypt), Layan Real Estate Company (UAE), Souk Al-Salmiyah Real Estate Company, and Credit One Kuwait Holding Company. A member of the Board Risk Committee at Boursa Kuwait, he holds a bachelor's degree in business administration from Boston University.



**Mr. Faleh Abdullah Eid Al-Rogobah**  
Independent Board Member

Mr. Faleh Al-Rogobah has over thirty years of experience in the stock exchange industry and has held several positions at Kuwait Stock Exchange, most recently as General Manager.

Previously, he was the Deputy General Manager of Finance and Administration at the Kuwait Clearing Company. Mr. Al-Rogobah also served as a member of the Board of Directors in several financial and investment companies including the Kuwait Clearing Company and Kuwait Investment Company. He is the Chairman of the Board Audit Committee and a member of the Board Corporate Governance Committee at Boursa Kuwait.

Mr. Al-Rogobah holds an MBA from the University of Massachusetts and a bachelor's degree in commerce, economics, and political science from Kuwait University.



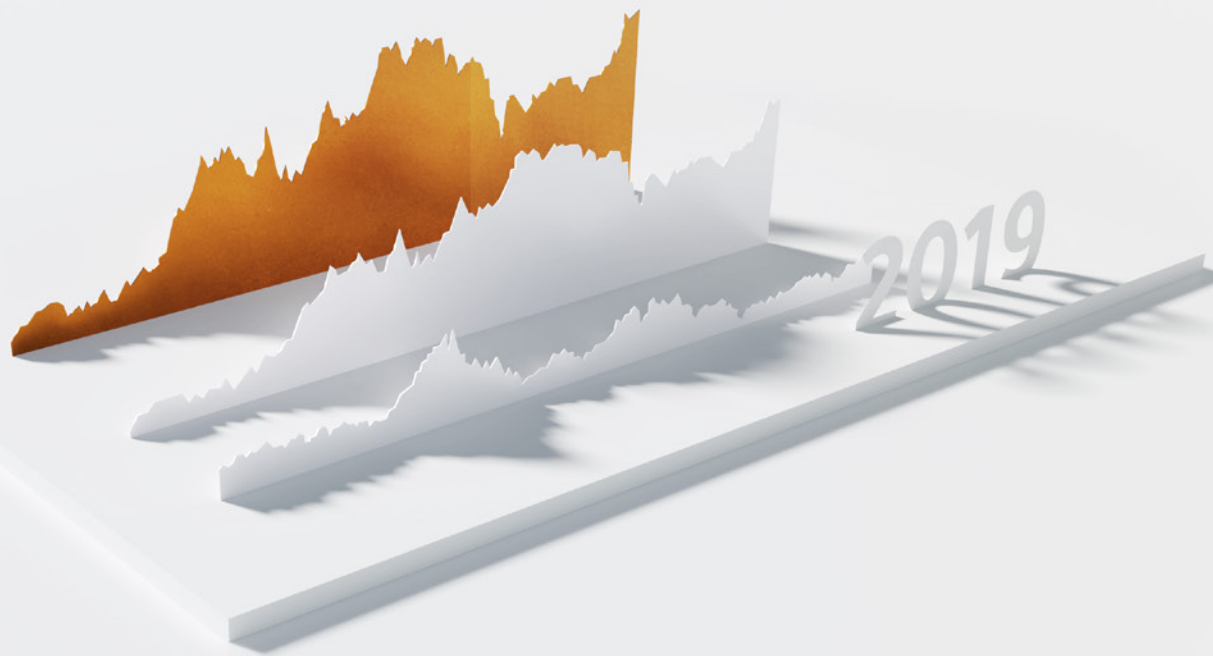
**Mr. Bader Abdulmohsen Nasser Al-Jeaan**  
Independent Board Member

Mr. Bader Al-Jeaan has more than twenty-four years of experience in legal, financial, and banking consultancy. He is the Founder and Senior Partner of Meysan Partners, a leading corporate law firm in Kuwait.

He currently sits on the Board of Directors of major financial businesses including the Kuwait Investment Authority. A member of the Board Risk Committee and Board Nomination and Remuneration Committee at Boursa Kuwait, Mr. Bader holds a bachelor's degree in economics from Harvard University, and Bachelor's and Master's degree in Law from Oxford University in the UK.

## Financial Performance Summary

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## Financial Highlights

2019 was one of Boursa Kuwait's best performing years as the company achieved a net profit of KD 9.6 million, its highest performance in four years. The recorded revenue was also the highest during the same period. The robust performance shows that the company is moving in the right direction in terms of implementing the various initiatives as formulated in its Market Development plans.

Furthermore, the strong performance was also underpinned by the resolute strategy implementation by the executive management team, disciplined cost management and improved traded volumes, which recorded an improvement of 92.7% from KD 4.1 billion to KD 7.9 billion.

The following tabulates the summary of financials for 2018 and 2019:

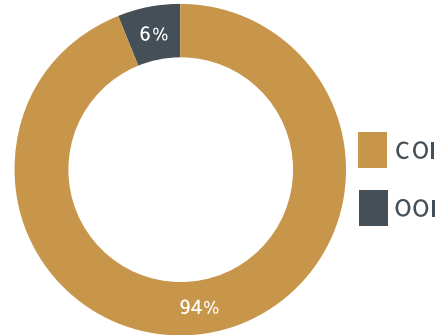
## Financial Performance Summary

	2018	2019
	KD	KD
Core Operating Income	8,399,648	14,202,928
Other Operating Income	1,132,840	898,246
Non-Operating Income	853,221	1,943,371
Total Expenses	(8,032,380)	(7,452,793)
Operating Profit	1,600,575	8,000,655
Net Profit	2,353,329	9,591,752
Total Assets	25,603,593	36,185,926
Total Liabilities	3,080,141	4,084,152
Total Equity	22,523,452	32,101,774
Total Operating Income Growth (%)	-1.5	58.4
Operating Profit Margin (%)	16.8	53.0
Cost to Income Ratio (%)	83.2	47.0
Net Profit Margin (%)	24.7	63.5
Basic Earnings Per Share (Fils)	14.5	48.5
Return on Average Assets (%)	9.3	31
Return on Average Equity (%)	15.7	35.1

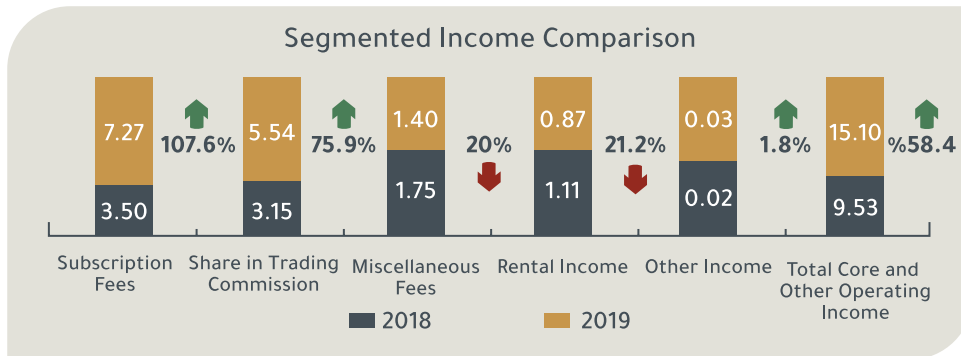
**Core and Other Operating Income**

In 2019, the presentation of the audited financial statements was changed to better reflect the various income-generating activities. Core Operating Income (COI) refers to fee-based activities and Other Operating Income (OOI) refers to rental income and other income.

Core Operating Income recorded a 69.1% increase from a year earlier to KD 14.2 million from KD 8.4 million. The revised subscription fees structure was implemented on 1 January 2019 from a capital-based basis to an average daily trading volume basis. Furthermore, there was an increase in traded volumes, which was primarily due to the inclusion into the FTSE Russell Emerging Markets Index and the lifting of the foreign ownership limit in Kuwaiti banks.

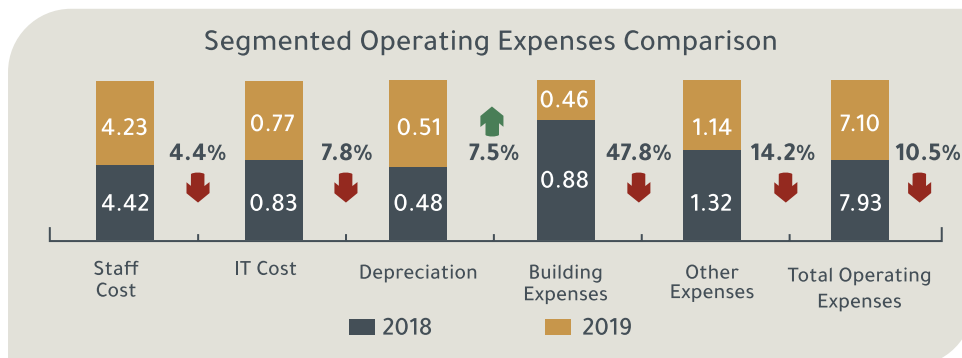
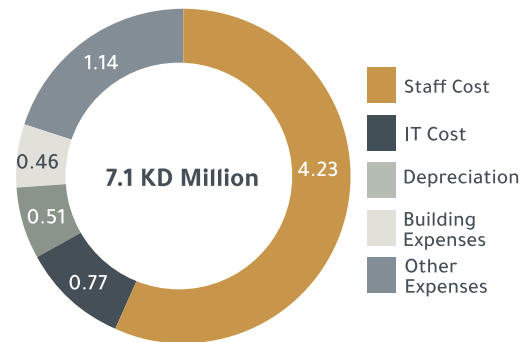


Meanwhile, Other Operating Income (OOI) decreased by 20.7% compared to a year earlier from KD 1.1 million to KD 0.9 million while other component of OOI recorded comparable result.



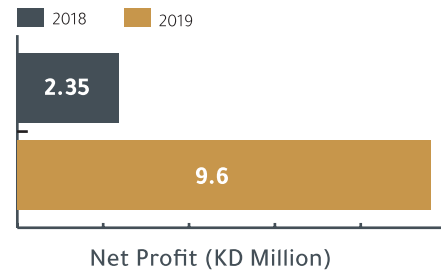
**Expenses**

Total operating expenses decreased by 10.5% from KD 7.9 million in 2018 to KD 7.1 million in 2019. Staff costs which represented 59.5% of the total operating expenses, recorded a marginal decrease of 4.4% from 2018. The remaining major expenses included maintenance, building expenses, depreciation and amortization and collection expenses, some are grouped under general and administrative expenses.



### Net Profit

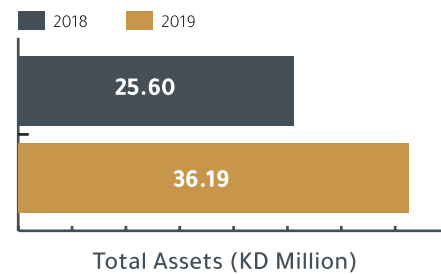
The net profit stood at KD 9.6 million compared to KD 2.35 million in 2018. The improvements were underpinned by improved income based on the reasons mentioned above and better control on costs as previously indicated.



### Total Assets

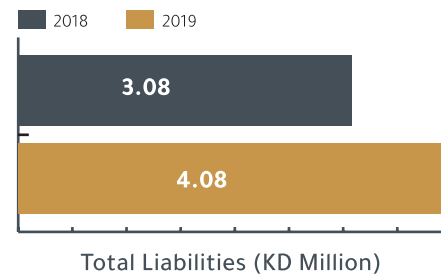
Total assets stood at KD 36.19 million, an increase of 41.3% compared to 2018. Pursuant to the adoption of IFRS 16 Leases, Boursa Kuwait recognized right of use assets of KD 0.9 million, which represents the unexpired terms of the lease of the headquarters. Correspondingly, a lease liability was created to represent the lease obligation towards the Ministry of Finance.

The main contributor to the increase in total assets is cash and cash equivalents, which is underpinned by increased operating cash flow.



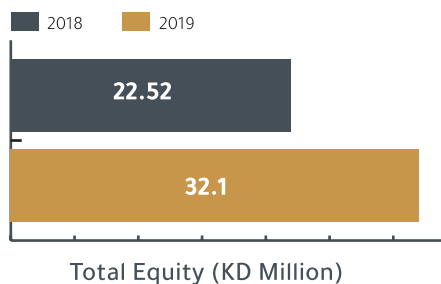
### Total Liabilities

Total liabilities stood by KD 4.08 million in 2019 compared to KD 3.08 million in 2018. The increase of 32.6% is mainly underpinned by the corresponding recognition of lease liability mentioned above.



### Total Equity

Total equity stood at KD 32.1 million in 2019 compared to KD 22.52 million in 2018.



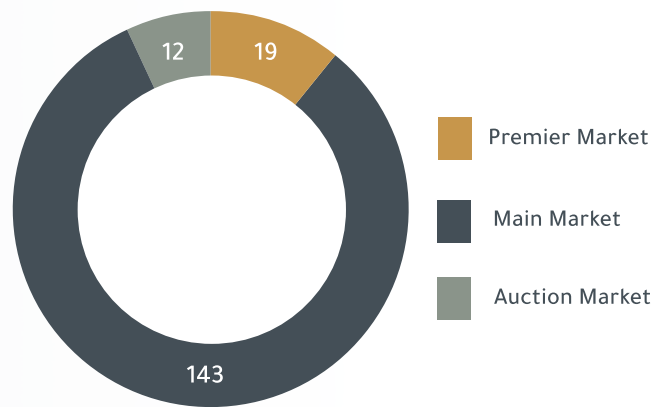
## Summary of Market Performance

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## Market Segmentation

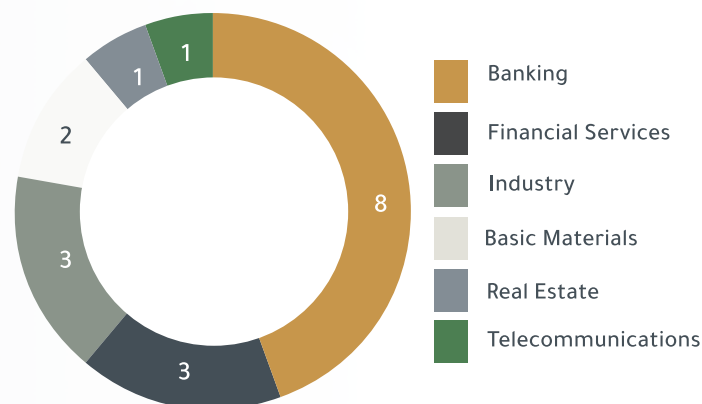
On April 1, 2018, Boursa Kuwait implemented a market segmentation mechanism, dividing the listed companies into the “Premier”, “Main”, and “Auction” markets. The segmentation was done in accordance with advanced and international best-in-class standards that meet the needs of the Kuwaiti market and enhance its transparency. The exchange aimed to be the first in the region to adopt and implement the process of segmentation and classifying the market in order to keep pace with global markets, developing tools that investors seek and look for when investing. The following are the details of the three markets and their components:



Listed Companies in Each Market

### “Premier” Market

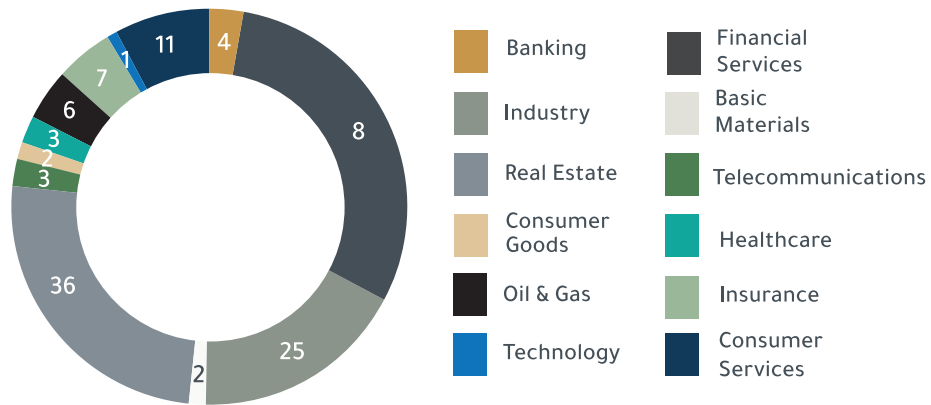
The “Premier” Market is the strongest of the three markets, targeting companies with high liquidity and a medium to big market value. Companies listed in this market are available in the “Premier” and “All-Share” market indices. The 19 companies listed in the “Premier” Market make up about 74.75% of the market value of companies listed on Boursa Kuwait, split into sectors as follows:



Number of Companies Listed in the “Premier” Market by Sector

**“Main” Market**

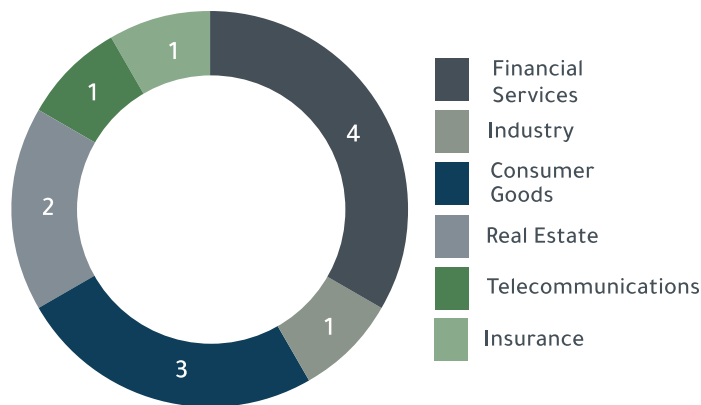
The “Main” Market is comprised of companies that do not qualify to be listed in the “Premier” Market, but enjoy enough liquidity to be listed among the list of most market participants. Companies listed on the “Main” Market meet all of the listing requirements and are included in the “Main” Market index as well as the “All-Share” index. There are 143 companies listed in the “Main” Market, which makes up about 25% of the market value of the exchange, split into these sectors:



Number of Companies Listed in the “Main” Market by Sector

**“Auction” Market**

The “Auction” Market is comprised of companies that do not qualify to be listed in the “Premier” or “Main” markets. These companies are not heavily traded regardless of their market value. Companies classified in this market do not meet the liquidity requirement, and accordingly, price limits are not applied to the shares listed in this market. The “Auction” Market does not have a special index, nor is it listed on any other indexes. The companies listed in the “Auction” Market also hold daily auctions to specify the liquidity level. There are 12 companies listed in the “Auction” Market, which makes up about 0.23% of the market value of the exchange, split into these sectors:



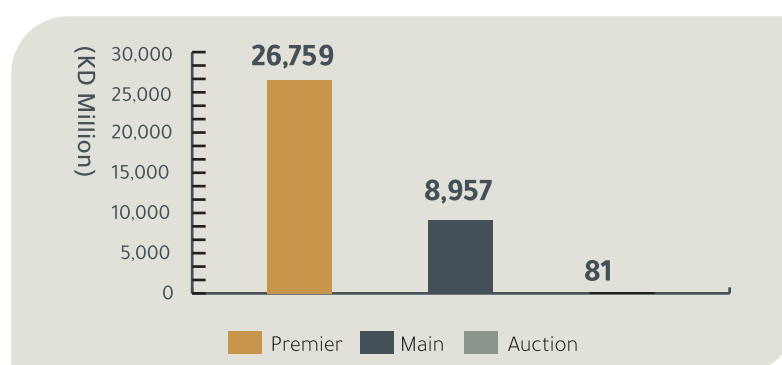
Number of Companies Listed in the “Auction” Market by Sector

## Market Performance

The market cap of the “Premier” Market came in at KD 26.76 billion as almost 15.25 billion securities were traded at a value of KD 6.4 billion completed through almost 796 thousand transactions. Meanwhile, the “Main” Market’s cap came in at KD 8.9 billion as almost 23.76 billion securities were traded at a value of KD 1.5 billion completed through almost 745 thousand transactions. Finally, the “Auction” Market came in at a market cap of KD 81.2 million with almost 29 million securities traded at a value of KD 603,000 completed through 1,199 transactions, bringing the total market cap of the Kuwaiti capital market to KD 35.8 billion, or what constituted a 24.7% increase over the market cap in 2018.

Market	Market Cap	Number of Transactions	Number of Securities Traded	Value of Securities Traded
Premier	26,759,477,924.60	796,360	15,254,060,236	6,420,943,774.28
Main	8,957,303,045.15	745,569	23,763,341,114	1,516,227,271.40
Auction	81,151,518.30	1,199	29,227,784	603,467.04
<b>Total</b>	<b>35,797,932,488.06</b>	<b>1,543,128</b>	<b>39,046,629,134</b>	<b>7,937,774,512.71</b>

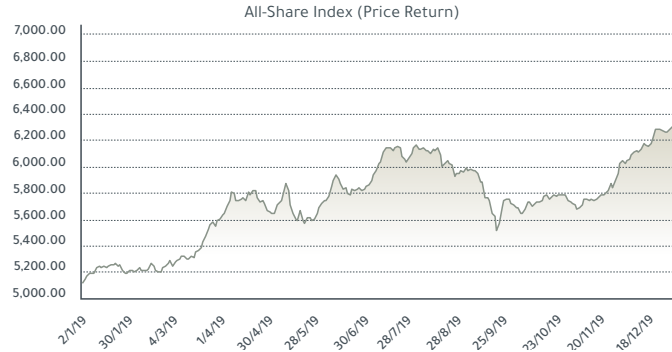
Market Cap



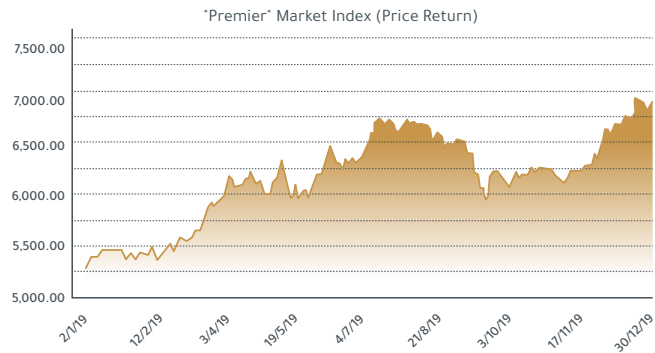
## Index Performance

Regulatory and operational enhancements made by Boursa Kuwait, and in association with the Capital Markets Authority and the Kuwait Clearing Company, have contributed to the reclassification of the Kuwaiti capital market to “Emerging Market” status by the world’s leading and most renowned index providers. The upgrade has positively impacted transactions throughout the year and led to improvements across all indexes.

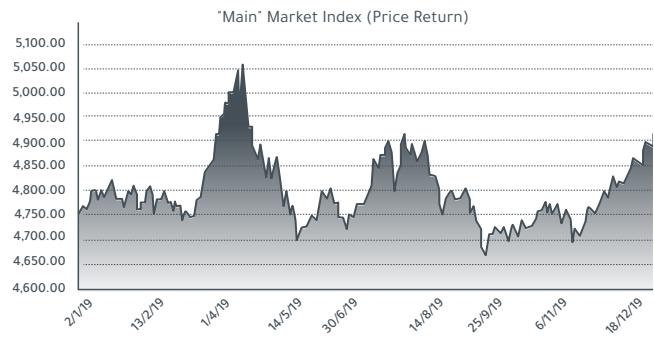
At the end of 2019, the “All-Share” index came in at 6,282 points, a 23.68% increase over its total of 5,079 in 2018, as shown in the following graph:



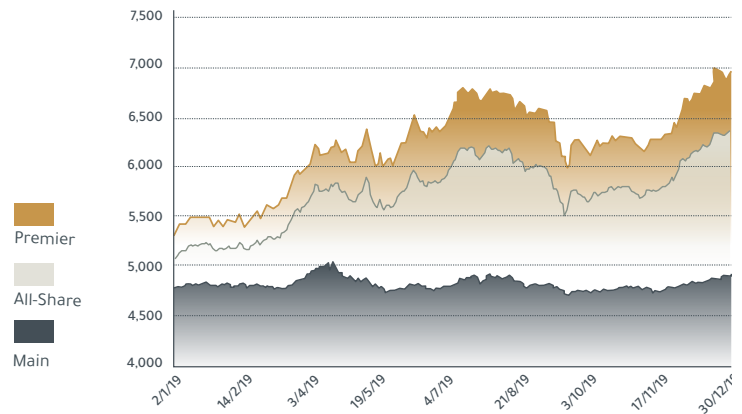
2019 saw a marked performance in the “Premier” Market’s index, as the index was the best performing among all market indexes throughout the year. The “Premier” Market index closed the year with almost 6,976 points in 2019, which is a 32.44% improvement over its 2018 total of 5,267, as shown in the graph below:



The “Main” Market index closed the year with around 4,911 points in 2019, compared to 4,739 in 2018, which is an increase of 3.63%, as shown below:



Comparison between “All-Share”, “Premier”, and “Main” Market Indexes

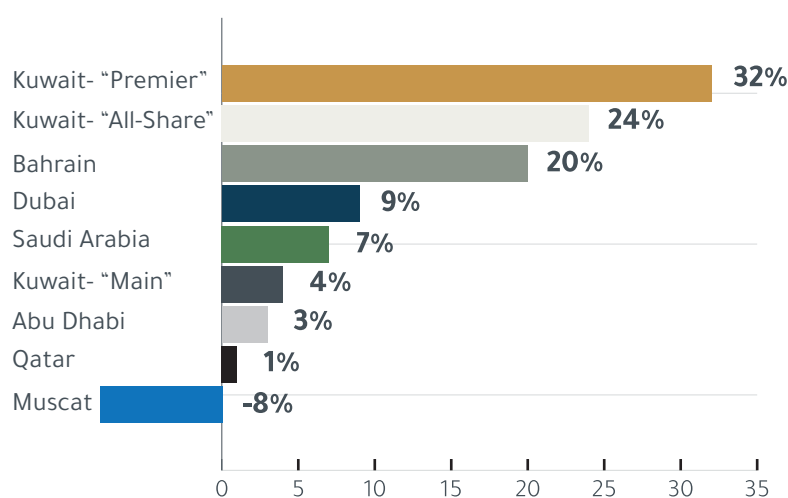


## Comparison between Kuwaiti market indexes and their GCC counterparts

The "All-Share" index closed the year with a 23.68% increase, while the "Premier" Market index led all GCC markets with a 32.43% increase in market performance. The quarterly review of the FTSE Russell index and the increase of Kuwait's weight in the index was a significant contributor to attracting more foreign inflows into the market, as was the inclusion of Kuwaiti companies in the S&P DJI Emerging Markets index in September 2019, which led to even more foreign investments.

Market	2018	2019	Change in Points	Percentage of Change
Kuwait- "Premier"	5,267	6,976	1708.6	32%
Kuwait - "All-Share"	5,080	6,282	1202.9	24%
Bahrain	1,337	1,610	272.92	20%
Dubai	2,530	2,765	235.11	9%
Saudi Arabia	7,827	8,389	562.5	7%
Kuwait - "Main"	4,739	4,911	172.13	4%
Abu Dhabi	4,915	5,076	160.7	3%
Qatar	10,299	10,426	126.5	1%
Muscat	4,324	3,981	- 342.55	-8%

GCC Market performance in 2019

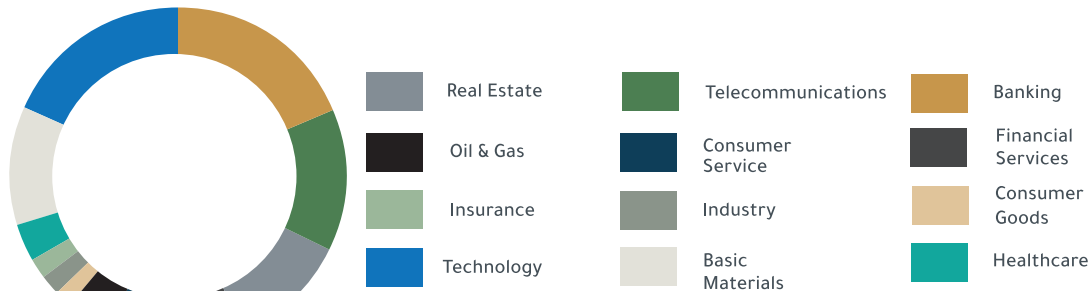


\* As reported by Kuwait Financial Centre - Markaz

## Performance of Market by Sector

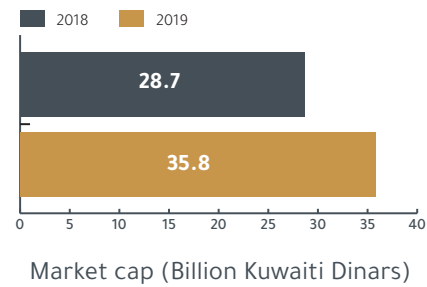
As for market performance by sector, the indexes of six sectors (out of a total of 12) saw an increase during 2019, with the Banking sector index seeing a growth of 35.69%, followed by a 25.82% increase in the Telecommunications sector index and a 21.73% increase in the Real Estate sector index. On the other hand, three sectors saw the biggest decrease in their indexes for 2019. The Technology sector index fell by 34.44%, while the Basic Materials sector index dropped by 21.67% and the Health Care sector index saw a decline of 6.57%.

Index	2018	2019	Change in Percent
Banking	1,093	1,483	35.69%
Telecommunications	888	1,117	25.82%
Real Estate	870	1,059	21.73%
Financial Services	934	1,081	15.83%
Consumer Services	985	1,072	8.81%
Oil and Gas	1,142	1,238	8.38%
Consumer Goods	656	637	-2.86%
Industry	964	928	-3.77%
Insurance	993	954	-3.93%
Health Care	947	885	-6.57%
Basic Materials	1,159	908	-21.67%
Technology	786	515	-34.44%

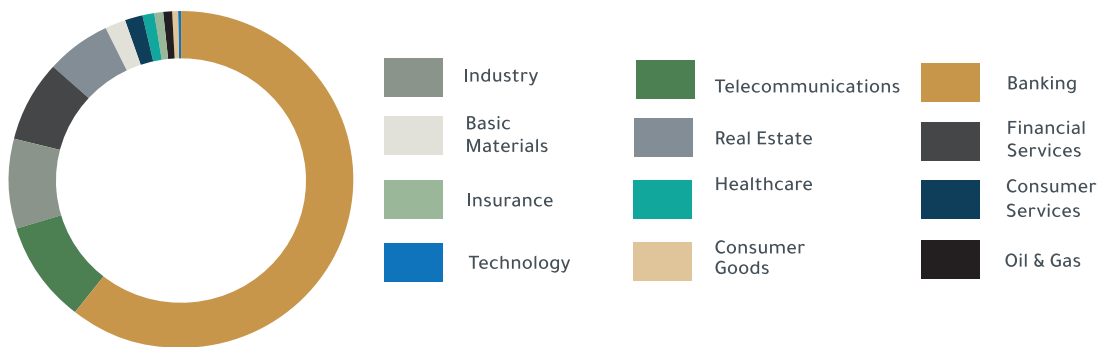


## Performance of Sectors According to Market Cap

Market cap increased in 2019 to around KD 35.8 billion, which is a 24.7% increase over the 2018 cap of KD 28.7 billion. The biggest share in market cap went to the Banking Sector index, followed by Telecommunications and Industry.

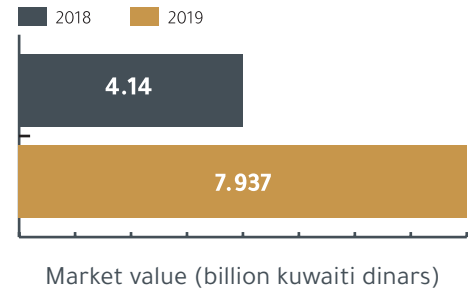


Index	Market Cap (Billion Kuwaiti Dinars)
Banking	21.685
Telecommunications	3.423
Industry	3.167
Financial Services	2.753
Real Estate	2.237
Basic Materials	0.767
Consumer Services	0.542
Health Care	0.439
Insurance	0.337
Oil and Gas	0.250
Consumer Goods	0.191
Technology	0.007



## Value of Securities Traded

The value of securities traded in 2019 came in at KD 7.937 billion, a 91.8% increase over the 2018 total of KD 4.138 billion. The Banking sector index saw the highest value of securities traded during the year, with around KD 4.87 billion worth of securities traded, which constituted 61.41% of the total value of securities traded. The Financial Services sector index came in with 13.16% of the total value of securities traded, which was around KD 1.04 billion.



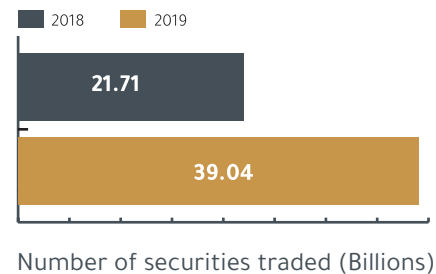
## Contributions to Market Value by Sector

The table below shows the value of the transactions made by the twelve sectors during 2019.

Sector	Market Value (Billion KD)	Percentage
Banking	4.8746	61.410%
Financial Services	1.0453	13.168%
Industry	0.7251	9.135%
Telecommunications	0.5758	7.253%
Real Estate	0.4527	5.703%
Basic Materials	0.1387	1.747%
Consumer Services	0.0598	0.7535%
Oil and Gas	0.0282	0.356%
Consumer Goods	0.0254	0.320%
Insurance	0.0115	0.144%
Health Care	0.0007	0.009%
Technology	0.0001	0.001%
<b>Total</b>	<b>7.9378</b>	

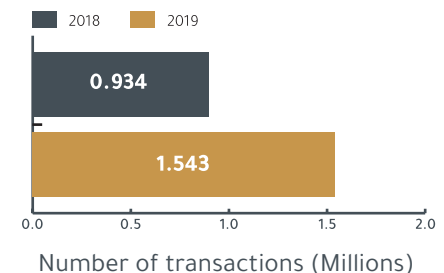
## Number of Securities Traded

The number of securities traded during 2019 saw an almost 80% increase over its 2018 total of 21.7 billion securities, to around 39 billion securities. The increase comes as an indicator of the positive impact caused by the continuous market developments made throughout the year.



## Number of Transactions

Boursa Kuwait saw a nearly 65% increase in the number of transactions in 2019 to reach a total of 1,543,128 transactions, as compared to 934,290 transactions made during 2018.



## Off-Market Trades

Off-market trades are those trades requiring a previous agreement between a buyer and a seller to execute the transaction on a listed security at an agreed price and quantity.

Off-market trades are considered highly important to foreign and institutional investors whose relatively big transactions can impact prices and liquidity. As such, Boursa Kuwait devised a mechanism to automate these transactions

There were 48 off-market trades made during 2019. The following chart shows the value of these trades.

	Value (Million Kuwaiti Dinars)	Number of Trades
Off-Market Trades	181.784	48

## Foreign Investments

Foreign investments in the Kuwaiti capital market saw a marked increase as foreign investors bought around KD 1.84 billion worth of securities, or an increase of 60%. The value of securities sold was around KD 1.2 billion or a 50.7% increase over last year. This tangible improvement came as a result of the FTSE Russell periodic review and Kuwait's increased weight in the Emerging Markets index. The inclusion of Kuwaiti companies in the S&P DJI Emerging Markets index in September 2019 also contributed to the increase in foreign investments.

Foreign Investments		
Year	Bought (Billion Kuwaiti Dinar)	Sold (Billion Kuwaiti Dinar)
2018	1.150	0.846
2019	1.84	1.275

# Timeline of Achievements

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## January

- ▶ Annual Results of Market Segmentation - Jan 13
- ▶ Annual Employee Event - Jan 23
- ▶ Kuwait College for Science and Technology MoU Signing - Jan 27
- ▶ CMA Fresh Graduates Tour - Jan 28

## April

- ▶ MEIRA IR Workshop - April 23
- ▶ Launch of MD3 Phase 1 - April 28
- ▶ London Corporate Day - April 29
- ▶ Passive Investing Panel - April 29

## February

- ▶ College of Business Administration Stock Exchanges Week - Feb 3
- ▶ Al Manar Listing - Feb 12
- ▶ Boursa 1st Phase of Privatization - Feb 14

## June

- ▶ MSCI Provisional Reclassification - June 26

## March

- ▶ GUST Career Fair - March 6-7
- ▶ Women's Empowerment - March 8
- ▶ London Roadshow - March 13

## September

- ▶ Derivatives Workshop - Sept 9
- ▶ GUST Tour of Boursa - September 23

## October

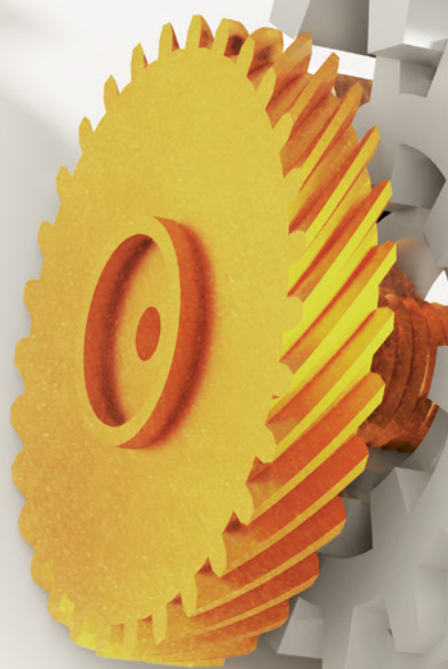
- ▶ Bursa Kuwait IPO - October 1
- ▶ World Federation of Exchanges Annual Meeting and General Assembly - October 8
- ▶ Intentional Crossing Orders - October 13
- ▶ GCC CMA & Heads of Stock Exchange Joint Meeting - October 28

## November

- ▶ Dubai Corporate Day - November 7
- ▶ MEIRA IR Workshop - November 24

## December

- ▶ New York / Boston Roadshow - December 2-4
- ▶ MSCI Official Reclassification - December 18



## Achievements

Boursa Kuwait continued its journey with marked achievements throughout 2019, focusing on launching products and services in line with its commitment to the transformation of Kuwait into an attractive investment destination in the region.

Boursa Kuwait's initiatives throughout the year, implemented with the support and cooperation of the Capital Markets Authority and the Kuwait Clearing Company, helped enhance the investment environment according to best-in-class international practices and standards. These endeavors resulted in increased liquidity, improved market competitiveness, and diversified investor and issuer bases. The enhancements and developments witnessed in the Kuwaiti capital market led it to become an attractive investment platform for issuers, investors and all market participants on all levels.

### Boursa Kuwait becomes region's only privatized stock exchange

In 2019, Boursa Kuwait became the only stock exchange in the Middle East owned by the private sector after finalizing its privatization process in two phases. The first phase of privatization kicked off in February 2019, when a consortium comprised of the Athens Stock Exchange, the National Investment Company, First Investment Company, and Arzan Financial Group was awarded the bid for a 44% equity stake in the company, while the Public Institution for Social Security was awarded 6% as a government institution. In the last quarter of 2019, the second phase of

privatization was initialized after the initial public offering of the Capital Markets Authority's 50% stake in the company was offered to Kuwaiti citizens, a process that was finalized successfully in December with an oversubscription rate of 850%.

Boursa Kuwait's privatization process, which also gives it the distinction of being the first Kuwaiti government entity to become fully privatized, is a strong incentive for the national economy, encouraging local and international participation in the market, either directly or through investment funds. It is also a strong incentive for foreign investments from across the world into the Kuwaiti market and creates innovative tools for retail investors as well.



## MSCI Inc. upgrades Kuwait to Emerging Market status in its Index

MSCI Inc., a leading provider of critical decision support tools and services for the global investment community, announced the reclassification of Kuwait to “Emerging Market” status, effective 2020. The landmark development comes as global recognition of the sweeping market development efforts undertaken by Boursa Kuwait, the Capital Markets Authority and the Kuwait Clearing Company, over the past few years.

The reclassification announcement occurred as a result of the successful completion of the implementation of MSCI’s recommendations, including the introduction of omnibus account structures and same National Investor Number (NIN) cross trades by the end of October, a month ahead of the stated deadline.

MSCI had granted conditional approval for the inclusion of Kuwait in the coveted index as part of the benchmark provider’s 2019 Annual Market Classification Review held on June 25, 2019, paving the way for increased participation from foreign investors in Kuwait’s capital market and driving significant capital inflows to the country

The official status upgrade follows the country’s inclusion in S&P DJI Global Equity Indices, with an Emerging Market classification in December 2018 and the FTSE Russell Emerging Markets Index in September 2017.

## Boursa Kuwait Launches Part One of the Third Phase of the Market Development Plan

Boursa Kuwait launched the first part of the third phase of its Market Development plan (MD3), showing its commitment to enhancing the Kuwaiti capital market and enabling it to become an attractive investment destination for local and foreign investments. The launch also helps create a more diverse investor base over the long term, increasing liquidity as well as creating more channels for local and foreign issuers and enhancing investment mechanisms to allow the Kuwaiti capital market to compete with markets across the region.

Part one of the third phase of Market Development included five new products. These products are Real Estate Investment Trusts (REITs), short selling, stock swaps, trade-at-last sessions, and tender offers. Part one also introduced additional enhancements on security circuit breakers, off-market trades, and the closing auction mechanism.

### • Real Estate Investment Trusts

Real estate investment trusts (REITs) are funds that own and operate income-generating real estate and real estate-related assets. REITs pool the capital of numerous investors, allowing individual investors to earn a share of the income produced through real estate ownership, without having to go out and buy or finance property or assets. REITs also contain other benefits, which include a 90% distribution of fund from operations (FFO) to unitholders, investing in existing income-generating real estate, the opportunity to invest in the Kuwaiti real estate with a low entry cost as well as compliance with the Islamic Sharia as per the articles of association of each REIT.

### • Short Selling

Short selling entails selling shares borrowed with the intention of buying those shares back at a lower price, thus making a profit from the difference between the short sale price and the buyback price at a later time and will be offered by approved brokers.

### • Trade At Last Sessions

Trade At Last sessions are trading sessions that take place after the closing auction is concluded. The sessions last for five minutes after the closing auction time, and the price shall be equivalent to the closing price.

### • Stock Swaps

Stock swaps are transactions between two parties to swap their listed securities directly, whether the parties are retail or institutional, provided that the share value subject to the transaction is equal and fully owned by the parties of the transaction, and is not encumbered in a way that may prevent disposal thereof.

### • Tender Offers

Tender offers are offers allowing any person to acquire not less than 5% and not more than 30% of the shares of any listed company. The person submitting a tender offer should present the offer to Boursa Kuwait and announce the same on Boursa Kuwait’s website after completing the required information. The participation period for tender offers is ten working days.

The first part of the third phase of the Market Development Plan also brought forth additional enhancements to the market. Off-Market trades are now fully automated and can be executed by the broker, while security circuit breakers are triggered at 10% up or down, instead of the previously configured 5%. Additionally, the closing auction mechanism for order entry and cancelation has also been updated.

Phases One and Two of the Market Development Plan were launched in 2017 and 2018, and contributed to the reclassification of Kuwait in the FTSE Russell Emerging Markets Index in September 2017, as well as the reclassification of Kuwait as an Emerging Market in the S&P Dow Jones Index in December 2018.

## Kuwait Capital Market Caps off 2019 As the Best Performing Market in the GCC

Boursa Kuwait's operational and infrastructure reforms led to the Kuwaiti capital market's enhancement, ending the year as the best performing market in the GCC and one of the best performing markets worldwide. The Kuwaiti market witnessed sharp yearly gains with its All Share index gaining 23.7% and its "Premier" Market Index gaining 32.4%. FTSE Russell's quarterly review for Kuwait and the increase in its index weight attracted more foreign cash flows to the market, as did Kuwait's inclusion in the S&P DJI Emerging Markets Index in September 2019. Meanwhile, the announcement of Kuwait's upgrade to an Emerging Market in MSCI's index has undoubtedly given a stimulus for the country before the closing of the sessions for the year. There is an expected impact of unprecedented active and passive investment flows, which will contribute to supporting and enhancing the market's performance during 2020.

## Al-Manar Financing and Leasing Company Lists on Boursa Kuwait's Main Market

Al-Manar Financing and Leasing Company completed the official listing of its shares on Boursa Kuwait's Main Market in February, making it the first company to go public on the stock exchange after segmentation. The move confirms Boursa Kuwait's prominent position as a preferred listing destination and is a true testament to the progress the company has made in improving the infrastructure and regulatory environment, and implementing the best international practices in transparency across its operations towards creating an attractive investment platform and restoring investor confidence.

## Boursa Kuwait Launches Intentional Crossing Orders

As part of its ongoing efforts to contribute to the development of Kuwait's capital market, Boursa Kuwait launched Intentional Crossing Orders, which is a single order entered through a single broker that includes a buy and a sell order for a security, whereby such orders are identical in quantity and price and are executed immediately. The company launched these orders in October in line with its strategy to increase the breadth and depth of its product portfolio, which is one of the main factors in attracting investors to the Kuwaiti capital market

## Promoting Boursa Kuwait and Connecting with the International Investment Community

Boursa Kuwait intensified its efforts to attract foreign investments throughout the year, organizing a series of meetings to raise awareness among international investors about the latest in the Kuwaiti capital market, highlighting the company's development efforts as well as the opportunities and benefits offered by investing in the companies listed on the stock exchange. To further develop the local capital market, Boursa Kuwait also took the opportunity to exchange knowledge and information with these institutional investors.

Boursa Kuwait focused on implementing a promotional plan with several tenets and initiatives including participating in roadshows targeting foreign institutional investors, participating in international conferences and summits, as well as targeting the largest financial centers in the world through promotional campaigns, all of which are explained below:

- **Roadshows and Corporate Days Targeting Foreign Institutional Investors**

Targeting the largest asset management companies in the world, Boursa Kuwait organized a series of roadshows in collaboration with the Capital Markets Authority which highlighted the investment opportunities and current and future partnerships in Kuwait after being reclassified into an "Emerging Market" by the largest and most renowned index providers in the world.

These roadshows shed light on the infrastructure development efforts as well as the endeavors to conform to international best practices. The various Market Development plans, which were implemented to cater to the needs of both local and foreign investors, were also discussed, as was Boursa Kuwait's recently completed privatization process. Boursa Kuwait also informed foreign investors of the latest developments in the company as well as the Kuwaiti capital market, attracting more international investors to the local market.

In March 2019, Boursa Kuwait targeted the largest asset management firms in London, organizing a roadshow in collaboration with Morgan Stanley and with the participation of the Capital Markets Authority and the Kuwait Clearing Company. The roadshow highlighted the various investment opportunities as well as current and future collaborations in Kuwait as well as increasing Kuwait's chances of reclassification in the MSCI index to an Emerging Market.

The company also organized a two-day roadshow in April 2019, in collaboration with HSBC and with the participation of the Capital Markets Authority, which targeted the largest asset management firms in the American cities of New York and Boston. In December 2019, Boursa Kuwait headed to New York and Boston again, in a two-day roadshow organized with American financial services firm Goldman Sachs, targeting asset management firms that invest in emerging markets. As well as highlighting Kuwait's recent developments, the tour aimed at attracting foreign investment as well as listening to comments and remarks from these firms regarding their experience investing in the local capital market.

Boursa Kuwait also organized two editions of its Corporate Day, in collaboration with Morgan Stanley, one of the world's leading investment services firms, to showcase some of its listed companies in meetings with many of the leading asset management firms in the world. These companies included commercial banks, mutual funds, hedge funds, pension funds, and insurance firms, among others. Offering deeper insights into the financial performance, business strategy and outlook of the publically traded companies, the one-on-one and group meetings enabled the international investors to gain an in-depth understanding of the benefits and opportunities of investing in the Kuwaiti companies.

In April 2019, Boursa Kuwait hosted its third international Corporate Day in London, bringing nine listed Kuwaiti companies together with over thirty of the world's leading investment firms. Ten listed companies participated in the fourth international Corporate Day, which was held in Dubai in November 2019. During that day, over 150 meetings were held with over twenty international investment firms, highlighting the promising investment opportunities in the Kuwaiti capital market.

#### • Participation in International Conferences

Our participation in the conferences of prominent international organizations comes within the framework of our main goal of strengthening the position of Boursa Kuwait as a leader in the financial markets sector. We are also committed to participating in these events and conferences to gain experience and knowledge and promote the Kuwaiti capital market to international investment institutions.

In October 2019, Boursa Kuwait attended the 59th iteration of the World Federation of Exchanges' (WFE), the global trade association for the operators of regulated securities exchanges, General Assembly and annual meeting. The event, which was held in Singapore, marks Boursa Kuwait's first participation

after receiving a unanimous vote to become full-fledged members of the federation in October 2018. The Boursa Kuwait team also paid a visit to the Singapore Exchange in an effort to exchange information and expertise.

A delegation from the company also participated in the thirteenth edition of the World Financial Information Conference to discuss the latest developments in financial information, held in the Canadian city of Vancouver in October 2019. During the meeting, Boursa Kuwait's delegation met with representatives of the most prominent international stock exchanges to gain a deep understanding of the most important developments related to the financial sector.

Boursa Kuwait also participated in the second joint meeting of the Committee of Heads of Capital Markets Authorities (or their equivalent) in the GCC states and the Heads of Stock Exchanges, which took place in Muscat, Oman at the end of October 2019, as part of a concentrated effort by the capital market authorities in the Gulf to coordinate and cooperate with the goal of unifying the region's capital markets and exchanging information for the benefit of each country's economy.



In December 2019, a Boursa Kuwait delegation participated in a workshop organized by the International Organization of Securities Commission's (IOSCO) Affiliate Members Consultative Committee. The workshop focused on financial technology, artificial intelligence, and machine learning, and was considered to be an excellent opportunity to discuss pressing matters pertaining to the financial, operational, and regulatory aspects of stock exchanges and capital markets authorities.

# Corporate Sustainability

Reaffirming its commitment to contributing to the Kuwait National Development Plan, or New Kuwait 2035, Boursa Kuwait has aligned its long-term business strategy with the country's vision for a sustainable future where it would evolve into a financial, cultural and institutional leader in the region. Boursa Kuwait recognizes that it can play a crucial role in materializing the overarching objectives of the nation's ambitious roadmap through promoting and advancing corporate sustainability practices in capital markets and by creating an investment climate that is capable of attracting funds and encouraging sustainable investments. This guiding principle provides the framework for the company's corporate sustainability strategy for 2019-20.

At the end of 2017, Boursa Kuwait made a formal commitment to drive corporate sustainability in financial markets by becoming a member of the United Nations-led Sustainable Stock Exchanges (SSE) initiative, which is a platform for the exchange of experience and knowledge that helps broaden the collaborations between exchanges and all market participants. This step helped increase transparency among companies and improving performance in environmental, social and governance (ESG) endeavors, as well as encouraging sustainable investment

## Vision

Boursa Kuwait aims to be responsible and committed to its sustainable development as well as the community in which it operates, by ensuring a positive contribution to the three areas of Education, Community, and Environment, and to promote the adoption of socially impactful and accountable practices in our surrounding communities.

These three key areas are fully aligned with the New Kuwait 2035 strategy pillars, which aim to elevate the overall status of the nation's 'Global Positioning,' 'Creative Human Capital,' 'Effective Civil Service' and 'Sustainable Diversified Economy'.

## Strategy

With a view to creating long-term value for the company's stakeholders in the economic, social and environmental dimensions and ensuring that all corporate social responsibility (CSR) initiatives are aligned with its sustainability objectives, Boursa Kuwait has put in place a three-phased strategy to align, create and integrate.

This strategy stipulates ensuring initiatives apply and fall in line with the company's corporate social responsibility (CSR), industry best practice standards and investor expectations, creating strong and sustainable partnerships that ultimately achieve success and allow Boursa Kuwait to leverage the capabilities and strengths of other companies or organizations that have experience in different fields, and integrating sustainability efforts with the company culture, in order to achieve longevity and an ongoing impact that is carried on and instilled in the day-to-day operations of the stock exchange.

## Strategic pillars

Education, Community, and Environment are the three pillars of the corporate sustainability strategy. The 'Education' pillar envisions a robust capital market ecosystem where all stakeholders are fully equipped with the knowledge and skill required to be an active player in the nation's exchange and capital markets, while the 'Community' pillar embodies Boursa Kuwait's commitment to giving back to the community. The company's shared responsibility to minimize the adverse impact that its operations may have on the environment is reflected in the 'Environment' pillar, which also aims to raise the awareness of the local and surrounding communities on the best practices to decrease harm and preserve the environment.

## Initiatives

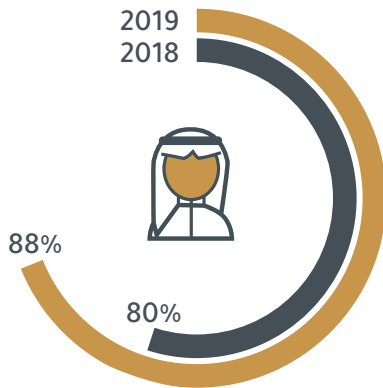
Boursa Kuwait has rolled out a number of sustainability initiatives under its corporate sustainability strategy's three pillars of Education, Community, and Environment.

### Community Pillar

- **Developing Human Resources -Kuwaitization**

As part of Boursa Kuwait's effort to support the New Kuwait 2035 development plan and its intent to transform Kuwait into a leading financial and trading center in the region, the company has prioritized attracting local talent through building and maintaining relationships with local universities, participating in career fairs, and organizing tours for students to visit and learn about the exchange and the many opportunities available to Kuwaitis at the company.

Boursa Kuwait was able to maintain a Kuwaitization rate of over 80% over the last three years, as the percentage of Kuwaitis on the company's staff totaled 88% of all employees at the end of 2019.



Percentage of Kuwaiti Employees at Boursa Kuwait

#### • Gender Diversity

Boursa Kuwait is a champion of gender equality and women's empowerment and is a true pioneer in the inclusion of women in the workforce. The company has been involved in several initiatives dedicated to empowerment and inclusion and was the first stock exchange in the GCC to participate in the 'Ringing the Bell for Gender Equality' initiative.

Boursa Kuwait marked International Women's Day 2019 by hosting a bell-ringing ceremony in collaboration with the General Secretariat of the Supreme Council for Planning and Development (GSSCPD), the Women's Studies and Research Center (WSRC) at Kuwait University, UN Women, the United Nations Development Programme (UNDP), UN Global Compact, Sustainable Stock Exchanges Initiative, International Finance Corporation, Women in ETFs and World Federation of Exchanges.

Reaffirming the company's commitment to promoting and enhancing diversity and inclusion in the workplace, Boursa Kuwait signed the Women's Empowerment



Principles (WEPs) 'Statement of Support,' which aims to deliver on the critical role businesses can play in the attainment of the UN Sustainable Development Goals outlined in the Agenda 2030.

#### • Recruiting Talents

Boursa Kuwait has continued to attract the highest and most capable talent to join its ranks. Of the total number of employees, who span both a broad range of ages and experience levels, 84% hold at least a bachelor's degree. The company realizes that its human capital is its biggest asset and was integral on its journey last year to a fully privatized company, the first stock exchange in the region to accomplish this feat.

#### • Participating in Career Fairs at Colleges and Universities

As part of the company's efforts to attract the best and brightest Kuwaiti talents to join its ranks, and empower the youth to join in the development of the country's economy, Boursa Kuwait continued its tradition of participating in career fairs organized by local colleges and universities.

During 2019, Boursa Kuwait participated in the 21st edition of Gulf University for Science and Technology's annual career fair, which was held from 6-7 March on the university's campus. The company also participated in the career fair organized by the Australian College of Kuwait, which was held from 7-8 April with the participation of 46 different companies from across several sectors, as well as the Youth Empowerment Week organized by the Kuwait College of Science and Technology from 14-18 April. Boursa Kuwait also participated in the American University of the Middle East's annual career fair, which was held on May 1.

#### • Training and Development

Boursa Kuwait believes that its employees are its biggest asset, and has long subscribed to the adage that their training and development would go a long way towards accomplishing the wider company goals. As such, the company continuously encourages employees to learn and better themselves and remains keen on equipping employees with skills and tools that allow them to do their job and further their careers.

The company focuses on a wide area of training and development programs as well as several professional certifications. These include certifications from world-renowned organizations such as the International Capital Market Association (ICMA) and the Financial Information Services Association of SIIA (FISD).

- **Health Awareness Day**

Boursa Kuwait has been championing initiatives that aim to enhance and improve the health and welfare of the community. These initiatives are closely aligned with its corporate sustainability strategy and are driven by a belief that the company can achieve sustained growth only by ensuring the physical, mental, and social wellbeing of both internal and external stakeholders.

In keeping with its commitment to wellness in the community, Boursa Kuwait hosted a 'Health Day' for both Boursa Kuwait and Kuwait Clearing Company's employees in collaboration with Ali Abdulwahab Al Mutawa Commercial Company (AAW).

As part of the campaign to raise awareness and understanding about health risks resulting from sedentary behaviors, pharmacists from Ali Abdulwahab Al Mutawa pharmacies conducted blood pressure and glucose screenings for employees.



- **Boursa Kuwait Cares Program**

Further strengthening its reputation as an employee-centric organization, Boursa Kuwait has recently conducted a wellness session for its employees as part of its 'Boursa Kuwait Cares' series in collaboration with DISC Kuwait - a lifestyle, pain management and sports rehab center.

Held in line with the company's internal corporate social responsibility (CSR) initiatives, the event was aimed at highlighting the importance of physical activity, raising awareness about preventable injuries in the workplace, and offerings insights into practical steps to deal with muscle stiffness and pain caused by sitting for long periods of time and poor postures.

- **Annual Employee Gathering**

Boursa Kuwait held its annual employee gathering at the Marina Hotel in Salmiya, where attendees enjoyed a series of team building activities, competitions, pleasant entertainment, all in the midst of a casual and fun-filled ambiance.

Boursa Kuwait strongly believes in the importance of its people, and fostering the relationship among them as management and staff, and contributing to further developing the company's internal culture of excellence.

## Education Pillar

- **Capital Market Reforms Through Regional Initiatives**

Boursa Kuwait participated in the Fourth Annual Conference of the Capital Markets Authority, which dealt with the issue of capital market reforms through regional initiatives. The conference, which featured many international and regional experts and specialists, discussed security activities and the functions of the regulatory bodies along with reviewing the recent developments in the field by reviewing cases in leading capital markets.

- **Raising Awareness About the Importance of Investor Relations**

Boursa Kuwait held the fifth Investor Relations (IR) seminar at the company's premises, in collaboration with the Middle East Investor Relations Association (MEIRA) and its Kuwait Chapter. The one-day event attracted IR practitioners from companies listed on Boursa Kuwait and highlighted the growing importance of the IR function in Kuwait's highly dynamic market.

Boursa Kuwait's collaborations with MEIRA continued with another IR workshop entitled "Making the most of your annual report and IR website". The event, which attracted more than 100 IR practitioners from companies listed on Boursa Kuwait, highlighted the latest trends and international best practices for annual reports and IR websites.

Boursa Kuwait also collaborated with the Union of Investment Companies (UIC), the Kuwait Projects Company (KIPCO), and MEIRA for an IR awareness seminar for listed companies. The seminar focused on achieving mutual benefit and meaningful cooperation between the various capital market participants, including listed companies, institutional and private sector investors, analysts as well as retail investors in the stock market.

- **Boursa Academy Online and Collaboration with the CFA Society**

Boursa Kuwait provides video clips and reports that aim to raise awareness about financial markets, publishing them continuously through its Boursa Academy Online digital platform. The videos and supplementary materials are published through a collaboration with the CFA Society chapter in Kuwait.

A strategic initiative designed and developed by Boursa Kuwait, Boursa Academy Online is a free digital education portal, which aims to promote capital market and financial literacy among new and professional retail investors.



Upon launching this platform, Boursa Kuwait took it to new heights by targeting university students, offering training solutions to help them understand the basics of investing and the instruments available in the market.

Further building on this platform, Boursa Kuwait recently launched an official mobile application that allows for further reach and ease of access to all stakeholders looking to improve their knowledge on the exchange and capital markets.

- **Gulf University of Science and Technology**

Boursa Kuwait hosted students from the Gulf University of Science and Technology (GUST) at its premises, giving them a dedicated tour of its trading hall, considered the heart of Boursa Kuwait where trading activity takes place on a daily basis.

During the tour, students were informed of the Boursa Kuwait journey, as the first privatized entity in Kuwait and its main objectives, which focuses primarily on continuously upgrading the exchanges infrastructure and business environment, in accordance with best practices and international standards.

Boursa Kuwait also presented the students with a thorough brief of the various functional sectors within Boursa Kuwait, the responsibilities of each and the role they play in assuring productive and efficient operations. The students also learned about the Kuwaiti stock markets' history, and the nation's proud trading heritage.

- **Kuwait College of Science and Technology**

Highlighting its commitment to advancing capital market awareness in Kuwait, Boursa Kuwait has entered into a memorandum of understanding (MoU) with Kuwait College of Science and Technology (KCST) to promote Boursa Academy Online among university students.

As part of the MoU, KCST will allow Boursa Kuwait to conduct workshops, and lectures on its campus to promote the stock exchange's digital education portal, which aims to create greater stock market awareness among new and professional retail investors.

- **Stock Exchange Week**

Reinforcing its commitment to promoting capital market literacy among students, Boursa Kuwait participated in the first-ever 'Stock Exchange Week' program organized by Kuwait University's College of Business Administration (CBA) from 3-7 February 2019.

As part of its participation in the program, Boursa Kuwait set up a booth at the CBA premises to promote its digital education portal, Boursa Academy Online, which aims to create greater stock market awareness among new and professional retail investors. The company also distributed brochures and promotional materials among university students to encourage them to gain a basic understanding of trading as well as about various investment instruments available in the capital market.

In addition, a number of experts from Boursa Kuwait conducted workshops to offer students deep insights into a wide range of relevant topics, ranging from the know-how of trading to risks of investing, to help them make informed investment decisions.

- **Financial Derivatives Consultation**

As part of its ongoing efforts to further contribute to the development of Kuwait's capital market, Boursa Kuwait organized a consultation workshop regarding derivatives, which was attended by representatives of listed and non-listed investment companies and brokerage firms. This consultation, where the specifications and conditions associated with derivatives were discussed, falls in line with Boursa Kuwait's strategy to diversify products and increase liquidity, the latter of which is a key pillar that supports the development of a more attractive investment platform.



- **Indices and Passive Investing**

Boursa Kuwait participated in a panel discussion, jointly hosted by the Capital Markets Authority and the leading equity index compiler S&P DJI with the objective of raising investor awareness about the benefits of market indices for institutional investors. During the event, Boursa Kuwait representatives highlighted new developments in the Kuwaiti capital market, including upcoming market reclassifications into "Emerging Market" status.



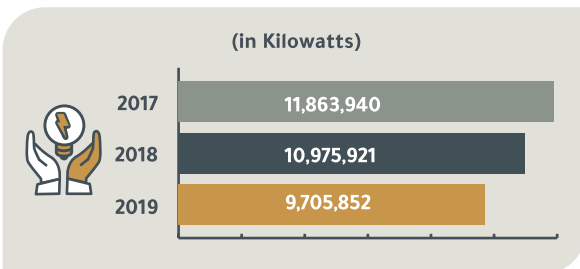
## Environment Pillar

- **Reducing the Use of Plastic**

Even though Bursa Kuwait's activities and operations do not directly harm the environment, the company has continuously committed to adopting an environmentally conscious approach, through reducing its use of plastic water bottles and replacing them with environmentally friendly water coolers.

- **Automation of the Bursa Kuwait Building**

Bursa Kuwait's fully automated building management system helps reduce the use of electricity and energy costs through the use of energy-saving electrical products, advanced HVAC systems, and water-efficient plumbing devices. Bursa Kuwait also installed smart cooling and fanning systems that help create a work environment free from toxic gases and other pollutants, reducing sick days for employees and enhancing productivity.



## Information Technology

Information technology is the primary enabler for developing platforms required to implement Bursa Kuwait's strategic plans. In 2019, the company successfully rolled out several initiatives including the first part of Market Development Phase 3 (MD3).

Additionally, a new portal was launched for brokerage firms to facilitate off-market trades. This platform seamlessly integrates all parties involved onto a single web portal, thereby increasing efficiency.

In the face of growing cyber threats, the security of our information is and always will be a high priority. To that end, Bursa Kuwait conducts periodic penetration and vulnerability tests to identify and effectively resolve all control gaps.

The company is committed to providing participants with scalable, fast-growing and secure connectivity to its exchange technologies. In order to do so, underlying server farms have been upgraded to the latest generation, network infrastructure has been refreshed to the latest state-of-the-art technologies adding multilayer security, and the Disaster Recovery (DR) site has been upgraded to ensure uninterrupted services.

# Corporate Governance Report 2019

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## Preface

Corporate Governance implementation has been consistent with the strategic vision of Boursa Kuwait, which aims at developing the Kuwaiti capital market and protecting the interests of relevant parties, particularly investors, shareholders and listed and licensed companies.

Boursa Kuwait believes that compliance with the highest standards of corporate governance is essential to sustain business at any establishment. This belief has been deeply rooted and consolidated since the company was founded to ensure fair, objective and transparent implementation of works for protecting the interests of shareholders and investors.

This report provides a summary of the company's corporate governance system implementations, which are associated with a package of quantitative and qualitative measurement indicators through which the company has been keen to comply with the instructions of the Capital Markets Authority and adopt corporate governance as an institutional culture consistent with leading global practices.

## The Board of Directors

Boursa Kuwait's Board of Directors is characterized by a solid structure in line with the nature and activities of the company. The composition of the Board is diverse in expertise and qualifications as Board members possess in-depth knowledge of capital markets, including legal and legislative knowledge, corporate governance, internal control, risk management, financial and economic management as well as aspects of strategic planning.

The Board of Directors consists of eight members elected by the General Assembly of the company for a period of three years. The Board consists of five non-executive and three independent members.

On 21 April 2019, the General Assembly of Boursa Kuwait convened to elect a new Board of Directors for three years. Mr. Hamad Mishari Al-Humaidhi was elected as Chairman of the Board while Mr. Ahmad Hamad Al-Thunayan became his Vice Chairman.



## Article One

### Construct a Balanced Board Composition

#### A summary of the formation of the Board of Directors:

The academic qualifications of the Board members elected on 21/04/2019, and the qualifications of the Secretary and the date of his appointment:

Name *		Position	Educational qualification	Date of election/ appointment of Secretary
Mr. Hamad Mishari Al-Humaidhi	Non-executive	Chairman of Board	BSc.	21/4/2019
Mr. Ahmad Hamad Al-Thunayan	Non-executive	Vice Chairman of Board	BSc.	21/4/2019
Mr. Bader Nasser Al-Kharafi	Non-executive	Member of Board	MSc.	21/4/2019
Mr. Talal Jassim Al-Bahar	Non-executive	Member of Board	BSc.	21/4/2019
Mr. Faleh Abdullah Al-Rogobah	Independent	Member of Board	MSc.	21/4/2019
Mr. Khaled Waleed Al-Falah	Non-executive	Member of Board	BSc.	21/4/2019
Mr. Bader Abdulmohsen Al-Jeaan	Independent	Member of Board	MSc.	21/4/2019
Mr. Raed Jawad Bukhamseen	Independent	Member of Board	BSc.	21/4/2019
Mr. Diaa Saleh Al-Khars		Secretary of Board	BSc.	14/12/2014

#### A summary of meetings of the Company's Board of Directors, through the following statement:

##### Board Meetings During 2019

The Board of Directors held eleven meetings during 2019 as follows:

##### First: Meetings of Board of Directors whose term office ended on 21/4/2019:

Name and Capacity of the Board Member	No. (1) 15/01/2019	No. (2) 04/02/2019	No. (3) 11/02/2019	No. (4) 12/03/2019	No. (5) 25/03/2019	No. (6) 11/04/2019	Number of meetings (6)
1. Mr. Saad Faisal Al-Mutawaa (Chairman of Board)	✓	✓	✓	✓	✓	✓	6/6
2. Mr. Sulaiman Barrak Al-Marzouq (Vice Chairman of Board)	✓	✓	✓	✓	✓	✓	6/6
3. Mr. Dr. Salah Abdullah Al-Othman (Board Member)	✓	x	x	✓	x	✓	3/6
4. Mr. Hossam Abdulrahman Al-Bassam (Board Member)	✓	✓	✓	✓	✓	✓	6/6
5. Mr. Yaqoub Yousef Al Bin Ali (Board Member)	✓	✓	✓	✓	✓	x	5/6
6. Mr. Sulaiman Nabil Bin Salamah (Board Member)	✓	✓	✓	✓	✓	✓	6/6
7. Mr. Sulaiman Muhammad Al-Shaheen Al-Rubai'e (Board Member)	✓	✓	✓	x	✓	✓	5/6
8. Mr. Basel Abdulwahab Al-Zaid (Board Member)	✓	✓	✓	✓	✓	x	5/6

##### Capacity of Board Member

Independent

Non-Executive

✓ Attended

x Not Attended

**Second: Board of Directors meetings following the General Assembly meeting and election of Board members from 21/04/2019 to 31/12/2019:**

Name of Board Member	No. (1) 21/04/2019	No. (2) 05/05/2019	No. (3) 08/07/2019	No. (4) 20/10/2019	No. (5) 22/12/2019	Number of meetings (5)
1. Mr. Hamad Mishari Al-Humaidhi	✓	✓	✓	✓	✓	5/5
2. Mr. Ahmad Hamad Al-Thunayan	✓	✓	✓	✓	✓	5/5
3. Mr. Bader Nasser Al-Kharafi	✓	✓	✗	✓	✓	4/5
4. Mr. Talal Jassim Al-Bahar	✓	✓	✓	✓	✓	5/5
5. Mr. Faleh Abdullah Al-Rogobah	✓	✓	✗	✓	✓	4/5
6. Mr. Khaled Waleed Al-Falah	✓	✓	✓	✓	✓	5/5
7. Mr. Bader Abdulmohsen Al-Jeaan	✓	✓	✗	✓	✓	4/5
8. Mr. Raed Jawad Bukhamseen	✓	✓	✗	✓	✓	4/5

**Capacity of Board Member**

Independent

Non-Executive

✓ Attended

✗ Not Attended

**An overview of how to implement the requirements of registration, coordination and retention of the minutes of the company's Board meetings:**

Boursa Kuwait adopts the latest global practices in the field of the retention of minutes of meetings and providing them electronically by automating all the work and records of the Board, the Committees and functions of the Secretary through an automated application that facilitates presenting minutes of meetings to the Board members as well as their retention and follow-up, in addition to organizing meetings and the agenda of Board committees.

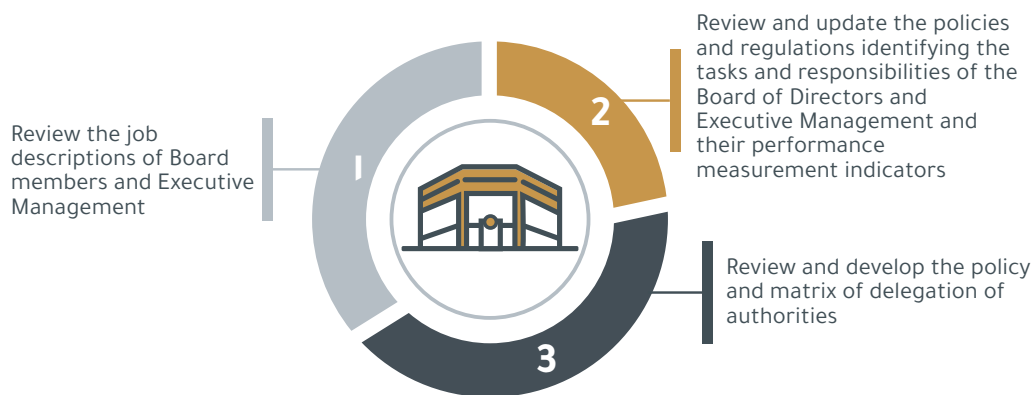
The Board of Directors Secretary shall record all the minutes of the Board meetings with a specific record bearing consecutive figures for the year in which the meeting was held. The register also states the location, date and times of the beginning and end of the meeting. This is in addition to preparing minutes of discussions and deliberations, including voting operations, then classifying and filing them in an easily accessible manner.

## Article Two

### Proper Determination of Tasks and Responsibilities

**A summary of how the company determines the tasks, responsibilities, and duties of each member of the Board of Directors and Executive Management, as well as the authorities delegated to Executive Management.**

Boursa Kuwait has defined the duties and responsibilities of each member of the Board of Directors and Executive Management, as well as the authorities delegated to Executive Management as follows:



## Board of Directors Achievements in 2019

- 1 Develop and approve the Company Strategy, business plan and estimated budget
- 2 Continuous monitoring and oversight for all organizational and operational improvements and procedures needed to meet the requirements to upgrade Kuwait to an emerging market on the MSCI index
- 3 Review and approval of the company's organizational structure after making the necessary amendments
- 4 Study the needs of the market and submit a recommendation to the Capital Markets Authority to stop trading on the "Auction" market
- 5 Supervise and regulate the approved plans to reduce the company's operating costs and to diversify and increase income sources
- 6 Review and approval of initiatives and products provided by the company in accordance with the approved strategies
- 7 Approval the vertical integration plan for functions and activities between Boursa Kuwait and Kuwait Clearing Company
- 8 Approval of the amended commission and fees list after amending annual subscription fees for listed companies
- 9 Approval of the rulebook before proceeding to apply the third phase of Market Development
- 10 Review and approve all amendments and updates on market indices

- 11 Approval of IPO prospectus of the shares allocated to citizens in the paid-up capital of Boursa Kuwait
- 12 Develop and approve the corporate governance framework including the updated policies and charters
- 13 Review the company's financial performance report
- 14 Approval of the recommendation proposed by the Nominations and Remunerations Committee for the appointment of a senior leadership position in the company
- 15 Oversight and supervision of the performance of Executive Management and ensuring its proper performance of tasks entrusted thereto
- 16 Approve the company's interim and annual financial statements
- 17 Approval of the recommendation given by the Audit Committee for the appointment of an external auditor in preparation for their referral to the General Assembly for approval
- 18 Approval of risk appetite, risk strategy, and risk policy
- 19 Approval of the draft of the AGM/EGM agendas and its content
- 20 Approve the company's remunerations policy
- 21 Oversaw the Board committees' duties and ratified their recommendations and decisions
- 22 Approval of the remuneration for Executive Management and employees
- 23 Review and approval of a proposition for remunerations of the Board of Directors, submitted by the Nominations and Remunerations Committee in preparation for referral to the General Assembly for approval
- 24 Approval of capital increase in Boursa Kuwait and amendment of certain articles in the memorandum of its association related thereto

**An overview of the Board of Directors' implementation on the required formation of specialized independent committees, taking into consideration the following information on each committee:**

- ▶ Name of the committee
- ▶ Tasks and achievements of the committee during the year
- ▶ Date and duration of the formation of the committee
- ▶ Members of the committee, specifying its Chairman
- ▶ The number of meetings held by the committee during the year

Within the framework of the Board's evolving role with respect to supervision, strategic planning, governance, risk management and controls of Boursa Kuwait, the following committees have emanated from the Board of Directors, to support the Board with the functions and responsibilities entrusted thereto.

The following figure illustrates the committees emanating from the Board of Directors, and their functions and formation as from 21 April 2019.



## 1. The Audit Committee

On 21/04/2019, the Audit Committee was formed in accordance with the regulatory and supervisory requirements. The membership period is the same as the term of the Board of Directors, a period not exceeding three years.

It is worth noting that the responsibilities and duties of the Committee have been defined in the Audit Committee charter.

### Achievements of the Audit Committee during 2019

#### Planning and Supervision of Audit Engagement

- Reviewed the organizational structure of the Internal Audit Department
- Conducted annual review on the Committee's charter
- Elected the Chairman of the Committee
- Reviewed and approved the Internal Audit Department's plan developed based on the outcome of the risk assessment
- Reviewed and approved the key performance indicators of the Internal Audit Department
- Assessed the proposals submitted by third party internal auditors, nominated an internal auditor, and raised recommendations on the same to the Board for approval
- Supervised the Internal Audit Department's activities to ensure their alignment with the objectives set by the Board
- Drafted the annual internal audit report that shall be presented at the General Assembly meeting
- Assessed the annual performance of the Internal Audit Assistant Director and approved his remuneration

#### Internal Control

- Reviewed the assessment report of the Internal Audit Department conducted by an independent party as per requirements of the Capital Markets Authority
- Studied the applied accounting policies and raised recommendations on the same to the Board
- Ensured the company's compliance with the relevant policies and regulations
- Reviewed the internal audit reports and ensured that appropriate corrective action has been taken by the relevant parties
- Assessed performance of the external auditor and raised recommendation to the Board with regards to their reappointment and determination of their fees

#### Financial Statements and Their Integrity

- Supervised the engagement of the external auditor and validated their independence
- Reviewed the Internal Control Systems report
- Reviewed the annual and interim financial statements and raised recommendations on the same to the Board for approval

## The Audit Committee meetings

The Audit Committee held six meetings during 2019, detailed as follows:

### **Audit Committee meetings during the period from 01/01/2019 to 21/04/2019**

Name and Capacity of The Committee Member	No. (1) 28/2/2019	No. (2) 26/3/2019	Number of Meetings (2)
Mr. Sulaiman Nabil Bin Salamah (Head of Committee)	✓	✓	2/2
Mr. Hossam Abdul Rahman Al-Bassam	✓	✓	2/2
Mr. Basel Abdul Wahab Al-Zaid	✓	✓	2/2

### **Audit Committee meetings held following the General Assembly meeting, election of Board members and restructure of Committees from 22/4/2019 to 31/12/2019:**

Name and Capacity of The Committee Member	No. (1) 28/5/2019	No. (2) 10/6/2019	No. (3) 1/8/2019	No. (4) 7/11/2019	Number of Meetings (4)
Mr. Faleh Abdullah Al-Rogobah (Head of the Committee)	✓	✓	✓	✓	4/4
Mr. Ahmad Hamad Al-Thunayan	✓	✓	✓	✓	4/4
Mr. Khaled Waleed Al-Falah	✓	✓	✓	×	4/3

#### Capacity of Board Member

Independent

Non-Executive

✓ Attended

× Not Attended

## 2. The Risk Committee

On 21/04/2019, the Risk Committee was formed in accordance with the regulatory and supervisory requirements. The membership period is the same as of the Board of Directors, a period not exceeding three years.

It is worth noting that the responsibilities and duties of the Committee have been defined in the Risk Committee charter.

### The Risk Committee achievements during the year 2019

#### Risk Governance

- Reviewed the framework of the reputational risks
- Conducted annual review on the Committee's charter
- Reviewed the organizational structure of the Risk Management Department
- Reviewed the Risk Management Department's activities and ensured that the department employees' activities are non-operational
- Reviewed the job descriptions covering the responsibilities of the Risk Management Department's employees
- Reviewed the risk appetite framework
- Reviewed the business continuity plan and disaster recovery plan
- Reviewed the periodic reports related to the business continuity and disaster recovery activities
- Provided sufficient support to the risk management team in highlighting the importance of their activities across the company

#### Risk Strategy

- Reviewed the risk management's strategy and policies prior to their approval by the Board of Directors and ensured their implementation
- Reviewed the risk appetite and risk register and presented the same to the Board for approval
- Reviewed the business impact analysis and presented the same to the Board for approval
- Discussed the results of the business continuity and disaster recovery mock sessions
- Supervised the implementation of the risk management system

#### Follow-up and Supervision

- Approved the risk management plan
- Raised recommendation to the Board on the risk management strategy and the risk appetite
- Evaluated the mechanism for risk identification and assessment and followed-up on the risks faced by the company
- Reviewed the risk management periodic reports covering the assessment of risks and risk mitigation plan
- Reviewed the Risk Management Department's semi-annual report submitted to the Capital Markets Authority
- Evaluated the annual performance of the Risk Management Department, risk management team, and approved their remuneration

## Meetings of the Risk Committee:

The Risk Committee held four meetings during 2019, detailed as follows:

### **Risk Committee meetings during the period from 01/01/2019 to 21/04/2019**

Name and Capacity of the Committee Member	No. (1) 13/01/2019	Number of Meetings (1)
Mr. Sulaiman Muhammad Shaheen Al-Rubai'e (Head of Committee)	✓	1/1
Mr. Dr. Salah Abdullah Al-Othman	✓	1/1
Mr. Hossam Abdul Rahman Al-Bassam	✓	1/1
Mr. Basel Abdulwahab Al-Zaid	✓	1/1

### **Risk Committee meetings held following the General Assembly meeting, election of the Board members and restructuring of Committees from 22/4/2019 to 31/12/2019:**

Name and Capacity of the Committee Member	No. (1) 14/10/2019	No. (2) 19/11/2019	No. (3) 18/12/2019	Number of Meetings (3)
Mr. Khaled Waleed Al-Falah (Head of Committee)	✓	✓	✓	3/3
Mr. Bader Abdul Mohsen Al-Jeaan	✓	✓	✗	2/3
Mr. Raed Jawad Bukhamseen	✓	✓	✓	3/3

#### Capacity of Board Member

Independent

Non-Executive

✓ Attended

✗ Not Attended

### 3. The Nominations and Remunerations Committee

On 21/04/2019, the Nominations and Remunerations Committee was formed in accordance with the regulatory and supervisory requirements. The membership period is the same as the term of the Board of Directors, a period not exceeding three years.

It is worth noting that the responsibilities and duties of the Committee have been defined in the Nominations and Remunerations Committee charter.

#### Achievements of the Nominations and Remunerations Committee during 2019

##### Nominations

- Reviewed the company's organizational structure and raised recommendations on the same to the Board for approval
- Reviewed the Board membership applications and raised recommendations on the same to the Board for approval prior to submitting the same to the Capital Markets Authority
- Conducted interviews with candidates for senior management positions and recommended the hiring of candidates that met the requirements of positions that require registration at the Capital Markets Authority
- Reviewed the job offers of candidates recruited for senior management positions
- Ensured that independent Board members maintain their capacity as independent members

##### Remunerations

- Reviewed the company's remuneration policy.
- Determined the remuneration scheme for Executive Management, e.g. fixed remunerations and variable remuneration
- Prepared a report including the remuneration granted to Board members and Executive Management in accordance with the regulations of the Capital Markets Authority
- Prepared a detailed annual report on all remunerations granted to the members of the Board of Directors and Executive Management to be presented at the company's General Assembly meeting for approval

##### Evaluation, Training and Supervision

- Conducted annual review on the Committee's charter
- Reviewed the key performance indicators of Executive Management and those prepared at sector level and raised recommendations on the same to the Board for approval
- Supervised the preparation of the key performance indicators and its reflection on the job descriptions in all the company's positions
- Oversaw the self-assessment conducted by the Board and its committees and raised the reviewed report prepared on the same to the Board

## Meetings of the Nominations and Remunerations Committee

The Nominations and Remunerations Committee held five meetings during 2019, detailed as follows:

### Nominations and Remunerations Committee meetings during the period from 01/01/2019 to 21/04/2019

Name and Capacity of the Committee Member	No. (1) 13/1/2019	No. (2) 29/1/2019	No. (3) 29/1/2019	Number of Meetings (3)
Mr. Yaqoub Yousef Al Bin Ali (Head of Committee)	✓	✓	✓	3/3
Mr. Sulaiman Barrak Al-Marzouq	✓	✓	✓	3/3
Mr. Sulaiman Muhammad Al-Shaheen Al-Rubai'e	✓	✓	✓	3/3

Nominations and Remunerations Committee meetings held following the General Assembly meeting, election of Board members and restructure of Committees during the period from 22/04/2019 to 31/12/2019:

Name and Capacity of the Committee Member	No. (1) 21/5/2019	No. (2) 29/7/2019	Number of Meetings (2)
Mr. Talal Jassim Al-Bahar (Head of Committee)	✓	✓	2/2
Mr. Bader Nasser Al-Kharafi	✓	✓	2/2
Mr. Bader Abdul Mohsen Al-Jean	✗	✓	1/2

#### Capacity of Board Member

Independent

Non-Executive

✓ Attended

✗ Not Attended

## 4. The Executive Committee

On 21/04/2019, the Executive Committee was formed in accordance with leading practices. The membership period is the same as the term of the Board of Directors, a period not exceeding three years.

It is worth noting that the responsibilities and duties of the Committee have been defined in the Executive Committee charter.

### Achievements of the Executive Committee during 2019:

#### Business Strategy

- Developed the strategy and business plan for the company and raised recommendations on the same to the Board for approval
- Reviewed the annual budget plan and provided feedback focusing on increasing revenue channels and decreasing operational expenses
- Studied the Market Development initiatives provided by Executive Management and raised recommendations on the same to the Board for ratification. Such initiatives include:
  1. Establishment of Crossing Orders
  2. Establishment of Omnibus Accounts
  3. Ceased operation in the "Auction" Market
  4. Updated market indices
  5. Establishment of Main Market 50 Index
  6. Amendment of the fees and commissions structure, including the annual listing subscription fees
  7. Establishment of Stock Swaps and Tender Offers
  8. Establishment of the Real Estate Investment Trusts trading platform and listing rules
  9. Establishment of trading session after closing
  10. Amendment of the closing auction session
- Reviewed the vertical integration plan covering the operational activities between Boursa Kuwait and Kuwait Clearing Company (KCC) and raised recommendations on the same to the Board for approval.

#### Projects and Contracts

- Reviewed the commercial proposals submitted for strategic projects and raised recommendations on the same to the Board for approval
- Reviewed the IPO of Boursa Kuwait targeting Kuwaiti nationals and raised recommendations on the same to the Board for approval
- Reviewed the proposed amendments on the Rulebook and raised recommendations on the same to the Board for approval

#### Periodic Reporting

- Discussed the periodic reports covering the detailed plans for market development and the company's financial performance
- Reviewed the periodic reports raised by the Committee to the Board and raised recommendations on the same to the Board for approval
- Discussed the feedback obtained from third parties on Boursa Kuwait initiatives, specifically those related to the MSCI requirements for market upgrade, and formed decisions in light of the same
- Conducted annual review on the Committee's charter

## Meetings of the Executive Committee:

The Executive Committee held five meetings during 2019, detailed as follows:

### The Executive Committee meetings during the period from 01/01/2019 to 21/04/2019:

Name and Capacity of the Committee Member	No. (1) 2019/7/1	Number of Meetings (1)
Mr. Sulaiman Barrak Al-Marzouq (Head of Committee)	✓	1/1
Mr. Yaqoub Yousef Bin Ali	✓	1/1
Mr. Sulaiman Nabil Bin Salamah	×	0/1
Mr. Sulaiman Muhammad Shaheen AL-Rubai'e	✓	1/1

### The Executive Committee meetings following the General Assembly meeting, and election of the Board members and restructure of Committees during the period from 22/04/2019 to 31/12/2019:

Name and Capacity of the Committee Member	No. (1) 2/5/2019	No. (2) 2/6/2019	No. (3) 18/9/2019	No. (4) 9/10/2019	Number of Meetings (4)
Mr. Bader Nasser Al-Kharafi (Head of Committee)	✓	✓	✓	✓	4/4
Mr. Hamad Mishari Al-Humaidhi	✓	✓	✓	×	3/4
Mr. Talal Jassim Al-Bahar	✓	✓	✓	✓	4/4

#### Capacity of Board Member

Independent

Non-Executive

✓ Attended

× Not Attended

## 5. Corporate Governance Committee

On 21/4/2019, the Corporate Governance Committee was formed in accordance with the leading practice. The membership period is the same as the term of the Board of Directors, a period not exceeding three years.

It is worth noting that the responsibilities and duties of the Committee have been defined in the Corporate Governance Committee charter.

### Achievements of the Corporate Governance Committee during 2019

<b>Board of Director's Affairs</b>	<ul style="list-style-type: none"> <li>Reviewed the charters of the Board and its committees and ensured it covers all relevant regulatory requirements</li> <li>Reviewed and approved the updated content of the Corporate Governance section on the company website</li> </ul>
<b>Policies and Regulations</b>	<ul style="list-style-type: none"> <li>Reviewed the Conflict of Interest policy and its implementation at the company-wide level</li> <li>Reviewed the Stakeholder Protection policy and its implementation at the company-wide level</li> <li>Reviewed the Related Parties Transaction policy and its implementation at the company-wide level</li> <li>Reviewed the Corporate Social Responsibility policy</li> <li>Reviewed the Code of Conduct</li> <li>Reviewed the Corporate Governance regulations</li> <li>Reviewed the Shareholder Protection policy</li> <li>Reviewed the Board Members Trading policy</li> <li>Reviewed the Board Members' Handbook and approved its amendments</li> </ul>
<b>Governance Reports</b>	<ul style="list-style-type: none"> <li>Reviewed the governance report to be presented at the company's General Assembly meeting and proposed enhancements on the annual Corporate Governance report</li> <li>Reviewed the corporate governance report submitted to the Capital Markets Authority</li> <li>Reviewed the Related-Parties Transactions Report</li> <li>Ensured that the social responsibility initiatives are implemented in accordance with the approved plan</li> <li>Reviewed the Whistleblowing Report</li> <li>Reviewed the Complaints Report</li> </ul>

### Meetings of the Corporate Governance Committee

The Corporate Governance Committee held two meetings during 2019, detailed as follows:

**The Corporate Governance Committee meetings held following the General Assembly meeting, election of the Board members and restructure of Committees during the period from 22/04/2019 to 31/12/2019:**

Name and Capacity of the Committee Member	No. (1) 24/9/2019	No. (2) 31/12/2019	Number of Meetings (2)	Capacity of Board Member
Mr. Hamad Mishari Al-Humaidhi	✓	✓	2/2	Independent
Mr. Faleh Abdullah Al-Rogobah	✓	✓	2/2	Non-Executive
Mr. Ahmad Hamad Al-Thunayan	✓	✓	2/2	✓ Attended
				✗ Not Attended

**A summary of how to apply the requirements that allow Board members to obtain information and data in an accurately and timely manner**

In order to ensure that all required information and data is provided precisely and on time, the reporting matrix of the company has been approved in a way that determines the responsibilities of preparation, review, approval and periodicity that allow the Board members to obtain accurate and timely information and data.

## Article Three

### Selection of qualified and competent persons for membership of the Board of Directors and Executive Management

- **A summary of the implementation of requirements for forming the Nominations and Remuneration Committee**

The Nomination and Remuneration Committee was formed to provide recommendations for appointing members of the Board of Directors and re-election of the General Assembly, as well as reviewing the requirements of competency and integrity required for the appointment of Executive Management and the registered persons as per the regulations of the Capital Markets Authority. This is in addition to the annual self-evaluation of the performance of the Board members. The Committee is also responsible for evaluating the remuneration of the Board of Directors and Executive Management in accordance with the long-term strategic objectives of the company.

### Report of the remunerations granted to members of the Board of Directors and Executive Management

#### First: Rewards and incentives system for Board members and Executive Management

Boursa Kuwait adopts a comprehensive framework for calculating the remunerations and incentives for members of the Board of Directors and Executive Management. This framework is based on the principle of equal opportunities and transparency dependent on linking of rewards and incentives to performance assessment levels of the company as a whole as well as to individual performance level. Moreover, Boursa Kuwait is keen to adopt leading practices in linking rewards to long-term institutional performance levels by linking performance to achieving corporate strategic objectives and risk exposure levels.

#### Second: Details of rewards granted to Board members and Executive Management, including cash amounts, benefits and privileges, and analysis of the rewards tranches

a. Rewards granted to members of the Board of Directors, as follows:

Fixed Rewards (KD Thousand)	Variable Rewards (KD Thousand)	Total of Rewards and Other Financial Benefits (KD Thousand)
-	144	144

b. Rewards granted to members of Executive Management, which includes the CEO and the following sector heads:

1. Trading Operations Sector
2. Markets Sector
3. Legal Sector
4. Financial Sector
5. Information Technology Sector

Fixed Rewards (KD Thousand)	Variable Rewards (KD Thousand)	Total of Rewards and Other Financial Benefits (KD Thousand)
540	228	768

#### Third: Value of the rewards granted to the Chief Executive and Executive Management who received the highest amounts of remuneration from the company, in addition to the Chief Financial Officer

(Please refer to the table above, second item)

#### Fourth: Any other rewards granted directly or indirectly by the company or its subsidiaries

(N/A)

#### Fifth: Any fundamental deviations from the rewards policy approved by the Board of Directors

(N/A)

## Article Four

### Ensuring the integrity of financial reports

- **Written commitments from the Board of Directors and Executive Management to the validity and integrity of financial reports**

Boursa Kuwait's Board of Directors seeks to ensure the integrity of the company's financial reports, as Executive Management has provided a written pledge to the Board of Directors that the financial reports have been presented in a sound and equitable manner, containing all the financial aspects of the company in accordance with the international accounting standards adopted by the Capital Markets Authority.

Moreover, the annual report presented to the shareholders by the Board of Directors also ensures the validity and integrity of the financial statements, in order to promote the accountability process, whether by keeping management accountable towards the Board of Directors or by keeping the Board of Directors accountable towards the shareholders.

- **An overview on the implementation of requirements of the formation of the Audit Committee**

Boursa Kuwait strives to comply with the regulations of the Capital Markets Authority by forming the Audit Committee, which emanates from the Board of Directors and takes the responsibility of assisting the Board in fulfilling its obligations in terms of supervising the quality and integrity of accounting practices, auditing and internal control, in addition to risk management framework, financial reports and corporate governance general framework, as well as the relationship of the company with external auditors.

It is worth noting that the role and responsibility of the committee and all the conditions related to its formation have been determined under the Audit Committee charter and approved by the Board of Directors.

- **In the event of a discrepancy between the recommendations of the Audit Committee and the decisions of the Board of Directors, a statement is included detailing and clarifying the recommendations and the reasons behind the decision of the Board of Directors not to comply with them.**

It is worth noting that there were no discrepancies monitored or recorded between the recommendations of the Audit Committee and the Board of Directors' decisions.

- **Emphasis on independence and objectivity of the external auditor**

The Board of Directors is keen to reduce potential conflicts of interest. The Audit Committee has emphasized the independence and objectivity of the external auditor by establishing criteria and principles for evaluating its independence and performance so that it may provide recommendations to the Board of Directors for the appointment, reappointment or change of the auditor.

## Article Five

### Developing Sound Risk Management and Internal Control Systems

- **A brief statement about the implementation of the requirements of forming an independent department/office/unit for risk management**

Risk management is fully independent through its direct subordination to the Board Risk Committee. This is evidenced by the organizational structure adopted by the Board of Directors, as well as the job description of the Risk Management Officer, which clearly demonstrates the functions entrusted thereto and ensures that no tasks of the company's operational activities are assigned to risk management, to enable them to carry out their duties and responsibilities to the fullest extent.

The following diagram shows the mechanism to be followed in risk management:



The Risk Management Department adopts a comprehensive methodology for managing the various risk categories facing the company. These risks are monitored and tracked according to the following four categories:

- **Strategic Risks**
- **Operational Risks**
- **Financial Risks**
- **Regulatory Compliance Risks**

The methodology is applied on basis of the risk policy adopted by the Board of Directors, which is implemented through a risk assessment matrix that includes quantitative and qualitative indicators, as well as periodically issuing and monitoring the key risk indicators (KRIs).

In a pioneering step towards development, the department has adopted an automated system, the "Electronic Risk Management System" (ERM), which is developed by one of the world's leading risk management companies. It also has been able to issue technical and analytical reports and examining potential risk scenarios.

- **A brief summary on implementing the requirements of forming a Risk Committee**

The Board of Directors of the Company has formed a Risk Committee, as it was keen to meet the requirements of the Capital Markets Authority. The functions and responsibilities of the committee, the term of its members and its operational approach were defined in the Board's approved Risk Committee charter.

The committee aims at improving the effective supervision of the Board by undertaking functions related to all aspects of risk management, including assisting the Board in identifying and assessing the level of risk permissible in the company and ensuring that it does not exceed this level of risk.

- **A summary on monitoring and internal control systems**

The Board of Directors endeavors diligently to verify the adequacy and effectiveness of the internal control systems required to protect the company's operations, as well as to ensure compliance with these systems, in addition to establishing means of providing the necessary protection to the company against any risks, whether internal or external. Boursa Kuwait strives to maintain internal control systems covering all activities of the company, as it has established independent control departments, including internal audit and risk management, which report to the Board of Directors through the Audit and Risk Committees respectively, in addition to the Compliance and Corporate Governance Department that reports to the CEO in compliance related matters, and to the Corporate Governance Committee in corporate governance related matters.

The following figure shows the components of Boursa Kuwait's internal control systems:



- **Confidentiality and information security**

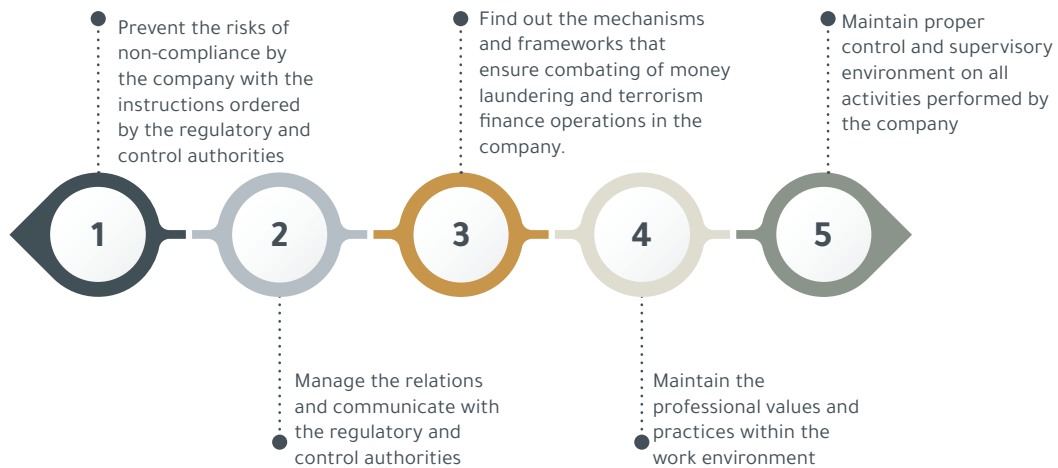
Boursa Kuwait adopts a strict system for information security and confidentiality, which follows the highest standards of monitoring and internal control. Moreover, it periodically conducts penetration testing to identify any control gaps and work to solve them effectively.

During the year, Boursa Kuwait was keen to provide various awareness training and development programs for its employees to implement the highest levels of safety standards related to information security.

The Board of Directors, Executive Management and employees are committed to maintaining the confidentiality of the information and data related to Boursa Kuwait. Policies and procedures have been established to ensure non-disclosure of internal information that could harm the interest of investors. The policy contained safeguards to prevent access of Board members to the information of Boursa Kuwait's clients and members.

- **Compliance Department**

The role of the Compliance Department of Bursa Kuwait is comprised of the following tasks:



- **A brief statement about the implementation of the requirements of forming an independent department/office/unit for internal audit**

The Internal Audit Department of Bursa Kuwait is independent by virtue of its direct reporting to the Audit Committee emanating from the Board of Directors. Moreover, the Board of Directors has also determined the functions and responsibilities of the Internal Audit Department. The Internal Audit Department is committed to the implementation of the department's manual in addition to the approved annual audit plan.

## Article Six

### Enhancement of Professional Behaviour and Ethical Values

- **A summary of the action charter, which includes standards and determinants of professional behavior and ethical values**

Integrity, excellence, accountability and respect are among the fundamental principles enshrined in the company's action charter. Boursa Kuwait adopted a code of conduct that includes best practices and professional conduct in this field in order to achieve the interests of the company and its shareholders and stakeholders, in addition to providing the opportunity for members of the Board of Directors, Executive Management and employees to achieve the objectives of the company to the fullest.

Boursa Kuwait has prepared a set of policies and procedures to ensure that its assets and resources are not exploited to achieve personal interests as well as limit the exploitation of internal information and promote the principle of avoiding conflicts of interest, which are summarized as follows:

- **Related Parties Transactions**

The related party transactions policy provides guidelines on how to conduct and manage transactions with related parties, whether those transactions are between the company and its Board of Directors or Executive Management and employees. A related parties register has been prepared and circulated to the concerned departments. Any new business relationship within the company is initiated only after verification that it is not related to that list, and in the event of any association with those parties, it is recorded in the transaction log with the related parties, reviewed by the Risk Committee and presented to the Board of Directors for discussion and approval.

- **Whistleblowing Policy**

The whistleblowing policy provides a collaborative and transparent working environment for all employees, as the company has created an e-mail on Boursa Kuwait's website in which any stakeholder can convey their concerns or suspicions about any violations, malpractice or misconduct to the Board of Directors. Such procedures shall be carried out within a framework that ensures protection of the whistleblowers, a provision of the necessary investigation and supervision of such procedures.

- **A summary of the policies and mechanisms for reducing cases of interest-conflict**

In order to eliminate any potential conflicts of interest, a conflict of interest policy that sets guidelines for the identification, notification, reporting, disclosure, prevention or strict restraints of potential conflicts of interest has been developed. Moreover, it has established appropriate procedures to identify and effectively deal with cases of conflict of substantive interests, and to make sure that the Board of Directors deals with existing, potential and expected conflicts of interest and that all decisions are taken to achieve the company's best interest.

The serious practical steps taken by the company to limit any conflict of interest cases include preventing employees and their minor children from trading in securities either listed on Boursa Kuwait or even ones that have applied for listing. During the onboarding period, the company makes the employee sign a disclosure form for the listed securities that either they or their minor children possess. In addition, the employees sign statements not to trade, whether for themselves or for their minor children, in securities listed or applied for listing on the stock exchange, except in exceptional cases specified by the executive bylaws of the Capital Markets Authority.

Moreover, an annual report is to be submitted to the Capital Markets Authority that includes details of disclosure of ownership of listed securities and any related changes.

## Article Seven

### Accurate and Timely Disclosure and Transparency

- **A summary of implementing mechanisms of presentation and disclosure that define aspects, areas and characteristics of disclosure**

Boursa Kuwait strives to adopt the highest standards of accuracy and transparency in the dissemination of information about the company and listed companies, as it has a significant impact on enhancing investor confidence, attracting capital and improving liquidity within the market.

The most important pillars of Boursa Kuwait's management include implementing a business environment characterized by the highest standards of integrity and transparency while focusing on the interest of the customers through excellence in providing services. For this purpose, the company website includes a section for governance that is concerned with information about the members of the Board of Directors and Executive Management, their academic and practical qualifications, the committees emanating from the Board and the tasks entrusted to each committee. The new website also includes a news portal, as well as a section through which annual reports on financial data, governance and risk management are published.

- **A summary on implementing the requirements of the disclosure records of Board members and Executive Management**

The company maintains a record that includes the disclosures of the members of the Board of Directors and Executive Management. The Secretary of the Board of Directors supervises the membership register and the Corporate Governance Department supervises the Executive Management record.

- **A brief statement about the implementation of the requirements on forming the Investor Relations Department**

In order to ensure that all information is provided to current and potential investors, Boursa Kuwait has established the Investor Relations Department, which is responsible for identifying key data to be provided to current shareholders and potential investors as well as dealing with the shareholders and investors and providing all information on the company's activity and financial position in a timely manner. The company's website also includes a section for investor relations.

- **A brief summary on developing the information technology infrastructure and its reliability in the operation of disclosures**

In order to reach out to shareholders, investors and stakeholders, Boursa Kuwait has established a section on its website dedicated to corporate governance, offering all the latest information and data to help potential and current shareholders and investors to exercise their rights and assess the company's performance. Moreover, Boursa Kuwait is working on updating and developing the disclosure process periodically.

Since the beginning of undertaking the exchange market, and in coordination with the Capital Markets Authority, the company has developed an action plan and allocated a budget for the development of its information technology infrastructure, including the change of servers inside the company, in addition to replacing the manual system of disclosure with an electronic system that provides traders with accurate, transparent and fair access to information from the source.

## Article Eight

### Shareholders' Rights

- **A summary of the implementation of the requirements for defining and protecting the general rights of shareholders in order to ensure justice and equality among all shareholders**

Ensuring the rights of shareholders is one of the most important requirements provided under the corporate governance rules and company law. In the course of ensuring the highest standards of transparency and equality in all current or potential transactions of shareholders, the company has implemented a policy that ensures the protection of shareholders' rights in accordance with its articles of association, internal policies and regulations and the necessary procedures and controls.

This is to ensure that all shareholders exercise their rights to achieve justice and equality, in a manner that does not conflict with the applied laws and regulations and issued decisions and instructions. Furthermore, the company also seeks to treat all shareholders equally, fairly and without distinction.

- **A summary on establishing a dedicated register to be kept with the clearing company, as part of the requirements for continuous monitoring of shareholders' data**

Boursa Kuwait strives to follow up consistently on all matters related to shareholders' data, establishing and maintaining a dedicated register to be kept in the Kuwait Clearing Company, listing the names, nationalities and residencies of shareholders, and the number of shares owned by each of them. The register shall include any changes in the data registered therein in accordance with data received by the company or the Kuwait Clearing Company. Any interested party may request data from this register from Boursa Kuwait or the Kuwait Clearing Company.

- **Voting Mechanism and participation in General Assembly meetings**

Boursa Kuwait is keen to facilitate and clarify the role of shareholders in its General Assembly meetings. A mechanism of voting and participation in General Assembly meetings has been prepared to clarify that, shareholders have the right to vote on decisions, as prescribed by the statute, the articles of association and the respect policy of shareholders' rights.

It also organizes public meetings of shareholders, to enable shareholders to participate actively in the General Assembly and to discuss the topics on its agenda. The company also has been keen to provide the shareholders with the right to access all the data contained in the register of the disclosures of the members of the Board of Directors and Executive Management.

## Article Nine

### Role of Stakeholders

- **An overview of the systems and policies that ensure protection and recognition of the rights of stakeholders**

In order to recognize and protect the rights of stakeholders, the company has developed a policy for the protection of stakeholders. This policy is designed to ensure respect and protection of the rights of stakeholders in accordance with the laws and instructions issued by the relevant regulatory authorities.

The aim of the Stakeholders' Protection Policy is to ensure that the rights of stakeholders, as set out in relevant laws and regulations, are respected and protected by the company.

Boursa Kuwait also protected the rights of all stakeholders and provided stability and sustainability through its good financial performance. Parties considered stakeholders were identified through such policies, and guidelines were developed on how to protect these rights.

- **The mechanism for motivating stakeholders to participate in the follow-up of the company's various activities**

In pursuit of its main responsibility to protect the rights of stakeholders, the Board of Directors has identified the stakeholders in the company as follows:

- **Shareholders**

The Shareholders' Protection Policy has been developed in accordance with the relevant law and regulations and as part of Boursa Kuwait's corporate governance framework as well as effective communication with shareholders to identify their views on various matters pertaining to the company.

- **Regulatory Bodies**

The company is committed to the laws, regulations and instructions issued by the Capital Markets Authority, the Ministry of Commerce and Industry and any other relevant regulatory bodies. It also ensures and maintains a continuous good relationship with all regulatory authorities and cooperates fully with the Capital Markets Authority and relevant regulatory bodies during inspection processes. Moreover, the company provides information, data, registers, records and tools required by the representatives of the regulatory bodies, and provides all the data, information and statistics requested by the Capital Markets Authority and the relevant regulatory bodies.

- **Customers and Market Members**

The company vows to provide the best services and products to its customers, in addition to constantly following up with clients' suggestions and complaints. This is in addition to improving communication with clients by devising modern means of communication to provide easy access to support at any time.

In order to enhance participation and transparency with its clients, Boursa Kuwait has published draft rules regarding its forthcoming products on its website in order to conduct a survey on the views of the market participants.

- **Employees**

Recruitment of Kuwaiti nationals and the development of all staff skills are deemed key priorities, as Boursa Kuwait focuses on providing professional development opportunities and necessary training programs as well as directing recruitment efforts to sign and train the best national labor.

Boursa Kuwait seeks to provide a working environment characterized by cooperation, integrity, honesty, moral values and compliance with laws in all dealings of its employees or through its dealings with stakeholders. The company has adopted reporting procedures that ensure the freedom to report any violations or illegal or unethical practices through direct communication channels and ensure adequate protection of the informant until completion of the investigations concerning these reports.

The development of an internal electronic network for employees, containing the latest information and news, is only a step to promote a culture of openness and transparency within the company and motivate channels of communication between Boursa Kuwait and its employees.



## Article Ten

### Performance Enhancement and Improvement

- **A brief summary of the implementation of requirements for setting mechanisms that allow the Board of Directors and Executive Management to obtain continuous training programs and courses**

Boursa Kuwait strives to develop the skills of the members of the Board of Directors and Executive Management through the development of mechanisms related to the training aspects of the Board of Directors and Executive Management. The Board of Directors is keen to adopt induction programs for newly-hired members to ensure that they have a proper understanding of the company's operations. Moreover, the Board of Directors has adopted a briefing booklet for its members.

Boursa Kuwait has strived to identify the proposed training topics for Board members to develop their skills, experiences and to keep abreast of developments.

- **A summary of how to evaluate the performance of the Board of Directors as a whole, and the performance of each member of the Board of Directors and Executive Management**

Boursa Kuwait has developed systems and mechanisms to evaluate the performance of each member of the Board of Directors and Executive Management on a regular basis by developing a set of performance indicators related to the achievement of the company's strategic objectives and the adequacy of the internal control systems.

Under the supervision of the Board of Directors, the Nomination and Remunerations Committee has reviewed the structure of the Board and the role played by its committees by using a self assessment methodology for each member to identify the development and training aspects necessary.

The following diagram illustrates the elements on which the evaluation process was based, as included in the self-assessment models:



- **An overview of the efforts of the Board of Directors regarding value creation for company employees through achieving strategic goals and improving performance rates**

The Board of Directors is keen to create values within the company in the short, medium and long term. Accordingly, it has adopted a code of conduct which emphasizes the existence of means to follow these practices and adhere to the highest professional standards and corporate values. Moreover, the Board also sought to link the commitment to corporate values with the performance evaluation rates of employees in order to ensure the achievement of our strategic objectives.

Boursa Kuwait has also made significant efforts to encourage corporate values, providing employees with the opportunity to present their ideas and constructive initiatives to Executive Management. Dialogue sessions are held on a periodic basis between management and staff to identify the potential efforts to develop the company and achieve its strategic objectives.

## Article Eleven

### Focusing on Social Responsibility

- **A summary of developing a policy to ensure a balance between the goals of the company and those of society**

Bursa Kuwait is committed to its responsibility towards the community and its employees, adopting a policy that ensures the achievement of both company and community objectives. Bursa Kuwait is committed to aligning its values and business strategy with its social and economic needs, while providing the community with the support necessary to achieve business and social benefits in the long term and to ensure the sustainability of its operations in a manner that minimizes harmful effects on society and the environment.

Bursa Kuwait has developed the foundations for an effective framework for social responsibility and corporate sustainability, including responsibilities towards society, the environment and different community groups, as well as the responsibilities of stakeholder participation and staff development.

Moreover, Bursa Kuwait also strives to raise social responsibility awareness among its employees by ensuring that they are aware of the importance of these programs and their objectives, which contribute to improving the company's performance level and helps it achieve its strategic objectives.

- **An overview of the applied programs and mechanisms that help highlight efforts in the field of social responsibility**

Bursa Kuwait seeks to achieve balance between its objectives and those sought by society by providing employment opportunities, encouraging Kuwaitization and offering training and educational programs for all segments of society. To learn about the most important programs and efforts made during 2019 to achieve this goal, please refer to the "Corporate Sustainability" section.

## Integrity of Financial Report Assurance





Kuwait: March 8, 2020

Reference No.:0162/S.A/R.H/2020

Dear Shareholders,

**Boursa Kuwait Financial Report dated December 31, 2019**

Please find attached Boursa Kuwait's audited financial report dated December 31, 2019.

This is to certify that the company's financial report attached herein is presented fairly and reflects all the financial and operational results of the company. The report was prepared in accordance with the International Financial Reporting Standards approved by the Capital Markets Authority.

Yours sincerely,

  
  
**Hamad Mashari Al-Humaidhi**  
 Chairman

BOURSA KUWAIT SECURITIES COMPANY K.P.S.C.  
AND ITS SUBSIDIARY

# CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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<b>Contents</b>	<b>Page</b>
Independent Auditor's Report	78 - 80
Consolidated Statement of Financial Position	81
Consolidated Statement of Income	82
Consolidated Statement of Comprehensive Income	83
Consolidated Statement of Changes in Equity	84
Consolidated Statement of Cash Flows	85
Notes to the Consolidated Financial Statements	86 - 111



## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF BOURSA KUWAIT SECURITIES COMPANY K.P.S.C. AND ITS SUBSIDIARY

### Report on the audit of the consolidated financial statements

#### Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Boursa Kuwait Securities Company K.P.S.C. (the "Company") and its subsidiary (together referred to as the "Group") as at 31 December 2019 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

#### Basis for 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 consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

#### Other information

The directors are responsible for the other information. The other information comprises the report of the Board of Directors (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Group's complete Annual Report, which is expected to be made available to us after that date. Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated 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 consolidated 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.

When we read the Group's complete Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF BOURSA KUWAIT SECURITIES COMPANY K.P.S.C. AND ITS SUBSIDIARY (CONTINUED)**

### **Report on the audit of the consolidated financial statements (continued)**

#### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

#### **Auditor's responsibilities for the audit of the consolidated financial statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF BOURSA KUWAIT SECURITIES COMPANY K.P.S.C. AND ITS SUBSIDIARY (CONTINUED)**

**Report on the audit of the consolidated financial statements (continued)**

**Auditor's responsibilities for the audit of the consolidated financial statements (continued)**


- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

**Report on other legal and regulatory requirements**

Furthermore, in our opinion, proper books of accounts have been kept by the Company and the consolidated financial statements together with the contents of the report of the board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law no. 1 of 2016, its executive regulation and by the Company's memorandum and articles of association, that an inventory count was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law no. 1 of 2016, its executive regulation, nor of the Company's memorandum and articles of association have occurred during the year ended 31 December 2019, that might have had a material effect on the business of the Group or on its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 7 of 2010 pertaining to the Establishment of the Capital Markets Authority and the Regulation of Securities' Activity and subsequent amendments thereto and its executive bylaws, during the year ended 31 December 2019.

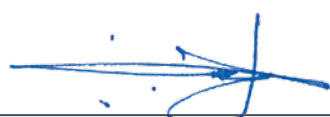
  
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 Khalid Ebrahim Al-Shatti  
 Licence No. 175 A  
 PricewaterhouseCoopers (Al-Shatti & Co.)

8 March 2020  
 Kuwait

## Consolidated statement of financial position

(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Note	Year ended 31 December	
		2019	2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	6	557,171	731,985
Right of use asset	7	950,403	-
Intangible assets	8	292,123	501,491
Investment in an associate	9	12,814,632	11,938,559
Trade receivables and other debit balances	10	655,091	179,546
<b>Total non-current assets</b>		<b>15,269,420</b>	<b>13,351,581</b>
<b>Current assets</b>			
Trade receivables and other debit balances	10	1,503,612	645,913
Term deposits	11	3,526,850	9,747,350
Cash and cash equivalents	12	15,886,044	1,858,749
<b>Total current assets</b>		<b>20,916,506</b>	<b>12,252,012</b>
<b>Total assets</b>		<b>36,185,926</b>	<b>25,603,593</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liability	7	839,613	-
Employees' end of service benefits	17	458,840	399,323
<b>Total non-current liabilities</b>		<b>1,298,453</b>	<b>399,323</b>
<b>Current liabilities</b>			
Trade and other payables	18	2,687,943	2,680,818
Lease liability	7	97,756	-
<b>Total current liabilities</b>		<b>2,785,699</b>	<b>2,680,818</b>
<b>Total liabilities</b>		<b>4,084,152</b>	<b>3,080,141</b>
<b>Net assets</b>		<b>32,101,774</b>	<b>22,523,452</b>
<b>EQUITY</b>			
Share capital	13	20,077,575	19,121,500
Statutory reserve	14	1,437,434	447,826
Voluntary reserve	15	1,437,434	447,826
Group's share in an associate's reserve		(42,376)	(28,946)
Retained earnings		9,191,707	2,535,246
<b>Total equity</b>		<b>32,101,774</b>	<b>22,523,452</b>



Hamad Mishari Al-Humaidhi

Chairman



Mohammad Saud Al-Osaimi

Chief Executive Officer

## Consolidated statement of income

(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Note	Year ended 31 December	
		2019	2018
<b>Revenue</b>			
Subscription fees		7,265,465	3,499,588
Share in trading commission	20	5,535,175	3,147,195
Miscellaneous fees	21	1,402,288	1,752,865
<b>Total revenue</b>		<b>14,202,928</b>	<b>8,399,648</b>
General and administrative expenses	22	(7,038,557)	(7,905,203)
Net impairment losses on financial assets	10	(61,962)	(26,710)
Rental income		873,110	1,108,151
Other income		25,136	24,689
<b>Operating profit</b>		<b>8,000,655</b>	<b>1,600,575</b>
Finance income		497,618	253,004
Finance costs		(47,949)	-
Share of results of an associate	9	1,445,753	600,217
<b>Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), Zakat and Board of Directors' remuneration</b>		<b>9,896,077</b>	<b>2,453,796</b>
KFAS		(74,607)	(16,082)
Zakat		(85,718)	(20,385)
Board of Directors' remuneration		(144,000)	(64,000)
<b>Profit for the year</b>		<b>9,591,752</b>	<b>2,353,329</b>
<b>Earnings per share attributable to equity holders of the company (fils)</b>	16		
<b>(Basic and diluted)</b>		<b>48.5</b>	<b>14.5</b>

## Consolidated statement of comprehensive income

(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Note	Year ended 31 December	
		2019	2018
Profit for the year		<u>9,591,752</u>	<u>2,353,329</u>
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss			
Share of other comprehensive income of an associate	9	<u>(13,430)</u>	<u>(28,946)</u>
<b>Other comprehensive income for the year</b>		<u>(13,430)</u>	<u>(28,946)</u>
<b>Total comprehensive income for the year</b>		<u><u>9,578,322</u></u>	<u><u>2,324,383</u></u>

## Consolidated statement of changes in equity

(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Share capital	Statutory reserve	Voluntary reserve	Group's share in an associate's reserves	Retained earnings	Total equity
<b>Balance at 1 January 2018</b>	6,000,000	202,446	202,446	-	1,444,273	7,849,165
Restatement effect	-	-	-	-	(471,596)	(471,596)
<b>Restated balance at 1 January 2018</b>	6,000,000	202,446	202,446	-	972,677	7,377,569
Profit for the year	-	-	-	-	2,353,329	2,353,329
Other comprehensive income	-	-	-	(28,946)	-	(28,946)
<b>Total comprehensive income for the year</b>	-	-	-	(28,946)	2,353,329	2,324,383
Transfer to reserves	-	245,380	245,380	-	(490,760)	-
Share capital increase	12,821,500	-	-	-	-	12,821,500
Bonus shares	300,000	-	-	-	(300,000)	-
<b>Balance at 31 December 2018</b>	19,121,500	447,826	447,826	(28,946)	2,535,246	22,523,452
<b>Balance at 1 January 2019</b>	19,121,500	447,826	447,826	(28,946)	2,535,246	22,523,452
Profit for the year	-	-	-	-	9,591,752	9,591,752
Other comprehensive income	-	-	-	(13,430)	-	(13,430)
<b>Total comprehensive income for the year</b>	-	-	-	(13,430)	9,591,752	9,578,322
Transfer to reserves	-	989,608	989,608	-	(1,979,216)	-
Bonus shares (Note 13)	956,075	-	-	-	(956,075)	-
<b>Balance at 31 December 2019</b>	20,077,575	1,437,434	1,437,434	(42,376)	9,191,707	32,101,774

## Consolidated statement of cash flows

(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Note	Year ended 31 December	
		2019	2018
<b>Cash flows from operating activities</b>			
Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), Zakat and Board of Directors' remuneration		9,896,077	2,453,796
Adjustments for:			
Depreciation and amortisation		629,705	478,826
Net impairment losses on financial assets	10	61,962	26,710
Share of results of an associate	9	(1,445,753)	(600,217)
Finance income		(497,618)	(253,004)
Finance costs		47,949	-
Provision for employees' end of service benefits	17	175,994	160,540
		<b>8,868,316</b>	<b>2,266,651</b>
<b>Changes in working capital</b>			
Trade receivables and other debit balances		(1,244,852)	(455,712)
Trade and other payables		(297,200)	(2,181,180)
Employee benefit obligations paid	17	(116,477)	(5,020)
<b>Net cash generated from / (used in) operating activities</b>		<b>7,209,787</b>	<b>(375,261)</b>
<b>Cash flows from investing activities</b>			
Payments for property and equipment	6	(97,883)	(71,642)
Payments for intangible assets	8	(32,440)	(260,521)
Withdrawal / (placement) of term deposits		6,220,500	(3,750,000)
Dividends received from an associate	9	556,250	834,375
Finance income received		312,027	207,034
<b>Net cash generated from / (used in) investing activities</b>		<b>6,958,454</b>	<b>(3,040,754)</b>
<b>Cash flows from financing activities</b>			
Lease liability paid		(140,946)	-
<b>Net cash used in financing activities</b>		<b>(140,946)</b>	<b>-</b>
<b>Net increase / (decrease) in bank balances and cash</b>		<b>14,027,295</b>	<b>(3,416,015)</b>
Bank balances and cash at beginning of the year		1,858,749	5,274,764
<b>Bank balances and cash at end of the year</b>	12	<b>15,886,044</b>	<b>1,858,749</b>
<b>Non-cash transactions</b>			
Right-of-use assets	3	(1,065,603)	-
Trade receivables and other debit balances	3	35,237	-
Due to related party		-	(12,821,500)
Lease liabilities	3	1,030,366	-
Retained earnings	13	(956,075)	-
Share capital	13	956,075	12,821,500

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

### 1 INCORPORATION AND ACTIVITIES

Boursa Kuwait Securities Company (K.P.S.C) ("the Company") was incorporated as a Kuwaiti Shareholding Public Company under the Memorandum of Association No. 2357 dated 22 April 2014, which was published in the official gazette dated 27 April 2014. The Company was recorded in the commercial register under No. 355538 on 16 October 2014 and its subsequent amendments. The nationwide initial public offering has been implemented between 1 October 2019 and 1 December 2019 with the distribution of the CMA's 50% share to Kuwaiti citizens. After the allocation of the remaining 50% of the Company's shares, the Company will be 94% owned by citizens and the private sector, while the Kuwaiti government, through the Public Institution for Social Security, will have the remaining 6%. As at 31 December 2018, the ultimate controlling party was the Capital Markets Authority.

The Company was established for the following main objectives:

- Operation of a securities exchange designated for matching bid and ask offers for securities, following the procedures of trading, and performing the usual functions of securities markets
- Provide design, development and processing of electronic data services related to the field of operating securities exchanges
- Provide support services for third parties' account in the field of securities exchange
- Provide financial matters related consultations and preparation of feasibility studies in the field of securities exchange
- Establishment or participate in establishment of entities inside the State of Kuwait or abroad, of various legal forms within the scope of securities exchange markets business after getting prior consent of Capital Markets Authority ("CMA")
- The Company may have interests or participate in any suitable way with entities that engage in similar business activities or that may help the Company achieve its objectives inside Kuwait and abroad, as per applicable laws and regulations
- The Company may utilize available financial surpluses from its investment in banking deposits or government securities whether inside Kuwait or abroad
- Any other objectives of securities exchange markets, which are stipulated for in CMA law or any of its resolutions.

The Company may carry out the above business in the State of Kuwait or abroad.

The registered head office of the Company is located at Kuwait Stock Exchange "KSE" Building, Sharq, Kuwait, P.O. Box 1027 Dasman, 15461 Kuwait.

These consolidated financial statements include the financial statements of the Company and its fully owned subsidiary, "Boursa Kuwait for Business, Economical and Information Technology Advisory Services Company (W.L.L.)" (together referred to as "Group").

The consolidated financial statements for the year ended 31 December 2019 were authorized for issue by the Board of Directors resolution dated 8 March 2020 and are subject for the approval of the shareholders at the Annual General Assembly meeting.

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2-1 Basis of preparation

##### (i) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

##### (ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis.

##### (iii) New and amended standards adopted by the Group:

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation - Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle
- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019 (if any). This is disclosed in Note 3. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

##### (iv) New standards and interpretations not yet adopted:

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2-2 Principles of consolidation and equity accounting

##### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of income, comprehensive income, changes in equity and financial position respectively.

##### (ii) Associate

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

##### (iii) Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in the consolidated statement of income, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in (Note 2.7).

##### (iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2-2 Principles of consolidation and equity accounting (continued)

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in the consolidated statement of other comprehensive income are reclassified to the consolidated statement of income where appropriate.

#### 2-3 Segment reporting

Following the management approach to IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Board of Directors (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses its performance.

#### 2-4 Foreign currency translation

##### (i) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Kuwaiti Dinars (KD), which is the Group's functional and presentation currency.

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statement of income.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of income on a net basis within other gains/ (losses).

#### 2-5 Property and equipment

Property and equipment is stated at historical cost less depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognised. All other repairs and maintenance are charged to the consolidated statement of income during the reporting period in which they are incurred.

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2-5 Property and equipment (continued)

Depreciation is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives, as follows:

Leasehold improvements	5-10 years
Computers	4 years
Office equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated statement of income.

#### 2-6 Intangible assets

Software

Software has a definite useful life and is carried at cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated using the straight-line method to allocate the cost of software over their estimated useful lives of 3 years.

#### 2-7 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### 2-8 Term deposits

Term deposits comprises of bank balance account held with local financial institutions with a maturity of more than three months from the date of deposit.

#### 2-9 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with original maturity less than three months and call accounts held with financial institutions.

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2-10 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 4.1.

#### 2-11 Financial assets

##### (i) Classification

The Group classifies its financial assets as those measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group's financial assets measured at amortised cost include trade receivables and other debit balances, term deposits and cash and cash equivalents.

##### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

##### (iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Subsequent measurement of debt instruments measured at amortised cost depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Refer to Note 2.10 for the subsequent measurement of trade receivables.

##### (iv) Impairment of financial assets

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 4.1 for further details.

#### 2-12 Employees' end of service benefits

The Group is liable under Kuwaiti labor law, to make payments to the employees for post-employment benefits through defined benefits plan. The liability for employees' end of service benefits is recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2-12 Employees' end of service benefits (continued)

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the value of plan assets. This cost is included in employee benefit expense in the consolidated statement of comprehensive income. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in the accumulated results in the consolidated statement of changes in equity and in the consolidated statement of financial position. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

With respect to its national employees, the Group makes contributions to the Public Authority for Social Security calculated as a percentage of the employees' salaries.

#### Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

#### 2-13 Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group.

All financial liabilities are initially recognised at fair value less directly attributable transaction costs. After initial recognition the financial liabilities are subsequently measured at amortised cost using the effective interest method. The Group classifies its financial liabilities as trade and other payables.

#### 2-14 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period (or in the normal operating cycle of the business if longer). They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

#### 2-15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2-15 Provisions (continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

#### 2-16 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated 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.

#### 2-17 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

##### Subscription fees

Subscription fees represent subscription fees of companies listed in Premier, Main and Auction markets. Revenue is recognised at the time when the customers utilises the services provided by Boursa Kuwait. i.e over the period of the annual subscriptions.

##### Trading commissions

Trading commission fees represent the fees charged by the Company on each trade (both buy and sell) undertaken by the brokers as per laws and regulations. Revenue is recognised at the time when the underlying trade has been consummated.

##### Miscellaneous fees

Miscellaneous fees include revenue from transferring of ownership and acquisition fees, trading commission of non-listed companies and other subscription fees. Revenue is recognised at the time when the underlying service is provided to the customer/company. For other subscription fees, revenue is recognised over the period of the annual subscription.

##### Interest income

Interest income on term deposits is calculated using the effective interest method and is recognised in the consolidated statement of income.

#### 2-18 Leases

The Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described in (Note 3.2) and the impact of the change in (Note 3.1).

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2-18 Leases (continued)

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

#### 2-19 Dividend

Dividend distribution to the company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the company's shareholders.

### 3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of adopting IFRS 16 Leases on the Group's consolidated financial statements.

#### 3-1 Impact on the consolidated financial statements

The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019 (if any).

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5%.

#### Practical expedients applied

The Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 and Interpretation for determining whether an arrangement contains a lease. The Group also excluded the initial direct costs for the measurement of the right-of-use asset at the date of initial application.

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

### 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### 3-1 Impact on the consolidated financial statements (Continued)

##### Measurement of lease liabilities

	2019 KD
Operating lease commitments disclosed as at 31 December 2018	1,268,514
Discounted using the lessee's incremental borrowing rate at the date of initial application	5%
<b>Lease liability recognised as at 1 January 2019</b>	<b>1,030,366</b>
Of which are	
Current lease liabilities	92,997
Non-current lease liabilities	937,369

##### Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018.

Adjustments recognised in the consolidated statement of financial position on 1 January 2019:

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- Right-of-use assets - increase by KD 1,065,603
- Prepayments - decrease by KD 35,237
- Lease liabilities - increase by KD 1,030,366

##### Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

#### 3-2 IFRS 16 "Leases" - Accounting policies

The Group leases the head office building from the Ministry of Finance. The rental contract is made for a fixed period of 10 years. The lease agreement does not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leasing the head office building was classified as an operating lease. From 1 January 2019, the lease is recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

### 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### 3-2 IFRS 16 "Leases" - Accounting policies (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing
- Makes adjustments specific to the lease, e.g. term, country, currency and security

Lease payments are allocated between the principal and finance costs. The finance cost is charged to the consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs
- Restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

### 4 FINANCIAL RISK MANAGEMENT

#### 4-1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, and interest rate risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Group's Finance Department as approved by the Group's Board of Directors.

##### (a) Market risk

##### (i) Foreign currency risk

Foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group manages its foreign currency risk by regularly assessing current and expected foreign currency rate movements and Group's foreign currency monetary assets and liabilities. The Group is not exposed to foreign currency risk as it does not have any significant financial assets and liabilities denominated in foreign currencies as of 31 December 2019 and 2018.

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

### 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 4-1 Financial risk factors (Continued)

##### (a) Market risk (continued)

##### (ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. Instruments issued at variable rates expose the Group to cash flow interest rates risk, while instruments issued at fixed rates expose the Group to fair value interest rate risk. Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on consolidated statement of income of a defined interest rate shift. The Group is exposed to interest rate risk on all interest bearing financial instruments such as term deposits. Positions are monitored on a regular basis to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year as well as equity to a reasonably possible change of 100 basis points (2018: 100 basis points) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at each reporting date. A positive number indicates an increase in profit for the year/equity and a negative number indicates a decrease in profit for the year/equity. There is no impact on the consolidated statement of other comprehensive income.

	<u>Increase in basis points</u>	<u>Effect on profit for the year and equity</u>
<b>31 December 2019</b>		
KD	<b>+100</b>	<b>194,129</b>
31 December 2018		
KD	+100	116,061

The Group does not have any off-balance sheet financial instruments or derivatives which are used to manage the interest rate risk

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

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### 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 4-1 Financial risk factors (Continued)

##### (b) Credit Risk

The Group is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to outstanding receivables. Granting of credit terms on annual subscription fees is required to be approved by the Board of Directors. The outstanding balances are continuously monitored by management and assessed for impairment as required. Any impairments and write-offs are also approved by the Board of Directors.

##### (i) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a high rating are accepted.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

##### (ii) Security

It is not the practice of the Group to obtain security in the form of guarantees or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

##### (iii) Impairment of financial assets

#### Trade receivables

Refer to Note 10 for the impairment of trade receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 360 days.

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

### 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 4-1 Financial risk factors (Continued)

##### (iii) Impairment of financial assets (continued)

##### Bank balances

The Group manages credit risk from balances with banks and other financial institutions by investing surplus funds only with approved and reputable counterparties. Bank deposits and term deposits are limited to high-credit-quality financial institutions. The table below presents an analysis of cash and bank balances by rating agency designation at the end of reporting period based on Moody's ratings or its equivalent for the main banking relationships:

	<b>31 December 2019</b>	31 December 2018
A1	<b>3,251,289</b>	-
A2	<b>5,314,164</b>	6,109,778
A3	<b>5,036,500</b>	4,758,450
Aa3	<b>5,809,947</b>	736,877
Baa2	<b>994</b>	994
	<b>19,412,894</b>	11,606,099

No impairment provision was required on cash and cash equivalent as credit risk was considered minimal.

##### (c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting commitments associated with financial liabilities, arises because of the possibility (which may often be remote) that the entity could be required to pay its liabilities earlier than expected. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by maintaining sufficient cash and high liquidity financial instruments.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the below tables are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the balance sheet.

	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>At 31 December 2019</b>				
<b>Liabilities</b>				
Trade and other payables	2,687,943	-	-	2,687,943
Lease liability	140,946	563,784	422,838	1,127,568
	<b>2,828,889</b>	<b>563,784</b>	<b>422,838</b>	<b>3,815,511</b>
<b>At 31 December 2018</b>				
<b>Liabilities</b>				
Trade and other payables	2,680,818	-	-	2,680,818
	<b>2,680,818</b>	<b>-</b>	<b>-</b>	<b>2,680,818</b>

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

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### 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 4-2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as loans and finance lease obligation (including current and non-current loans as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial positions plus net debt. The Group is ungeared.

#### 4-3 Fair value estimates

As at the reporting date, the carrying values of all financial assets and financial liabilities, except for long term receivables (Note 10) approximate their fair value.

### 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included below together with information about the basis of calculation for each affected line item in the consolidated financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

#### (a) Expected Credit Losses on financial assets

The Group estimates Expected Credit Loss (ECL) for all financial assets carried at amortised cost. Significant judgements are required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of ECL
- Establishing the number and relative weightings of forward-looking scenarios for each type of market and the associated ECL
- Establishing group of similar financial assets for the purpose of measuring ECL

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

### 6 PROPERTY AND EQUIPMENT

	Leasehold improvements	Computers	Office equipment	Work in progress	Total
<b>At 1 January 2018</b>					
Cost	91,330	68,401	88,090	1,053,221	1,301,042
Accumulated depreciation	(39,597)	(35,406)	(21,504)	-	(96,507)
<b>Net book amount</b>	<b>51,733</b>	<b>32,995</b>	<b>66,586</b>	<b>1,053,221</b>	<b>1,204,535</b>
<b>Year ended 31 December 2018</b>					
Opening net book amount	51,733	32,995	66,586	1,053,221	1,204,535
Additions	17,706	42,991	10,945	-	71,642
Disposals	-	-	-	(9,500)	(9,500)
Transfers to intangible assets	-	-	-	(301,800)	(301,800)
Reclassified from intangible assets	-	16,361	-	-	16,361
Transferred from work in progress	-	741,921	-	(741,921)	-
Depreciation charge	(24,211)	(239,177)	(13,022)	-	(276,410)
Depreciation related to assets reclassified from intangible assets	-	27,157	-	-	27,157
<b>Closing net book amount</b>	<b>45,228</b>	<b>622,248</b>	<b>64,509</b>	<b>-</b>	<b>731,985</b>
<b>At 31 December 2018</b>					
Cost	109,036	869,674	99,035	-	1,077,745
Accumulated depreciation	(63,808)	(247,426)	(34,526)	-	(345,760)
<b>Net book amount</b>	<b>45,228</b>	<b>622,248</b>	<b>64,509</b>	<b>-</b>	<b>731,985</b>
<b>Year ended 31 December 2019</b>					
Opening net book amount	45,228	622,248	64,509	-	731,985
Additions	23,181	20,510	54,192	-	97,883
Depreciation charge	(19,553)	(230,166)	(22,978)	-	(272,697)
<b>Closing net book amount</b>	<b>48,856</b>	<b>412,592</b>	<b>95,723</b>	<b>-</b>	<b>557,171</b>
<b>At 31 December 2019</b>					
Cost	132,217	890,184	153,227	-	1,175,628
Accumulated depreciation	(83,361)	(477,592)	(57,504)	-	(618,457)
<b>Net book amount</b>	<b>48,856</b>	<b>412,592</b>	<b>95,723</b>	<b>-</b>	<b>557,171</b>

The building occupied by the company is owned by Ministry of Finance- State Property Department.

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

### 7 LEASE

This note provides information for lease where the Group is a lessee.

(i) Amounts recognized in the consolidated statement of financial position

	As at	
	31 December 2019	1 January 2019
<b>Right of use asset</b>		
Building	950,403	1,065,603
<b>Lease liability</b>		
Current	97,756	92,997
Non-current	839,613	937,369
	<b>937,369</b>	<b>1,030,366</b>

Additions to the right-of-use assets during the year ended 31 December 2019 were nil.

(ii) Amounts recognized in the consolidated statement of income

The consolidated statement of income shows the following amount relating to lease:

	Year ended 31 December	
	2019	2018
<b>Depreciation charge of right-of-use asset</b>		
Building	115,200	-
Finance cost	47,949	-

The total cash outflow for lease during the year ended 31 December 2019 was KD 140,946.

### 8 INTANGIBLE ASSETS

	Software
<b>At 1 January 2018</b>	
Cost	270,435
Accumulated depreciation	(85,331)
<b>Net book amount</b>	<b>185,104</b>
<b>Year ended 31 December 2018</b>	
Opening net book amount	185,104
Additions	260,521
Transferred to property and equipment (work in progress)	(16,361)
Transferred from property and equipment (work in progress)	301,800
Amortisation charge	(202,416)
Reclassification to property and equipment	(27,157)
<b>Closing net book amount</b>	<b>501,491</b>
<b>At 31 December 2018</b>	
Cost	816,395
Accumulated amortisation	(314,904)
<b>Net book amount</b>	<b>501,491</b>

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

### 8 INTANGIBLE ASSETS (CONTINUED)

	<u>Software</u>
<b>Year ended 31 December 2019</b>	
Opening net book amount	501,491
Additions	32,440
Amortisation charge	(241,808)
<b>Closing net book amount</b>	<b><u>292,123</u></b>
<b>At 31 December 2019</b>	
Cost	848,835
Accumulated amortisation	(556,712)
<b>Net book amount</b>	<b><u>292,123</u></b>

### 9 INVESTMENTS IN AN ASSOCIATE

Investment in an associate represents the Group's share in Kuwait Clearing Company ("KCC"), a Kuwaiti shareholding closed company based in Kuwait. It is a strategic investment for the Group which complements the services provided by the Company. The Group has 27.78% of ownership interest, and the proportion of ownership interest is the same as the proportion of voting rights held.

	<u>As at 31 December</u>	
	<u>2019</u>	2018
Opening balance	<b>11,938,559</b>	12,201,663
Share of results of an associate	<b>1,445,753</b>	600,217
Share in an associate's reserve	<b>(13,430)</b>	(28,946)
Dividends paid	<b>(556,250)</b>	(834,375)
Ending balance	<b><u>12,814,632</u></b>	<u>11,938,559</u>

#### Summarised statement of financial position as at 31 December:

The information below reflects the amounts presented in the financial statements of the associate and not the Group's share of those amounts. As the fiscal year end of this associate is 31 December, the below information is extracted from their audited financial statements as of that date.

#### Summarised statement of financial position as at 31 December

	<u>As at 31 December</u>	
	<u>2019</u>	2018
<b>Current</b>		
Assets	<b>36,249,822</b>	31,574,787
Liabilities	<b>(2,564,438)</b>	(1,655,079)
<b>Total current net assets</b>	<b><u>33,685,384</u></b>	<u>29,919,708</u>
<b>Non-current</b>		
Assets	<b>9,818,440</b>	9,798,903
Liabilities	<b>(4,554,300)</b>	(3,919,836)
<b>Total non-current net assets</b>	<b><u>5,264,140</u></b>	<u>5,879,067</u>
<b>Net assets</b>	<b><u>38,949,524</u></b>	<u>35,798,775</u>
Ownership percentage	<b>27.78%</b>	27.78%
<b>Group's interest</b>	<b><u>10,820,178</u></b>	<u>9,944,105</u>
Goodwill	<b>1,994,454</b>	1,994,454
<b>Book value of the associate</b>	<b><u>12,814,632</u></b>	<u>11,938,559</u>

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

### 9 INVESTMENTS IN AN ASSOCIATE (CONTINUED)

#### Summarised statement of comprehensive income for the year ended 31 December

	Year ended 31 December	
	2019	2018
Revenue	11,456,557	8,196,859
Expenses	(6,252,262)	(6,036,155)
Profit for the year	5,204,295	2,160,704
Other comprehensive loss	(48,045)	(29,885)
Total comprehensive income	5,156,250	2,130,819

Other comprehensive loss represents the change in fair value of investment carried at fair value through other comprehensive income. The share in an associate's reserve represents the Group's share in the fair value reserve.

### 10 TRADE RECEIVABLES AND OTHER DEBIT BALANCES

	As at 31 December	
	2019	2018
Trade receivables	1,752,714	528,888
Loss allowance	(137,411)	(75,449)
	1,615,303	453,439
Accrued interest income	115,901	65,393
Advances to suppliers	104,820	-
Prepaid expenses	123,047	116,879
Letter of guarantee	188,524	179,546
Other receivables	11,108	10,202
Total	2,158,703	825,459

#### Short term receivables

Trade receivables include an amount of KD 537,078 (2018: 412,294) due from the Kuwait Clearing Company ("KCC"). The amount represents outstanding trading commission from ordinary course of business. The amount is generally due for settlement and collectible within three days and therefore classified as current. The expected credit loss on the balance is insignificant.

#### Restructured trade receivables

The carrying value of trade receivables includes an amount of KD 1,133,634 (2018: Nil) which relates to annual subscription fees outstanding from certain listed companies. This outstanding subscription fee is payable over a period of two years from the reporting date.

During the year ended 31 December 2019, the Company increased its annual subscription fee for all companies listed in the exchange. This annual subscription fee is required to be paid at the beginning of every calendar year. As a result of the increase in annual subscription fees, certain listed companies could not pay their annual subscription fees as per the agreed terms. To ensure recoverability of the outstanding balances, during the third quarter of 2019 [the "modification date"], the Company agreed with all counterparties with outstanding subscription fees to restructure the payments terms of the balances. The restructuring of receivables was approved by the Board of Directors. Based on the signed agreements, the outstanding subscription fees would be paid on a quarterly instalment basis over a period of two years from the date of the agreement. Accordingly, as of 31 December 2019, the outstanding balance of KD 1,133,634 is current.

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

### 10 TRADE RECEIVABLES AND OTHER DEBIT BALANCES (CONTINUED)

In line with the requirements of International Financial Reporting Standards (IFRS), on the modification date, management assessed whether the changes to the payment terms and the modifications of the contractual cash flows of the outstanding receivables resulted in derecognition of the existing receivables. As a result of the assessment, management concluded that the changes to the payment terms are substantial and would result into derecognition of the outstanding receivables and a recognition of a new receivable at fair value.

On the modification date, management recognized a new receivable at fair value. This resulted in a modification loss of KD 44,977 recognized in the consolidated statement of income. The fair value of the new receivable was determined by discounting the future contractual cash flows using the current market rate of interest. The current market rate of interest ranged from 5% to 6% and reflected the rate that would be charged to the respective listed companies if they were to borrow funds over a similar term.

#### Expected credit loss on restructured receivables

In determining the expected credit loss for the restructured receivables, in line with the requirements of IFRS, management considered the modification date as the date of initial recognition of the financial asset when applying the impairment requirement.

As at 31 December 2019, management assessed whether there was a significant increase in credit risk on the outstanding balance. Management compared the risk of a default occurring over the life of the receivable at the end of the reporting date with the risk of default at the date of initial recognition.

#### Factors considered in assessing significant increase in credit risk:

- Missing or incomplete payments
- History of default post restructuring
- Significant adverse changes in business, financial and/or economic conditions in which the counterparties operate

The Group also considered all reasonable and supportable forward-looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of customer post period end.

Based on the assessment, there was no significant increase in credit risk as of 31 December 2019. The loss allowance was measured at an amount equal to 12-month ECL, the resultant expected credit loss was insignificant.

Movements in the credit loss allowance and in the gross amortised cost amount of restructured receivables were as follows in 2019:

	Credit loss allowance Stage 1 (12-months ECL)	Gross carrying amount Stage 1 (12-months ECL)
<b>Restructured trade receivables</b>		
At 1 January 2019	-	-
New originated	-	1,133,634
Credit loss allowance charge for the year	16,985	-
Modification of contractual cash flows	44,977	-
<b>At 31 December 2019</b>	<b>61,962</b>	<b>1,133,634</b>

The remaining loss allowance of KD 75,449 is related to other trade receivables that are fully provided for.

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

### 10 TRADE RECEIVABLES AND OTHER DEBIT BALANCES (CONTINUED)

	As at 31 December	
	2019	2018
Current receivables	1,503,612	645,913
Non-current receivables	655,091	179,546
	<b>2,158,703</b>	<b>825,459</b>

All current receivables as of 31 December 2019 are expected to be recovered over the next 12 months. Non-current receivables have a fair value of KD 655,091 as at 31 December 2019, compared to a carrying amount of KD 767,735. The fair values were calculated based on cash flows discounted using a current lending rate. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

### 11 Term deposits

Term deposits are placed with local banks, denominated in Kuwaiti Dinar and carry an effective interest rate between 3.65% to 4% (31 December 2018: 2.25% to 3.18%) per annum and maturing within 12 months from the date of deposit.

As at the reporting date, the carrying amount of term deposits approximate their fair value.

### 12 CASH AND CASH EQUIVALENTS

	As of 31 December	
	2019	2018
Cash at banks	5,886,044	858,749
Short term deposits	10,000,000	1,000,000
	<b>15,886,044</b>	<b>1,858,749</b>

Short term deposits are placed with local banks, denominated in Kuwaiti Dinar and carry an effective interest rate between 3% to 3.38% (31 December 2018: 1.75% to 2.67%) per annum and maturing within 3 months from the date of deposit.

### 13 SHARE CAPITAL

The authorized capital amounts to KD 60,000,000 (31 December 2018: KD 60,000,000) distributed into 600,000,000 (31 December 2018: 600,000,000) shares of 100 fils. The issued and fully paid-up capital amounts to KD 20,077,575 (31 December 2018: KD 19,121,500) distributed into 200,775,750 (31 December 2018: 191,215,000) shares of 100 fils (31 December 2018: 100) each and all paid in cash.

The Annual General Assembly held on 21 April 2019 has approved the annual audited consolidated financial statements of the Group for the year ended 31 December 2018 and approved dividends' distribution of bonus shares as from the issued and fully paid-up capital by issuance of 9,560,750 shares of a nominal value of 100 fils each. Therefore, the authorised share capital became 200,775,750 shares. The increase in share capital was authenticated on 19 May 2019 in the commercial register.

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

### 13 SHARE CAPITAL (CONTINUED)

The Board of Directors meeting held on 8 March 2020 proposed a cash dividend of 25% to the registered shareholders as of the date of the Annual General Assembly meeting. This proposal is subject to approval of shareholders at the Annual General Assembly meeting.

### 14 STATUTORY RESERVE

In accordance with the Company's Law and the Company's Articles of Association, 10% of profit for the year attributable to owners of the Company before KFAS, Zakat and directors' remuneration is required to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve reaches 50% of the paid-up share capital.

Only that part of the reserve in excess of 50% of paid up share capital is freely distributable. Distribution of the balance of the reserve is limited to the amount required to enable the payment of a distribution of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a distribution of that amount.

### 15 VOLUNTARY RESERVE

In accordance with the Company's Articles of Association, 10% of the profit for the year before KFAS, Zakat and Board of Directors' remuneration is required to be transferred to the voluntary reserve. This transfer may be discontinued by a resolution adopted by the ordinary assembly as recommended by the Board of Directors. There are no restrictions on distributions from the voluntary reserve.

### 16 EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Earnings per share are calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Group and held as treasury shares.

The information necessary to calculate earnings per share is as follows:

	Year ended 31 December	
	2019	2018
Net profit for the year attributable to the equity holders of the Company	9,591,752	2,353,329
<b>Number of shares outstanding:</b>		
Weighted average number of shares outstanding	197,894,428	161,950,490
<b>Earnings per share attributable to equity holders</b>	<b>48.5</b>	14.5

There were no potential dilutive shares.

### 17 EMPLOYEES' END OF SERVICE BENEFITS

	As at 31 December	
	2019	2018
Opening balance	399,323	243,803
Provided during the year	175,994	160,540
Paid during the year	(116,477)	(5,020)
Ending balance	458,840	399,323

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

### 18 TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
Trade payables	621,503	981,653
Contract liabilities *	294,678	339,692
Accrued expenses	972,800	627,017
Commission payable to the Capital Markets Authority	192,237	133,714
Staff payables	13,843	-
Leaves payable	415,124	479,767
Other payables	177,758	118,975
	<b>2,687,943</b>	<b>2,680,818</b>

\* Contract liabilities primarily relate to the consideration received from customers for which services have not yet been rendered (i.e. other subscription fees). The Group recognised the full amount included in the contract liabilities at the beginning of the year as a revenue in the current reporting period. The ending balance of contract liabilities represent the consideration received during the year from customers for which services have not yet been rendered.

At the reporting date, the carrying value of trade and other payables approximates its fair value.

### 19 RELATED PARTY TRANSACTIONS

Related parties represent shareholders that have representation in the Company's Board of Directors and their close relatives, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. All related party transactions are carried out on terms approved by Company's management and at an arm's length term. The related parties' balances and transactions included in the consolidated financial statements are as follows:

#### Balances included in the consolidated statement of financial position

	As at 31 December	
	2019	2018
Trade receivables - amount due from KCC (an associate)	537,078	412,294
Commission payable to Capital Markets Authority - shareholder	192,237	133,714
Accrued expenses - Board of Directors' remuneration	144,000	64,000

#### Transactions included in the consolidated statement of income

	Year ended 31 December	
	2019	2018
Board of Directors' remuneration	144,000	64,000
Collection expense paid to KCC (an associate)	200,000	200,000

#### Key management personnel compensation

	As at 31 December	
	2019	2018
Short-term employee benefits	188,558	286,000
Termination benefits	22,434	9,230
	<b>210,992</b>	<b>295,230</b>

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

### 20 SHARE IN TRADING COMMISSION

	Year ended 31 December	
	2019	2018
Main commission	5,078,520	2,675,217
Special transaction commission	455,770	467,807
Others	885	4,171
	<u>5,535,175</u>	<u>3,147,195</u>

### 21 MISCELLANEOUS FEES

	Year ended 31 December	
	2019	2018
Revenues from transferring of ownership and acquisition fees	441,782	933,783
Trading commission of non-listed companies	436,494	393,152
Registration fees	59,500	34,500
Other subscription fees	464,512	391,430
	<u>1,402,288</u>	<u>1,752,865</u>

### 22 GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2019	2018
Staff cost (Note 23)	4,226,447	4,421,546
Maintenance	766,247	831,209
Building expenses (Note 24)	456,535	875,421
Collection expenses	200,000	200,000
Travel expenses	69,893	91,663
Advertising	179,128	379,066
Hospitality	50,620	69,161
Depreciation and amortization	514,505	478,826
Capital Markets Authority's share of various trading commissions	192,237	133,714
Consultancy expenses	110,028	205,833
Legal expenses	17,600	16,134
Other expenses	255,317	202,630
	<u>7,038,557</u>	<u>7,905,203</u>

### 23 STAFF COSTS

	Year ended 31 December	
	2019	2018
Salaries, wages and allowances	2,628,151	2,854,038
Staff bonus	520,000	424,000
End of service benefits and leave	514,645	543,736
Air tickets	142,631	120,135
Social security	155,673	152,101
Other expenses	265,347	327,536
	<u>4,226,447</u>	<u>4,421,546</u>

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

### 24 BUILDING EXPENSES

	Year ended 31 December	
	2019	2018
Rent expenses	-	317,129
Depreciation of right of use asset	115,200	-
Cleaning expenses	81,204	89,520
Security and guard expenses	52,964	62,057
Other expenses	207,167	406,715
	<b>456,535</b>	<b>875,421</b>

### 25 BREAKDOWN OF EXPENSE BY NATURE

	Year ended 31 December	
	2019	2018
Staff cost	4,226,447	4,421,546
Maintenance	766,247	831,209
Building expenses	456,535	875,421
Travel expenses	69,893	91,663
Advertising	179,128	379,066
Depreciation and amortization	514,505	478,826
Capital Market Authority's share of various trading commissions	192,237	133,714
Net impairment losses on financial assets	61,962	26,710
Finance costs	47,949	-
Other expenses	633,565	693,758
	<b>7,148,468</b>	<b>7,931,913</b>

### 26 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

This note provides information about the Group's financial instruments, including:

- An overview of all financial instruments held by the Group
- Specific information about each type of financial instrument
- Accounting policies
- Information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

The Group holds the following financial instruments:

#### Financial assets

	As at 31 December	
	2019	2018
Trade receivables and other debit balances	1,930,836	708,580
Term deposits	3,526,850	9,747,350
Cash and cash equivalents	15,886,044	1,858,749
	<b>21,343,730</b>	<b>12,314,679</b>

#### Financial liabilities

	As at 31 December	
	2019	2018
Trade and other payables	2,393,265	2,341,126
Lease liabilities	937,369	-
	<b>3,330,634</b>	<b>2,341,126</b>

## Notes to the consolidated financial statements

(All amounts are in Kuwaiti Dinars unless otherwise stated)

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### 26 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTIUED)

The Group's exposure to various risks associated with the financial instruments is discussed in Note 4. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

### 27 SEGMENT INFORMATION

The Board of Directors is the Group's chief operating decision maker. Management has determined the operating segments based on the information reviewed by the Board of Directors for the purposes of allocating resources and assessing performance. The Group is managed as one unit and therefore the Board of Directors are of the opinion that the Group is engaged in a single segment of operating as a stock exchange. The total revenue of KD 14,202,928 (2018: 8,399,648) recognized in the consolidated statement of income represents revenue from external customers and originated from Kuwait. The Company's non-current assets presented in notes to the consolidated financial statements are located in Kuwait.

### 28 SUBSEQUENT EVENT

On 6 January 2020, the Group signed an agreement with a third party to acquire additional 11,125,000 shares in KCC for a total consideration of KD 3,786,282 which resulted in increasing the Group's ownership interest to 33.33%.



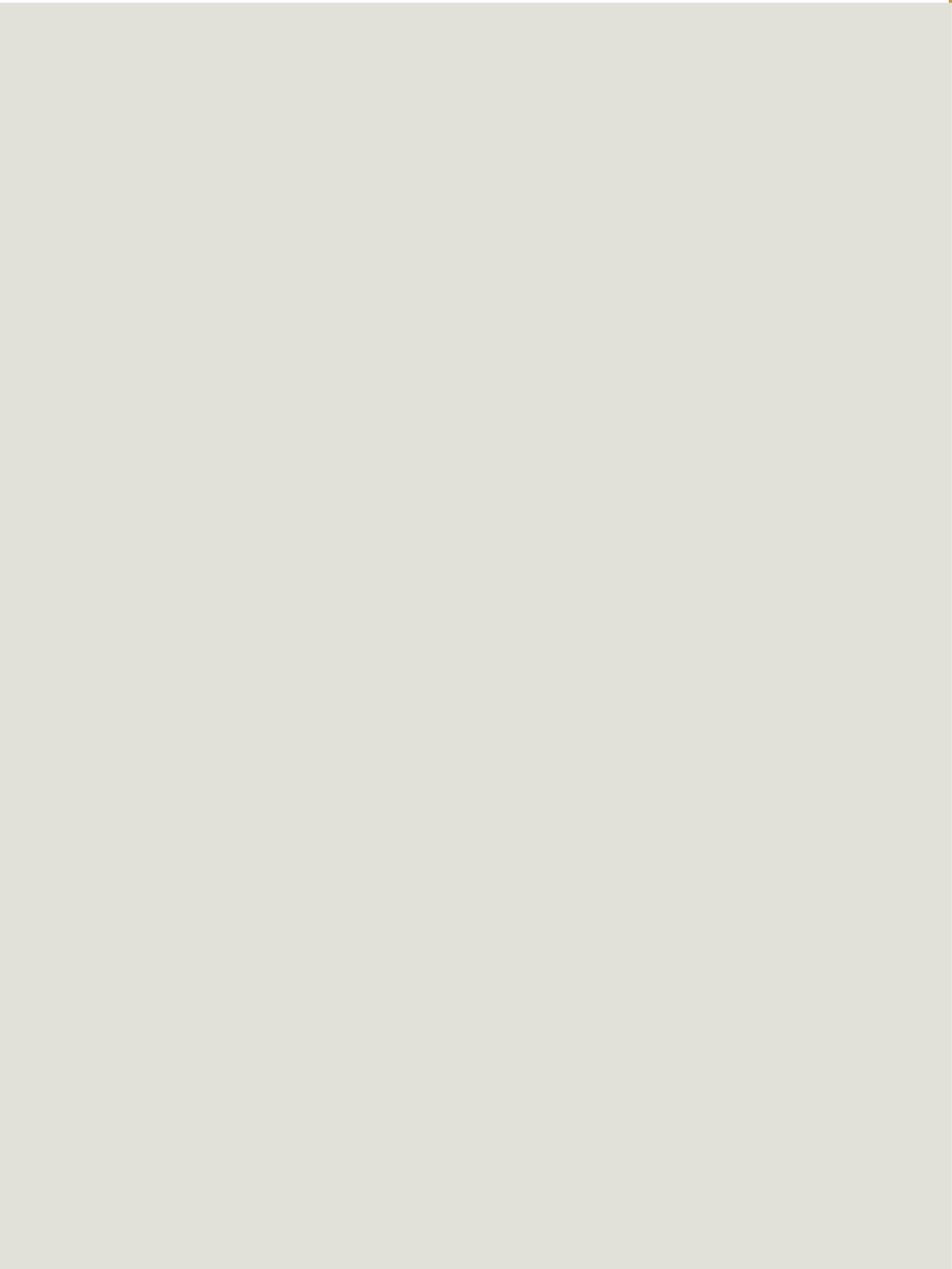
## INVESTOR RELATIONS


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