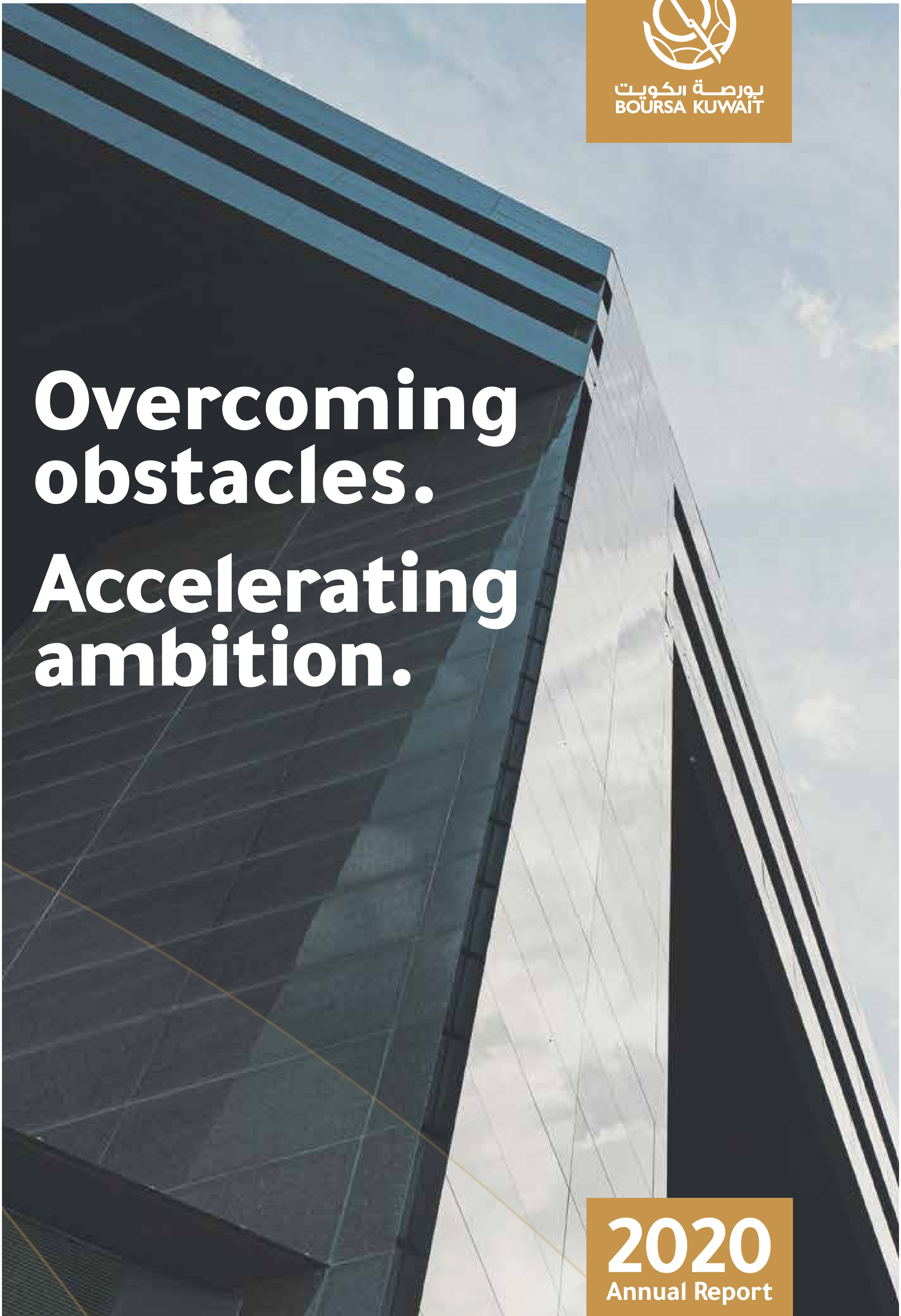
بورصة الكويت
BOURSA KUWAIT



Overcoming obstacles.
Accelerating ambition.

2020
Annual Report

Contact us

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Investor Relations

If you are seeking more information, please contact Boursa Kuwait's Investor Relations Department at ir@boursakuwait.com.kw

His Highness

Sheikh Mishal Al-Ahmed Al-Jaber Al Sabah

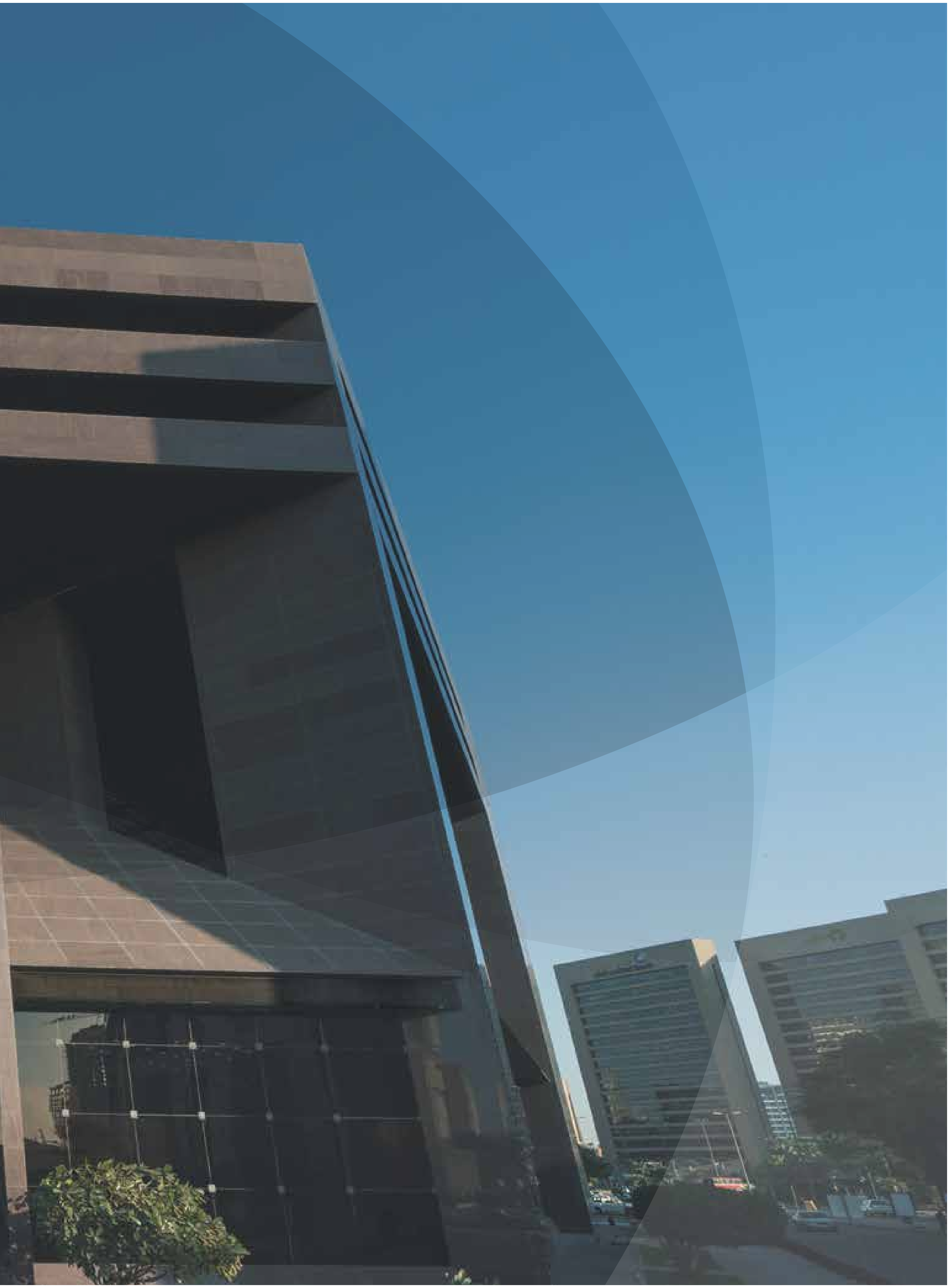
The Crown Prince of the State of Kuwait

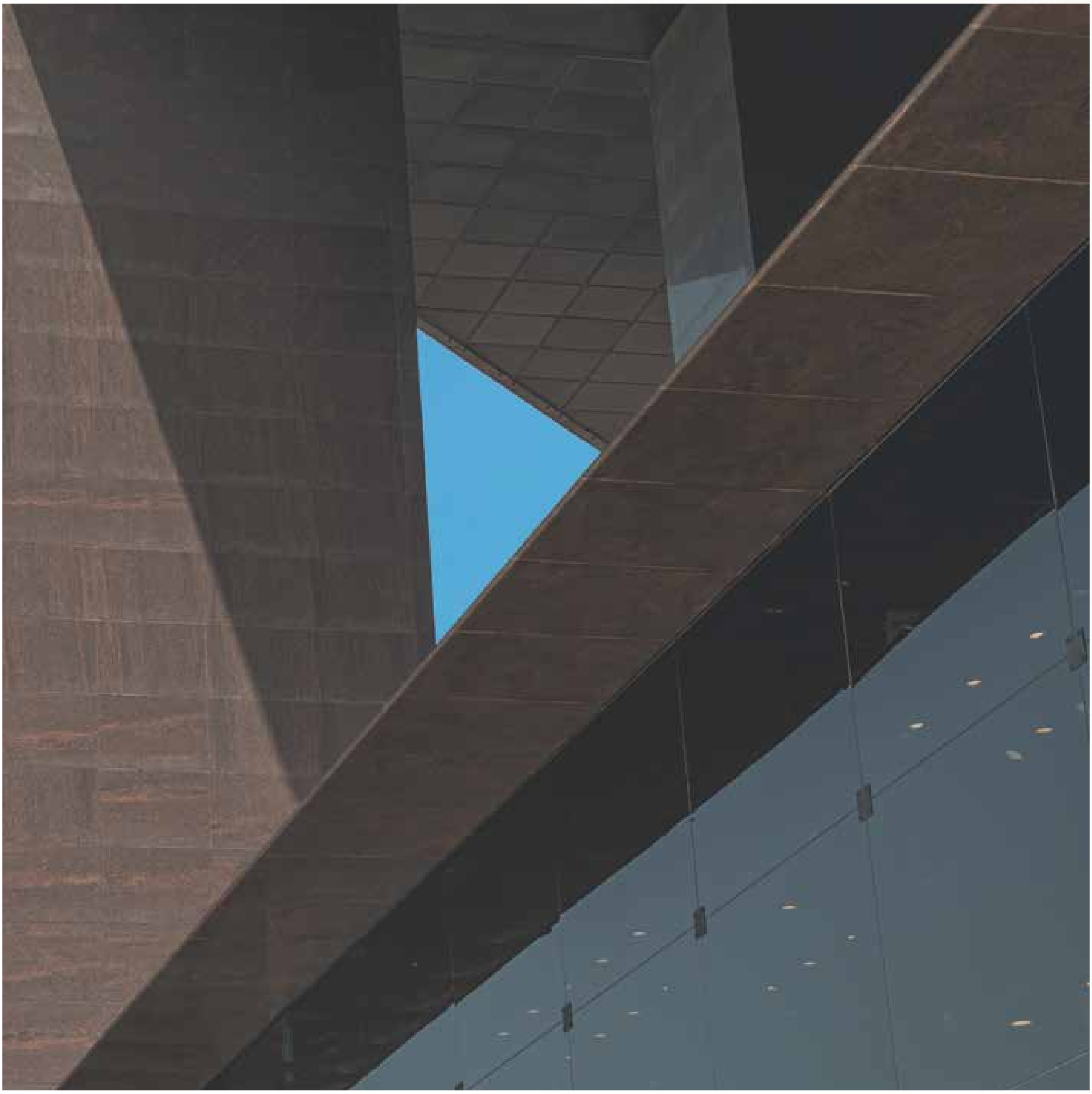
His Highness

Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah

The Amir of the State of Kuwait

Overview





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General Market Statistics (KD)

	2019	2020	Change
All-Share Index	6,282	5,546	-11.7%
Number of Trading Days	250	242	-3.2%
Number of Trades	1,543,128	2,318,050	50.2%
Volume of Traded Shares (Million)	39,047	52,095	33.4%
Value of Traded Shares (Million)	7,938	10,752	35.4%
Average Daily Traded Value (KD Million)	31.8	44.4	39.6%
Market Capitalization (KD Million)	35,798	32,220	-10.0%
Number of Listed Companies	175	171	-2.3%
Number of Brokerage Companies	11	10	-9.1%
Real Estate Investment Trusts (Traded)	0	1	–

At a glance

A pivotal role in capital markets

Established in 2014, Boursa Kuwait is the operator of the Kuwait Stock Exchange, the national stock market of Kuwait. Since 2016, it has been responsible for driving engagement, growth and innovation in the Kuwaiti capital market, while supporting the Capital Markets Authority, issuers, investors and various other key stakeholders.

Since its inception, Boursa Kuwait has played a pivotal role in the development of Kuwait's capital market and the diversification of the national economy, in line with the goals of New Kuwait Vision 2035.

Guided by a mission-driven strategy that focuses on developing the market in line with international standards, Boursa Kuwait has successfully introduced innovative investment tools, reinforced transparency and restructured the market to increase its competitiveness and liquidity.

The company's market developments and enhancements have contributed to the reclassification of the Kuwaiti capital market to "Emerging Market" status in the world's top three indices, strengthening Kuwait's position as a leading financial center in the region.

A trailblazer in Kuwaiti privatization, Boursa Kuwait underwent a privatization process over two stages, the first in February 2019, when a 44% equity stake was awarded to a group of Kuwaiti investment companies and an international exchange in early 2019.

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% making Boursa Kuwait the only stock exchange in the Middle East owned by the private sector.

In September 2020, Boursa Kuwait self-listed on the Premier Market, and is one of the government entities in Kuwait to successfully undergo privatization.

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 another 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

Professionalism

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

Accountability

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

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.

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.

Total Revenue (KD)
22,170,674
↑ 56.10%

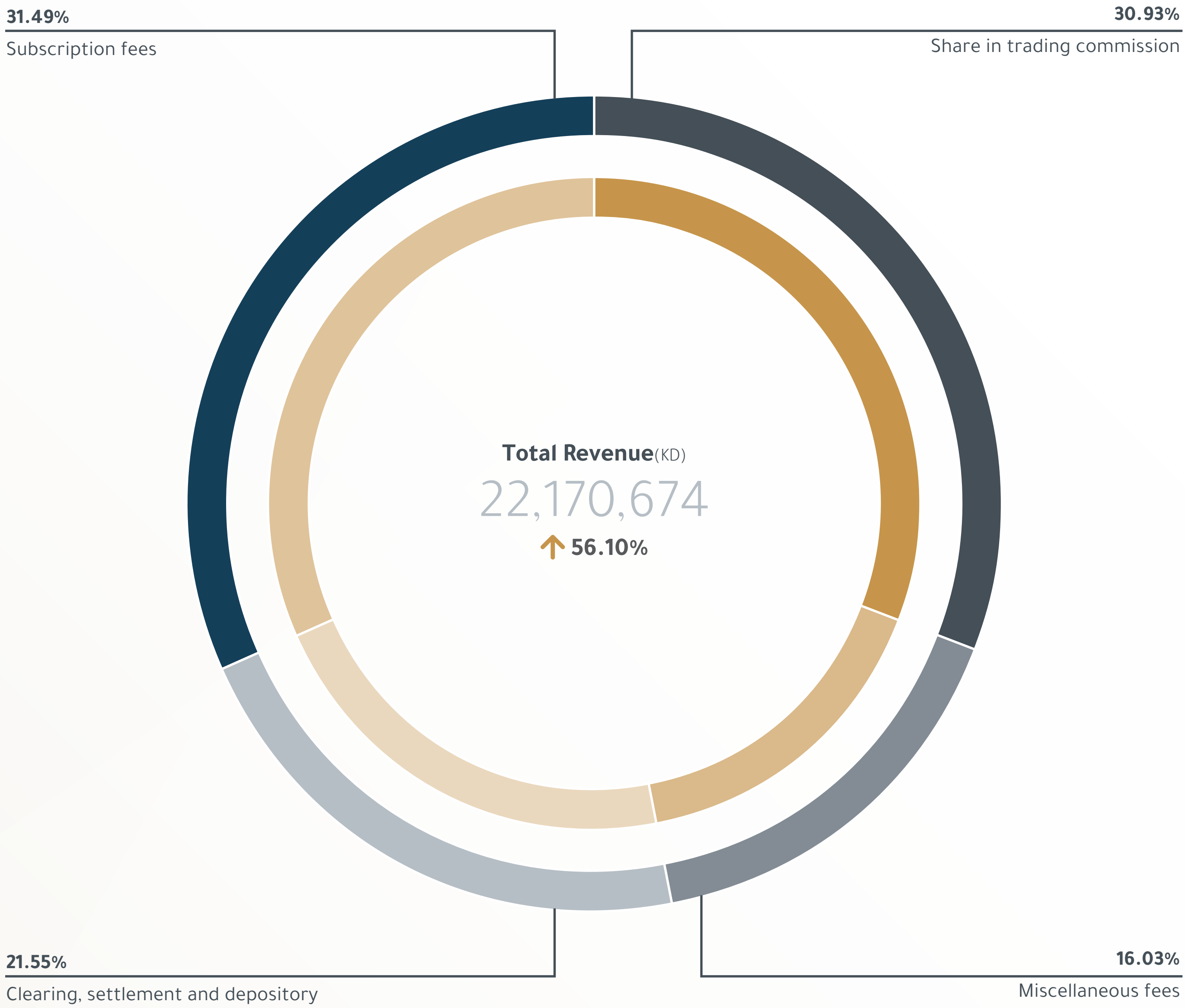
Total Operating Expenses (KD)
10,360,218
↑ 45.91%

Net Profit (KD)
28,000,952
↑ 191.93%

Total Assets (KD)
104,160,464
↑ 187.78%

Total Liabilities (KD)
13,425,992
↑ 228.05%

Total Equity (KD)
52,804,073
↑ 64.49%



Our history

The trading history of Kuwait is an illustrious one, going back to the beginning of the 20th century, when the shares of the Arabian Boats Company Limited were traded in 1911. Since then, the Kuwaiti capital market has made considerable gains, getting reclassified as an Emerging Market by the world's leading index providers.

Kuwait capital market history - 1950s till 2010

1950s

Establishment of public shareholding companies. Initial Public Offerings (IPOs):

- **1952** Shares of National Bank of Kuwait
- **1954** Shares of Kuwait National Cinema Co.

1962

Law No. (37) - first law to organize the stock market in Kuwait for companies established abroad.

1970

Law No. (32) was issued to regulate stock trading for Kuwaiti shareholding companies.

1972

Integration of securities trading section.

1976

Ministerial Resolution No. (61) issued to organize dealing in Kuwaiti joint stock company shares.

1977

The first stock exchange was inaugurated and referred to as the Kuwait Stock Exchange.

1982

"Black Monday" record losses in unofficial Souk Al-Manakh, an over-the-counter exchange crash due to failures in settlement.

1983

An Amiri Decree was issued concerning the reorganization of the exchange as an independent financial institution.

1987

KSE have assigned Kuwait Clearing Company (KCC) to undertake the responsibility of a clearing chamber for transactions made among traders.

1990

Trading at the Kuwait Stock Exchange (KSE) was interrupted for 28 months due to the Iraqi invasion of Kuwait, which reduced the number of listed companies from 54 to 28 companies.

2008

The global financial crisis heavily affected Kuwait stock market. The capital market collapsed. Though the indices recovered in 2009, it took five years to get past their pre-crisis levels.

2010

February

Law No. 7 of 2010 regarding the Establishment of the **Capital Markets Authority** and Regulating Securities Activities was issued on the 21st.

Boursa Kuwait history - from establishment till 2020

2014

April

- Founded on by the Capital Markets Authority Commissioners' Council.
- The establishment of Boursa Kuwait marked the first step in privatizing the Kuwaiti Stock Exchange, the first stock market in the GCC, which was founded in 1983.

2015

- BCG's five year transitional strategy was approved by Boursa Kuwait's Board of Directors.

2016

April

Formally assumed responsibility for Kuwait's stock market operations.

October

The Capital Markets Authority (CMA) awarded the exchange license to Boursa Kuwait enabling independent operation of the exchange.

September

- CIP web-based portal was launched for timely disclosures in a streamlined manner.
- Boursa Kuwait KCC, and CMA joined forces to create the Tri-Lateral Taskforce.

2017

May

- Launched trading efficiency's MD 1
  - Tick size
  - T+3 settlement cycle
  - Corporate actions
  - Static price limit
- Launch trading rulebook (full rulebook)
- Announce plans of market segmentation

September

- FTSE Russell announcement of reclassifying Kuwait to Emerging Market.

2018

April

- Updated rulebook
- Launched MD 2
  - Market segmentation
  - Listing rules
  - Analyst conferences
  - Bilingual disclosures
  - Market cap indices
  - Dynamic circuit breakers
  - Index circuit breakers

October-November

- Launch of Boursa Academy (Financial Literacy)
- Launch of OTC Platform

December

- S&P DJI announcement of reclassifying Kuwait to Emerging Market.

2019

April-October

- Updated rulebook
- Launch of MD 3.1
  - Trade-at-last
  - Closing auction order
  - Off-market trades automation
  - Short selling & SLB
  - Intentional crossing
  - Amendment
  - Tender offers
  - Security swaps
  - REITs

June

- MSCI announcement of conditionally reclassifying Kuwait to Emerging Market.

February-December

- **FEB:** Partial privatization (Consortium won a tender to acquire 44% - PIFSS 6%)
- **OCT-DEC:** 50% Public Offering subscription
- **DEC:** Confirmation of Kuwait's inclusion to MSCI EM Indices

2020

February

- Launch of BK Main 50

July

- Acquisition of additional 16.67% of Kuwait Clearing Company

September

- Listing of Boursa Kuwait in the Premier Market.

November

- Kuwait's inclusion into MSCI Emerging Markets

Year in review

2020 in focus

2020 was an eventful year for Boursa Kuwait, full of momentous milestones and achievements, as we acted with great purpose and focus to progress our strategy, support our stakeholders and contribute to the Kuwaiti economy.

February 7

Boursa Kuwait launches new BK Main 50 Index

Boursa Kuwait advanced its market segmentation with the launch of the new BK Main 50 index, which includes the top 50 liquid securities in the Main Market.

March 15

Ensuring continuity of our markets

The Capital Markets Authority, the Central Bank of Kuwait and the country's key financial institutions were back in business within days of the lockdown being announced, with little to no interruption to operations and with minimal impact on trading actions.

July 19

Boursa Kuwait becomes largest shareholder of Kuwait Clearing Company

Boursa Kuwait acquires 33.375 million additional shares of KCC for a total consideration of around KD 15 million, increasing its ownership stake to 50%.

August 16

Listing of Shamal Az-Zour on Premier Market

Shamal Az-Zour Al-Oula Power & Water Company, a project of the Kuwaiti Authority for Partnership Projects (KAPP), began trading on Boursa Kuwait's Premier Market.

September 1

First REIT lists on Boursa Kuwait

Trading of KFH Capital REIT, the first local real estate investment trust (REIT) to be listed in the Kuwaiti capital market, begins.

November 30

Kuwaiti capital market joins MSCI EM Indices

Boursa Kuwait completed the Kuwaiti capital market's inclusion into the MSCI Emerging Markets Indices with the successful implementation of index inclusion, which consisted of seven Kuwaiti companies.

Largest trading day ever for Boursa Kuwait

Following the inclusion of the Kuwaiti companies in the MSCI Emerging Markets Indices, Boursa Kuwait saw a record of over KD 961 million in traded value for the day.

December 31

New Boursa Kuwait website and apps launch

Boursa Kuwait's new corporate website, as well as brand new mobile, tablet and smartwatch applications went live, to increase engagement and improve user experience for all stakeholders.

September 14

Boursa Kuwait self-lists on Premier Market

Boursa Kuwait self-listed on the exchange's Premier Market, with a stock price that was over 11 times its IPO on the first day of its listing.

December 27

Approval of restructuring of Premier Market requirements

Boursa Kuwait obtained approval from the CMA to restructure promotion requirements for its Premier Market, which will serve to raise transparency and increase the issuer base in the market.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BOURSA KUWAIT

Strategic review

Statement from the Chairman

Reaching milestones

Hamad Mishari Al-Humaidhi

Chairman

Esteemed Boursa Kuwait Shareholders,

On behalf of myself and my colleagues, the members of the Board of Directors and the Executive Management, I am pleased to present the fifth Boursa Kuwait annual report, detailing the most important developments that your company has witnessed during the year 2020, as well as the company's financial statements for the year ended December 31, 2020.

Boursa Kuwait continued its strategy, achieving historical results and succeeding in confronting the turmoil and fluctuations of the year 2020, as well as continuing its active contribution in achieving the vision of "New Kuwait 2035" and establishing the position of the Kuwaiti capital market as a leader in the region and Kuwait as a global investment destination.

Despite the COVID-19 pandemic, which has disrupted the global economy and created extremely difficult conditions during 2020, Boursa Kuwait and the Kuwaiti capital market continued trading operations, using a series of precautionary measures to minimize the negative impact on trading actions and results while ensuring the safety and health of all involved stakeholders.

We are proud to have played a role alongside the Kuwaiti government, the Capital Markets Authority (CMA), the Central Bank of Kuwait and the country's key financial institutions in supporting the country's swift economic recovery.

Exceptional performance in 2020

I am proud to report that Boursa Kuwait has succeeded in delivering another record year of financial results. This positive performance reflects the strength of our operational model and adaptable strategy, as well as the company's considerable underlying financial health, which has allowed us to overcome any and all challenges.

Boursa Kuwait achieved net profits of over KD 28 million, an increase of more than 190% compared to the 2019 profit of 9.6 million Kuwaiti dinars. The company's total assets amounted to about 104.2 million Kuwaiti dinars, an increase of 187.9% compared to the 2019 total of 36.2 million Kuwaiti dinars, while shareholder equity (attributable to equity holders of the Parent Company) increased from 32.1 million Kuwaiti dinars in 2019 to 52.8 million Kuwaiti dinars for the year ended December 31, 2020, an increase of more than 64%. Operating income increased by more than 56%, from 14.2 million to reach about 22.2 million, while earnings per share amounted to 128.5 fils, an increase of about 169% compared to 2019 when it was 47.8 fils.

Continuous development and enhancements

Boursa Kuwait continued its series of achievements and milestones during 2020, contributing to the development of the company and the Kuwaiti capital market. In its most prominent achievement this year, Boursa Kuwait self-listed on the Premier Market, reinforcing its position as a regional leader among stock exchanges and continuing a series of firsts for the company. It is the first stock exchange to be more than 90% owned by the private sector and one of the government entities in Kuwait to undergo a successful privatization process.

Boursa Kuwait's listing marks the next phase in the company's growth and development and enables it to take full ownership of its journey as the crown jewel of the capital market and a Kuwaiti success story that will undoubtedly elevate the country's stature regionally and internationally. This milestone is an outcome of the unrelenting pursuit of far-reaching reforms and world-class offerings in line with the company's vision to develop a liquid, reliable and sound capital market providing issuers with efficient access to capital and investors with diverse return opportunities.

Furthermore, and in an effort to diversify its activities, the company also increased its share in the Kuwait Clearing Company for a total consideration of around KD 18 million, increasing its ownership to 50% and becoming the KCC's largest shareholder. This acquisition will help streamline the investment processes for all market participants and undoubtedly contributed to the company's operational excellence in 2020.

Safeguarding our Business

Corporate governance implementation at Boursa Kuwait has been consistent with the strategic vision of the company, 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 since the company was founded to ensure fair, objective and transparent implementation of works for protecting the interests of shareholders and investors.

Delivering on our responsibilities

As part of our commitment to corporate social responsibility, Boursa Kuwait has continued to launch meaningful programs and initiatives across our core Corporate Sustainability (CS) focus areas, encompassing people, community, education and the environment. The company has also redefined its concept of CS, in order to demonstrate its increasing commitment towards a more sustainable future.

The company also continued its positive contributions towards its three CS pillars of education, community and the environment, maintaining its commitment to the sustainable development of the company and the community in which it operates.

Throughout 2020, Boursa Kuwait continued its partnerships with leading local and international organizations, such as the United Nations, MSCI, the Kuwait Association for the Care of Children in Hospital (KACCH), the Environmental Voluntary Foundation, the Chartered Financial Analysts Society (CFA), the Association of Investor Relations in the Middle East and its branch in Kuwait.

Acknowledgements

I would like to thank our Board of Directors and the members of our Executive Team for their invaluable contributions to the delivery of Boursa Kuwait's strategy in 2020. Their focus and determination, backed by the diligence and dedication of our employees, continue to actively contribute to the realization of our strategic goals for the company and the nation.

I would also like to extend my thanks to the company's shareholders for their support of our journey to become a leading stock exchange and a local, regional and worldwide pioneer in the field of capital markets.

I also wish to thank our partners, the Capital Markets Authority and the Kuwait Clearing Company, for their cooperation and support, as well as all issuers, investors, brokers and all market participants for continuing to place their trust in us.

We continue to take confident steps towards achieving the company's vision and strategic goals to develop a credible and liquid financial market, in accordance with international standards, that creates opportunities for issuers and investors to jointly create diversified opportunities and establish a leading regional capital market.

Hamad Mishari Al-Humaidhi
Chairman

Statement from the Chief Executive Officer

Mapping our path to success

Mohammad Saud Al-Osaimi

Chief Executive Officer

Boursa Kuwait has charted a successful path towards delivering record performance, momentous milestones and unprecedented foreign inflows in 2020.

Despite the challenges faced by the worldwide economic scene, especially in light of the unusual circumstances brought on by the COVID-19 pandemic, Boursa Kuwait continued to improve and enhance its infrastructure and operational model to overcome this year's myriad obstacles and challenges.

Our effective response to the pandemic involved working closely with our partners in the Kuwaiti capital market, government institutions and the private sector to augment the efforts of reviving the Kuwaiti economy. Boursa Kuwait was a vital component throughout, working through the government mandated full and partial lockdowns, while implementing a comprehensive raft of measures to protect the health and well-being of our employees and clients.

To ensure the safety of all market participants, we closed our premises to the public as a precautionary measure. Trading operations continued as usual with no effect on trading hours, while some transactions were suspended temporarily.

Outstanding Growth in 2020

Despite the inevitable disruption caused by the pandemic, with the help of our partners across the international investment community, we ensured that all key pipeline projects were completed.

In February, we launched the BK Main 50, comprising the most liquid 50 securities in the Main Market, and in addition to self-listing on the Premier Market, the company successfully listed shares in the Shamal Az-Zour Al-Oula Power and Water Company, a public and private sector partnership project from the Kuwaiti Authority for Partnership Projects (KAPP), in August. It is the first company established under the IWPP and PPP legal frameworks to be listed in the Kuwaiti capital market.

In September, we announced the listing of the first local real estate investment trust (REIT), BAITAKREIT, reaffirming our commitment to provide all issuers and investors with a variety of products and services to meet the needs of all market participants, in addition to the variety of high quality, international best-in-class products that the bourse offers for both issuers and investors.

In December, as part of our ongoing efforts to further enhance Kuwait's capital market, we launched the company's new website, which was developed from the ground up along with a new, state-of-the-art Content Management System (CMS) to make the vital information that market participants rely on easier to find than ever. In addition to the website, a suite of applications for smartphones, smartwatches and tablet computers was released.

Bringing the World to Kuwait

Following MSCI reclassification of Kuwait from a "Frontier" to "Emerging Market" at the end of 2019, Boursa Kuwait successfully managed the inclusion of seven listed companies into the MSCI Emerging Market Indices, accounting for over KD 961.6 million in traded value and representing one of the highest one-day traded values in the history of Kuwait's capital markets. As a result, foreign ownership within the Premier Market increased by 13%, while foreign trading flows accounted for approximately 26% of traded value in 2020.

Because of our effective strategy to develop an attractive investment environment, the total number of securities traded during 2020 was just over 52 billion shares, a 33% jump from around 39 billion shares traded in 2019.

Emphasizing its commitment to building a sustainable capital market with best-in-class international standards, we continued our participation in global conferences, cooperating with our partners across the global investment community.

During 2020, Boursa Kuwait and MSCI Inc. organized a seminar aimed at raising awareness in the field of environmental, social and institutional governance for the MSCI ESG Index. The two companies again collaborated to organize a virtual seminar to discuss the global impacts of the coronavirus pandemic.

The company continued its series of Corporate Days and Roadshows virtually, highlighting the investment opportunities in the Kuwaiti capital market after inclusion in the MSCI Emerging Market Indices, gaining a deeper understanding of the needs and expectations of investors in order to develop a flexible and diversified investment market in line with the best global practices.

The Bedrock of Boursa Kuwait

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 members and every company employee, all of whom have played significant roles to advance the development of the market.

I would also like to extend my deepest gratitude to our partners, the Capital Markets Authority, Kuwait Clearing Company, and brokerage firms whose expertise, knowledge and professionalism are reflected in every aspect of the successful development of our market.

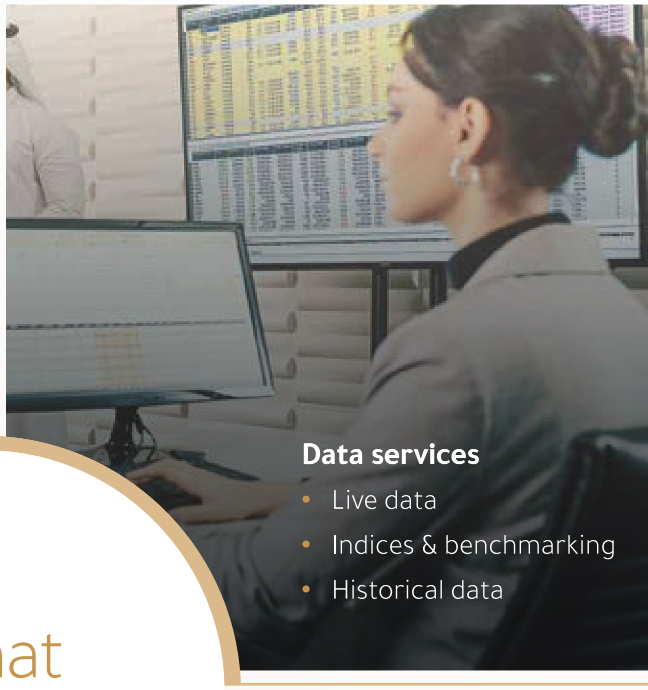
We intend to push ahead with our efforts to modernize the Kuwaiti capital market by expanding our products, improving market efficiency and facilitating access to it, as well as enhancing transparency and governance, increasing liquidity and instilling investor confidence.

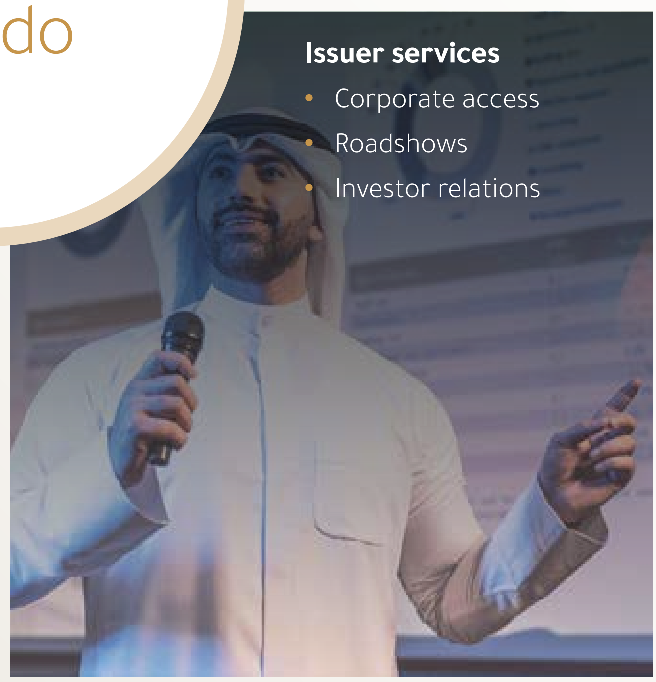
Mohammad Saud Al-Osaimi
Chief Executive Officer

Our Strategy

Boursa Kuwait's corporate strategy continues to evolve to align with New Kuwait 2035, the vision of our company and the needs of our diverse stakeholder community, given the rapidly shifting technological and economic landscape.

What we do





Enabling our success

Create an attractive issuer base

We will achieve this through market segmentation and new listing rules to help increase liquidity and attract companies to list on the stock exchange, as well as creating alternative investment opportunities, such as the Over the Counter (OTC) platform.

Broaden the investor base

We will achieve this through the adoption of international best-in-class 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.

Increase depth and breadth of products

We will achieve this through the implementation and enhancement of products and their regulations, offering investors more opportunities to make a profit.

Upgrade infrastructure and business environment to international standards

We will achieve this 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.

Board of Directors

Mr. Hamad Mishari Ahmad Al-Humaidhi

Chairman of the Board

Mr. Hamad Mishari Al-Humaidhi has over 42 years of experience in the legal, administration, and financial functions.

Mr. Hamad commenced his career in the legal department at the Public Institution for Social Security in Kuwait, and has since then paved his career path at the institution until he became their General Manager from 2014 till 13 January 2019.

Mr. Hamad was the Member and Chairman of the Board of Directors of several financial and banking institutions of which includes Ahli United Bank (Bahrain), Ahli United Bank (UK), and Ahli United Bank (UAE).

Mr. Hamad is the Chairman of the Board Corporate Governance Committee, and a member of the Board Executive Committee at Boursa Kuwait.

Mr. Hamad Al Humaidhi holds a Bachelor Degree in Law and Sharia from Kuwait University.

Mr. Bader Abdullah Al-Kandari

Vice Chairman

Mr. Bader Abdullah AlKandari has over fifteen years of experience in the financial, investment and banking sectors.

He is currently the Chief Investment Officer- Liquid Sector at the Public Institution for Social Security in addition to holding many other prominent positions in financial and investments institutions, such as Vice Chairman of Wafra International Company and a Non-Executive Director at the Bank of London and the Middle East.

Mr. Al-Kandari began his career as an Assistant Investment Analyst at the Kuwait Fund for Arabic Economic Development before working at several other financial institutions. He was the Investment Manager for Al-Mal Investment Company as well as the Investment Global Manager at Dimah Capital Investment Company.

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.

Mr. Al-Kandari holds an MBA with a concentration in Finance and a bachelor's degree in Journalism & Mass Communication from California State University in the United States of America.

Mr. Bader Nasser Al-Kharafi

Non-Executive Board Member

Mr. Bader Nasser Al-Kharafi has over 20 years of experience in the financial, banking, industrial, and telecommunication sector.

He began his career with Al-Kharafi group and held several leadership positions concluding in 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 Group."

In addition, Mr. Bader is a member of the Board of Directors in several local and international companies operating in the financial and industrial sector, which include: Chairman of Gulf Cable & Electrical Industries, Vice Chairman of Mobile Telecommunications Company Saudi Arabia and Injaz Kuwait, and a Board Member in the Middle East Advisory of Coutts & Co. in the United Kingdom, Gulf Bank in Kuwait, Coca-Cola (Kuwait), United Stainless Steel Company (Bahrain), Foulath Holding (Bahrain), 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.

Mr. Bader holds an MBA Degree 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 17 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 Board Member of Commercial Real Estate Co. (Al-Tijaria).

Internationally, he chairs United Investments (Portugal) and Yotel Limited (UK). He also serves 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, Chairman and Managing Director of Kuwait Invest Holding, Jeezan Holding and Al-Deera Holding Company and Board Member of 1st Takaful Insurance Company.

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

Mr. Talal holds a bachelor's degree in Business Administration from Loyola Marymount University in the USA.

Board of Directors *continued*

Mr. Khaled Waleed Khaled Al-Falah

Non-Executive Board Member

Mr. Khaled Waleed Al-Falah has extensive experience in the financial services and industrial sectors.

Mr. Khaled 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. Khaled is a member of the Board of Directors at Bahrain Steel and National Investments Company. He is also a member of the Executive Committee at Foulath.

Mr. Khaled is the Chairman of the Board Risk Committee, and a member of the Board Audit Committee at Boursa Kuwait.

Mr. Khaled holds a Bachelor of Science in Business Administration from the University of Southern California.

Mr. Raed Jawad Ahmad Bukhamseen

Independent Board Member

Mr. Bukhamseen is the Vice Chairman & Chief Executive Officer at Kuwait International Bank and 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 (Dubai), Souk Al-Salmiyah Real Estate Company and Credit One Kuwait Holding Company.

Mr. Raed is a member of the Board Risk Committee at Boursa Kuwait.

Mr. Raed holds a bachelor's degree in Business Administration from Boston University in the USA.

Mr. Faleh Abdullah Eid Al-Rogobah

Independent Board Member

Mr. Faleh Abdullah Al-Rogobah has over 30 years of experience in the stock exchange industry where he held several positions at Kuwait Stock Exchange, the latest being their General Manager.

Prior, he was the Deputy General Manager of Finance and Administration at Kuwait Clearing Company.

Mr. Faleh 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.

Mr. Faleh is the Chairman of the Board Audit Committee and a member of the Board Corporate Governance Committee of Boursa Kuwait.

Mr. Faleh holds an MBA Degree from the University of Massachusetts in the USA 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 Abdulmohsen El-Jeaan has over 24 years of experience in legal, financial and banking consultancy. Mr. El-Jeaan is the founder and senior partner of Meysan Partners, a leading corporate law firm in Kuwait.

Mr. El-Jeaan is currently on the Board of Directors of number of entities, including the Kuwait Investment Authority (Kuwait's sovereign wealth fund).

He is a member of the Board Risk Committee and the Board Nomination and Remuneration Committee at Boursa Kuwait.

Mr. El-Jeaan holds a bachelor's degree in Economics (with honors) from Harvard University in the US, and a bachelor's degree in Law (with honors) from Oxford University in the UK, and a Master's degree (with honors) in Law from Oxford University.

Financial review

Financial review

Financial overview

Boursa Kuwait posted robust growth in revenue to reach KD 22.17 million and in net profit (attributable to equity holders of the Parent Company) to KD 25.81 million for the financial year ended 31 December 2020. Both were the highest recorded in the company's history, representing improvements of 56.10% and 169.07% from KD 14.20 million and KD 9.59 million, respectively, in 2019. This stellar performance was mainly driven by Kuwait's inclusion into the MSCI Emerging Markets Indices with subsequent jumps in both trading volumes and value, as well as the consolidation of its new subsidiary company, the Kuwait Clearing Company.

During a year of operational challenges and unpredictability, Boursa Kuwait continued to maintain its strategic focus and delivered a solid all-round financial performance, with increases in revenue growth (+56.10%) and net profit (+169.07%).

Share in Trading Commission improved substantially to KD 6.86 million, increased by 23.89% from KD 5.54 million in 2019. This was mainly driven by a surge in trading activity that spurred annual growth in both value and volume traded by approximately 35% and 33%, respectively, to KD 10.75 billion and 52.10 billion shares. Kuwait's inclusion into the MSCI Emerging Market Indices further boosted the parameters, which saw one of the highest daily value traded in its history of KD 961.61 million.

During the year, the exchange successfully hosted two new listings on its Premier Market, namely Shamal Az-Zour Al-Oula Power and Water Co. K.S.C.P. within the Utility sector in August and Boursa Kuwait within the Financial services sector in September. This brought the total number of companies listed on the Premier Market to 20, with a combined market capitalization of KD 23.68 billion. Additionally, the first local Real Estate Investment Trust (REIT), BAITAKREIT, was also listed on the exchange.

Boursa Kuwait increased its shareholdings in the Kuwait Clearing Company during the year. The additional acquisitions of shares triggered the conversion of its investment category from an associate to a subsidiary, as its shareholdings increased from 27.78% as of 31 December 2019 to 50.00% as of 31 December 2020. Following the conversion into a subsidiary, Boursa Kuwait started consolidating the financials of the Kuwait Clearing Company in the third quarter of the year. The acquisition further underlined the exceptional growth in revenue, as new revenue streams from the Kuwait Clearing Company were consolidated, including Clearing, Settlement, Central Depository Services, Trustee and Investment Controller Services, and Shareholders Register Services, which collectively contributed KD 6.71 million or approximately 30% of revenue.

Operating expenses rose by 45.91% to KD 10.36 million, from KD 7.10 million expended in 2019. This increase was mainly due to the consolidation of the Kuwait Clearing Company, excluding which the increase was marginal. The increase in operating expenses was partially mitigated by deferment of some expenditure due to the pandemic, such as travel expenses and marketing-related events that were either postponed or held virtually. Broadly, prudent cost management will continue to be one of the major focal points for Boursa Kuwait, with significant investments in infrastructure enhancements, including process automation, designed to optimize operational costs in the future.

In view of the strong operational performance, the operating profit rose to KD 11.81 million, improved by 66.29% from KD 7.10 million recorded in 2019.

Pursuant to the acquisition of the Kuwait Clearing Company, Boursa Kuwait recorded a one-off gain of KD 13.22 million, as a result of the revaluation of the previously held investment in the company, prior to the conversion of the investment from an associate to a subsidiary.

The reported net profit (attributable to equity holders of the Parent Company) of KD 25.81 million was the highest net profit ever reported by Boursa Kuwait, representing an increase of 169.07% from KD 9.59 million in 2019. This translated into Earnings Per Share of 128.54 fils, from 47.77 fils achieved in 2019.

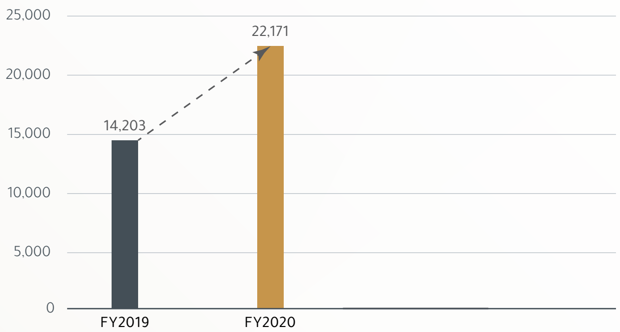
Financial Performance Summary

THREE YEAR FINANCIAL HIGHLIGHTS

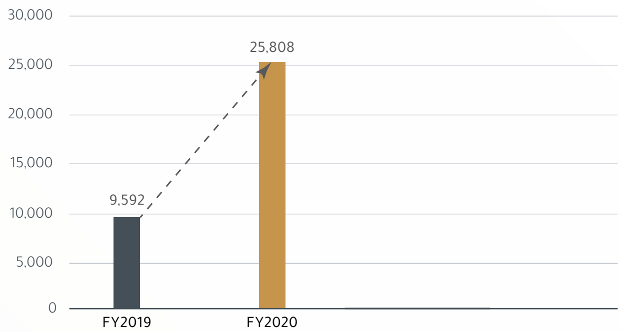
KD million	2018	2019	2020
Key Operating Results			
Revenue	8.40	14.20	22.17
Operating Expenses	(7.93)	(7.10)	(10.36)
Operating Profit	0.47	7.10	11.81
Net Profit[1]	2.35	9.59	25.81
Other Key Data			
Total Assets	25.60	36.19	104.16
Total Liabilities	3.08	4.09	13.43
Total Equity[1]	22.52	32.10	52.80
Net Dividends per Share (Fils)	[2]	25	40
Market Capitalization	-	-	220.85
Financial Ratios (%)			
Revenue Growth	(12.61)	69.09	56.10
Cost to Revenue Ratio	94.43	49.99	46.73
Operating Profit Margin	5.60	50.01	53.27
Net Profit Margin	27.98	67.53	56.76[3]
Earnings Per Share (Fils)	14.50	47.77	128.54
Return on Assets	9.19	26.50	26.88
Return on Equity	10.45	29.88	48.88

Notes :
1. *Attributable to equity holders of the Parent Company*
2. *Dividends distribution of bonus shares by issuance of 9,560,750 shares of nominal value of 100 fils each*
3. *Adjusted for net gain on business combination of KD 13.22 million*

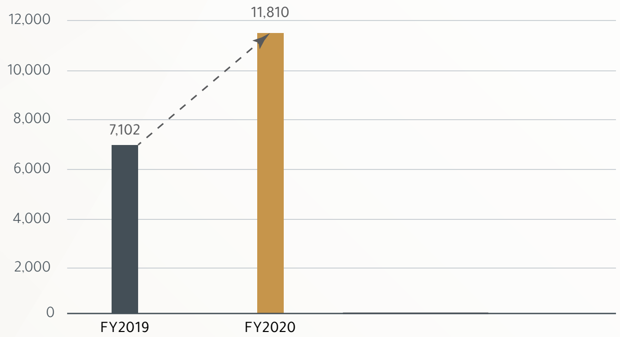
Revenue ('000)



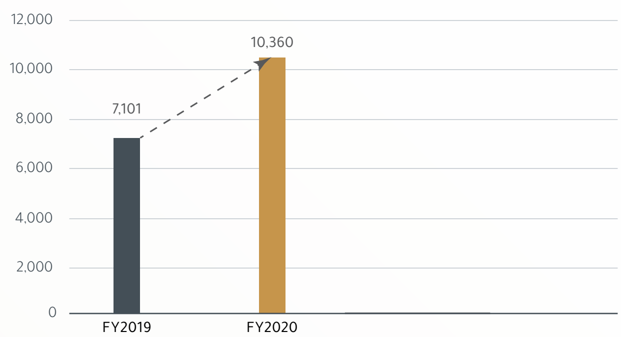
Net Profit ('000)



Operating Profit ('000)



Expenses ('000)



Our market in 2020

Market overview

This year saw a range of strategic milestones and positive developments for Boursa Kuwait and its markets, with new listings, significant increases in transactions and volume and a total traded value of over KD 10.75 billion for the year, including a record KD 961.6 million in only one day following inclusion in the MSCI Emerging Markets Indices.

Market trends in 2020

During a challenging and volatile year, we have identified the following trends that had substantial impact on our market's performance and operations.

Increased foreign inflows: International investments in Kuwait have increased drastically with the inclusion of seven listed Kuwaiti companies in MSCI's Emerging Market Indices. On the day of inclusion, the total traded value for the day came at over KD 961.6 million, while foreign ownership within the Premier Market increased by 13%. The trading flows from foreigners accounted for approximately 26% of traded values in 2020.

Fluctuating macroeconomic environment: The decrease in oil prices and the Central Bank of Kuwait's decreased discount rate to 1.5% saw an increase of 35% in trading activity. This was despite an underperforming All-Share Index, which saw a decrease of -11.7% for the 2020 fiscal year.

Consolidation: Boursa Kuwait saw 2020 as an opportunity to increase its shareholding of the Kuwait Clearing Company. The company increased its shares to 50%, prompting a higher level of vertical integration at a time when most institutions were trying to minimize costs and adopt severe austerity measures.

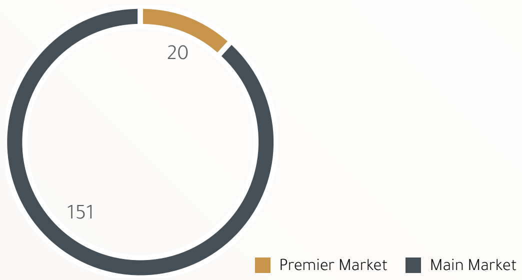
Technological developments: Boursa Kuwait relies on technology on all aspects of its operations. Continuous developments and enhancements to the trading systems and services are major priorities for Boursa Kuwait. While enhancements are ongoing, Boursa Kuwait continues to look for new ways to enhance user experience. One of the most notable achievements this year was the launch of Boursa Kuwait's new website and applications on various device platforms.

Workplace adaptability: With the onset of emergency measures related to the COVID-19 pandemic, Boursa Kuwait was able to execute its emergency planning, which included an overnight shift to work from home for employees with seamless integration into the exchange's systems. Boursa Kuwait maintained its operations and obligations of timely disclosures.

Market segmentation

Companies listed on Boursa Kuwait are segmented into its Premier and Main markets, according to international best-in-class standards that meet the needs of the Kuwaiti market and enhance its transparency.

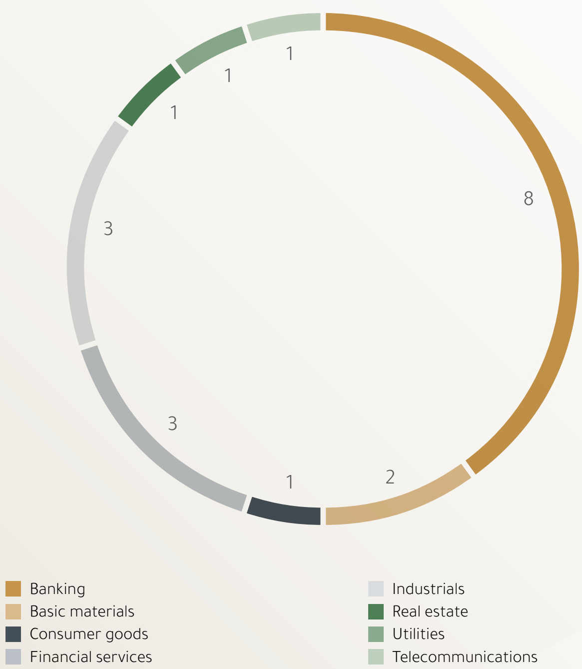
Listed companies per market



Premier Market

Boursa Kuwait's Premier Market includes companies with high liquidity and a medium-to-large market capitalization. Available on the Premier and All-Share market indices, the 20 companies listed in the Premier Market make up about 74% of the market value of companies listed on Boursa Kuwait, split by sector as follows:

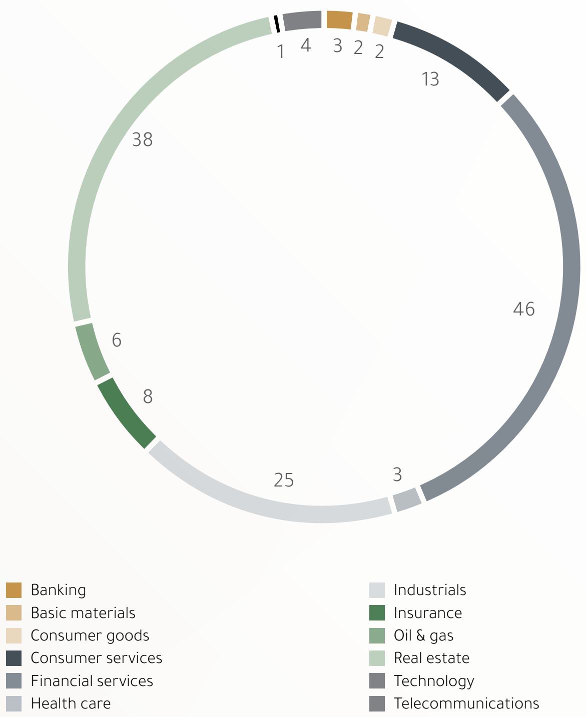
Listed companies by sector in the Premier Market



Main Market

Boursa Kuwait's Main Market includes listed companies that do not qualify for inclusion in the Premier Market but meet all liquidity and listing requirements. Available on the Main and All-Share market indices, the 151 companies listed in the Main Market make up about 26% of the market value of companies listed on Boursa Kuwait, split by sector as follows:

Listed companies by sector in the Main Market

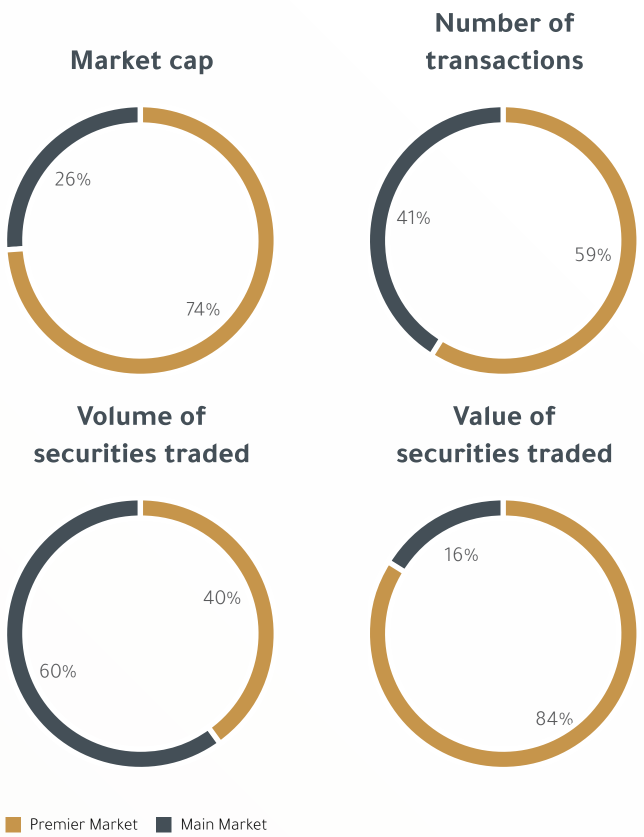


Market performance

The total market capitalization of the Kuwaiti capital market in 2020 was KD 32.2 billion, a decrease of around 10% from 2019.

The Premier Market's capitalization came in at KD 23.68 billion, with almost 21 billion shares traded at a value of KD 9 billion as a result of over 1.37 million transactions, equivalent to 84% of the total traded value and 40% of total traded volume of Boursa Kuwait.

Meanwhile, the Main Market's capitalization came in at KD 8.53 billion, with over 31 billion shares traded at a value of over KD 1.74 billion as a result of over 948 thousand transactions, equivalent to 16% of the total traded value and 60% of total traded volume of Boursa Kuwait.

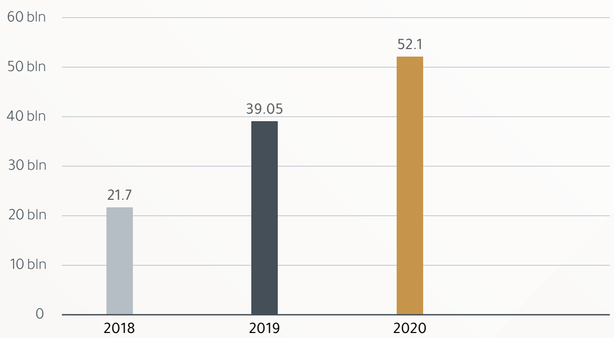


Our market in 2020 *continued*

Total securities traded

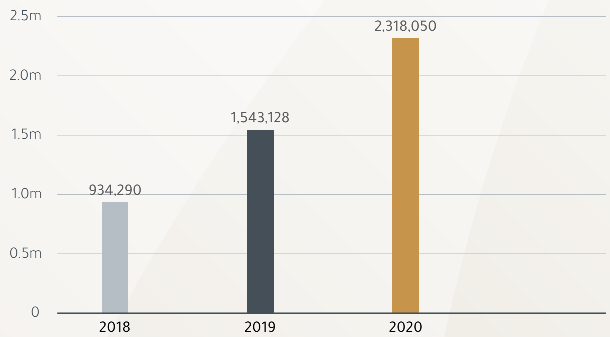
The total number of securities traded during 2020 was just over 52 billion shares, a 33% jump from around 39 billion shares traded in 2019, continuing a positive trend from 2018. The increase is the result of continued market progress throughout the year and the inclusion of Kuwaiti securities in the MSCI Emerging Markets Indices.

Number of securities traded (billion)



Total transactions

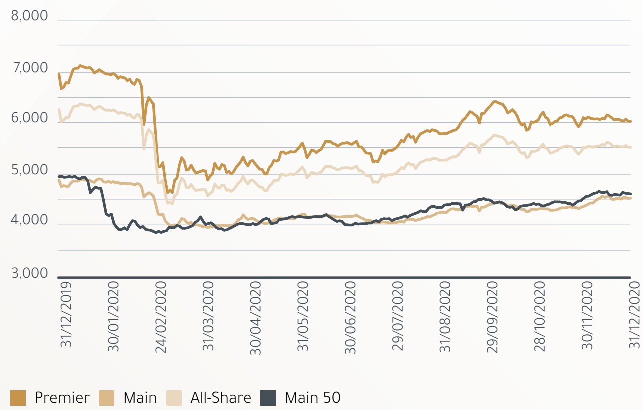
Boursa Kuwait handled over 2.3 million transactions during 2020, an almost 50% increase in the number compared to 1.5 million in 2019.



Index performance

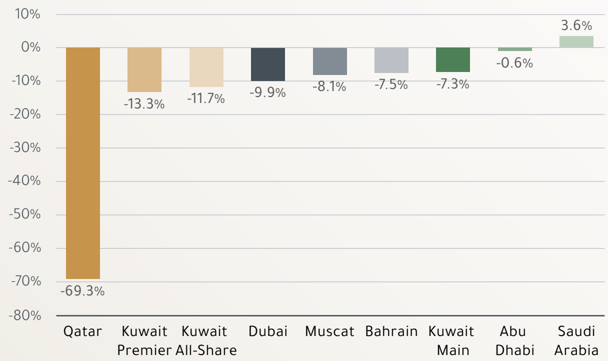
Regulatory and operational enhancements made by Boursa Kuwait, and in association with the Capital Markets Authority and the Kuwait Clearing Company, continued during 2020 and the markets were boosted by the inclusion of seven Kuwaiti companies in MSCI's Emerging Market Indices. However, the adverse economic impact of the COVID-19 pandemic early in the year resulted in a drop in all indices that was not recovered by year end, despite the positive trend and momentum in the second half of the year.

2020 Boursa Kuwait indices performance



As of the end of 2020, the All-Share index was down 11.72% for the year to 5,546 points; the Premier Market index dropped 13.26% to 6,051 points; the Main Market index decreased 7.30% to 4,552 points; and the Main 50 index dropped 6.77%% to 4,636 points.

Performance of GCC markets

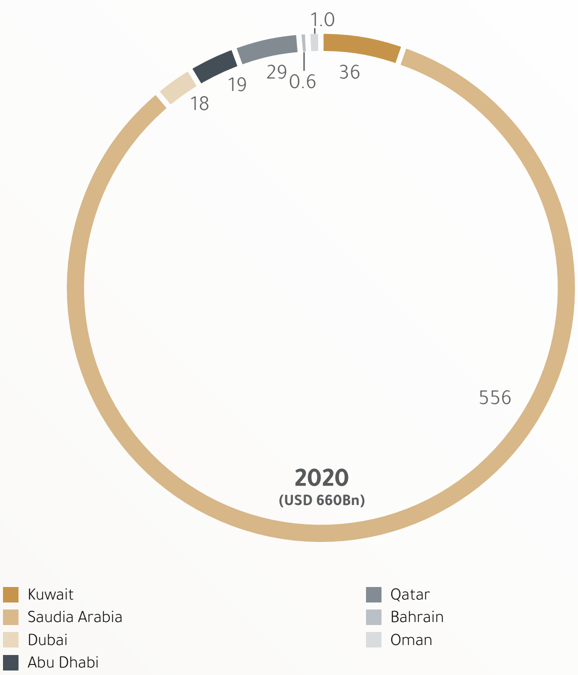


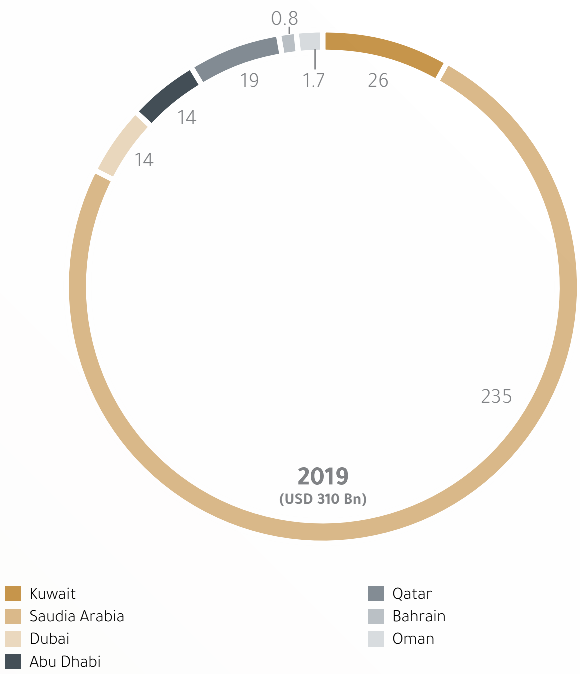
The COVID-19 pandemic had a negative impact on all markets across the GCC in 2020. Only Saudi Arabia's Tadawul index recovered by year end to post overall positive growth for the year (+3.6%). The remaining regional indices decreased between 0.6 and 69.3% for the full year, with Kuwait's indexes dropping between 7.3 and 13.3%.

Market	2019	2020	Points change	Percentage change
Saudi Arabia	8,389	8,690	300.53	3.6%
Abu Dhabi	5,076	5,045	-30.68	-0.6%
Kuwait Main	4,911	4,552	-358.57	-7.3%
Bahrain	1,610	1,490	-120.22	-7.5%
Muscat	3,981	3,659	-322.23	-8.1%
Dubai	2,765	2,492	-273.03	-9.9%
Kuwait All-Share	6,282	5,546	-735.96	-11.7%
Kuwait Premier	6,976	6,051	-924.93	-13.3%
Qatar	10,426	3,199	-7,226.59	-69.3%

GCC equity markets value traded

More than double the value traded in 2019





Source: KAMCO Invest 'GCC - 2020 - The Year that was' report

Our market in 2020 *continued*

Sector breakdown

Performance by sector

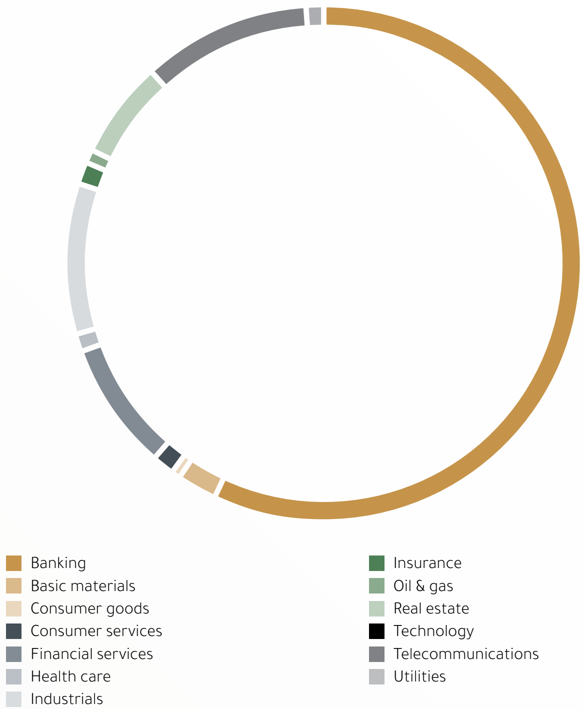
Performance for the year varied greatly across the 13 sectors represented in Boursa Kuwait. The best-performing sector was Insurance (+21.21%), followed by Consumer Goods (+17.14%) and Oil & Gas (+3.16%). Conversely, Utilities (-27.11%), Consumer Services (-23.66%) and Banking (-14.85%) declined the most during 2020.

Sector	2019 performance	2020 performance	% change
Banking	1,483	1,262	-14.85%
Basic materials	916	899	-1.87%
Consumer goods	637	746	**17.14%**
Consumer services	1,072	819	-23.66%
Financial services	1,081	930	-14.03%
Health care	885	827	-6.55%
Industrials	928	891	-3.93%
Insurance	954	1,156	**21.21%**
Oil & gas	1,238	1,277	**3.16%**
Real estate	1,059	953	-10.02%
Technology	515	503	-2.40%
Telecommunications	1,117	1,102	-1.29%
Utilities	1,000	729	-27.11%

Market capitalization by sector

Total market cap of Boursa Kuwait decreased in 2020 to around KD 32.2 billion, a drop of 9.7% from the 2019 cap of KD 35.8 billion. The biggest share in market cap went to the banking sector (KD 18.4 billion), followed by telecommunications (KD 3.3 billion) and industry (KD 3.0 billion).

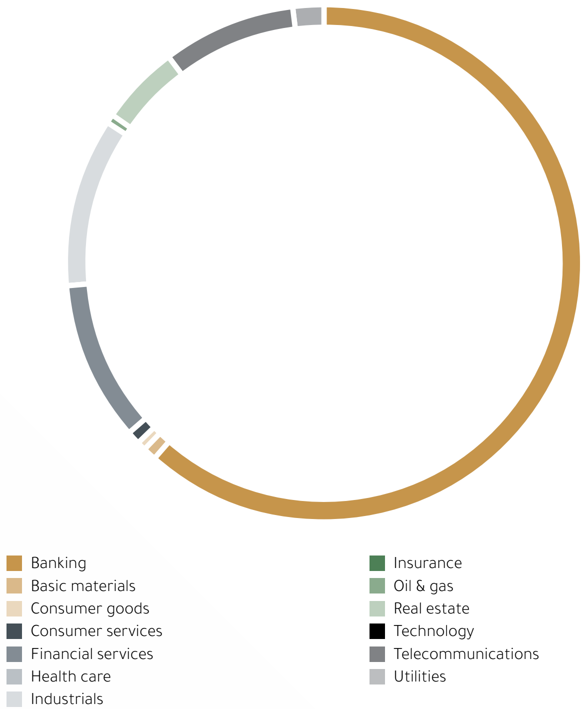
Sector	Market cap 2019 (KD billion)	Market cap 2020 (KD billion)	% change
Banking	21,685,456,550	18,422,299,863	-15.05%
Basic materials	767,240,836	755,588,584	-1.52%
Consumer goods	190,610,227	223,273,580	**17.14%**
Consumer services	541,779,215	414,374,041	-23.52%
Financial services	2,753,030,826	2,577,503,378	-6.38%
Health care	438,597,170	409,880,695	-6.55%
Industrials	3,184,236,667	3,051,118,129	-4.18%
Insurance	336,635,615	415,101,014	**23.31%**
Oil & gas	249,704,576	257,595,922	**3.16%**
Real estate	2,237,712,143	2,004,208,158	-10.43%
Technology	7,079,986	6,909,987	-2.40%
Telecommunications	3,423,024,437	3,377,593,985	-1.33%
Utilities	-	304,700,000	-



Traded value by sector

The total value of securities traded in 2020 was KD 10.75 billion, a jump of 35.4% from KD 7.93 in 2019. The Banking sector index saw the highest value of securities traded, making up 61.54% of total value traded at KD 6.59 billion, followed by the Industrials sector (10.50%) and the Financial Services sector (9.87%).

Sector	Traded Value 2020 (KD billion)
Banking	6,598,062,626
Basic materials	116,673,606
Consumer goods	53,538,378
Consumer services	89,322,439
Financial services	1,068,280,103
Health care	58,706
Industrials	1,126,361,557
Insurance	8,018,016
Oil & gas	52,177,897
Real estate	558,876,661
Technology	686,959
Telecommunications	876,116,596
Utilities	203,523,552



Off-market trades

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

There were 28 off-market trades made during 2020. The following table shows the value of these trades:

No of companies traded off-market	No of trades	Volume of trades	Value of trades
18	28	374,978,426	34,318,818

Foreign investments

Foreign investments in the Kuwaiti capital market saw a marked increase as foreign investors bought around KD 3.12 billion worth of securities, or an increase of 70%. The value of securities sold was around KD 2.6 billion or a 117% increase over last year. This tangible improvement came as a result of the inclusion of Kuwait in MSCI's Emerging Markets Indices.

Corporate governance

Corporate governance report

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 since the Company was founded to ensure fair, objective and transparent implementation of works for the interests of shareholders and investors.

This report provides a summary of the Company's corporate governance system actions, which are associated with a package of quantitative and qualitative measurement indicators, through which the Company has shown a willingness to comply with the instructions of Capital Market Authority and to 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 the 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 has eight members elected by the General Assembly of the Company for a period of three years. The Board comprises five non-executive and three independent members.

On 13 October 2020, The Board of Directors agreed to the appointment of Bader Abdullah Al-Kandari, as Vice Chairman of the Board, representing the Public Institution for Social Security, succeeding Mr. Ahmed Hamad Al-Thunayan.

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 April 2019, and the qualifications of the Secretary and the date of his appointment:

Name	Position	Non-Executive/ Independent Member	Educational qualification	Date of election/ appointment of Secretary
Mr. Hamad Mishari Al-Humaidhi	Chairman of the Board	Non-Executive	BSc.	21/04/2019
Mr. Bader Abdullah AlKandari (PIFSS Representative starting 13/10/2020)	Vice Chairman of the Board	Non-Executive	MSc.	13/10/2020
Mr. Ahmad Hamad Al-Thunayan (PIFSS Representative till 14/09/2020)	Vice Chairman of the Board	Non-Executive	BSc.	21/04/2019
Mr. Bader Nasser Al-Kharafi	Member of the Board	Non-Executive	MSc.	21/04/2019
Mr. Talal Jassim Al-Bahar	Member of the Board	Non-Executive	BSc.	21/04/2019
Mr. Faleh Abdullah Al-Rogobah	Member of the Board	Independent	MSc.	21/04/2019
Mr. Khaled Waleed Al-Falah	Member of the Board	Non-Executive	BSc.	21/04/2019
Mr. Bader Abdulmohsen Al-Jeaan	Member of the Board	Independent	MSc.	21/04/2019
Mr. Raed Jawad Bukhamseen	Member of the Board	Independent	BSc.	21/04/2019
Mr. Diaa Saleh Al-Khars	Secretary of the Board		BSc.	14/12/2014

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

Board meetings during FY2020

The Board of Directors held six meetings during FY 2020:

Board Meetings from 01/01/2020 till 31/12/2020

Name of Board member	No. (1) 16/02/2020	No. (2) 08/03/2020	No. (3) 12/08/2020	No. (4) 03/09/2020	No. (5) 13/10/2020	No. (6) 10/11/2020	Number of meetings (6)
1. Mr. Hamad Mishari Al-Humaidhi	✓	✓	✓	✓	✓	✓	6/6
2. Mr. Ahmad Hamad Al-Thunayan	✓	✓	✓	✓	Membership ended on 14/09/2020		4/4
3. Mr. Bader Abdullah AlKandari	Could not attend until the completion of the registration requirements with the CMA						
4. Mr. Bader Nasser Al-Kharafi	✓	✓	✓	✓	✓	✓	6/6
5. Mr. Talal Jassim Al-Bahar	✓	✓	✓	✓	✓	✓	6/6
6. Mr. Faleh Abdullah Al-Rogobah	✓	✓	✓	✓	✓	✓	6/6
7. Mr. Khaled Waleed Al-Falah	✓	✓	✓	✓	✓	✓	6/6
8. Mr. Bader Abdulmohsen Al-Jeaan	✓	×	✓	×	✓	✓	4/6
9. Mr. Raed Jawad Bukhamseen	✓	×	✓	✓	✓	✓	5/6

Capacity of Board Member	
Independent	× Not Attended
Non-Executive	✓ 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 leading, global practices in managing all Board, Board Committees, and Board Secretary affairs via an automated system. The application facilitates electronically organizing the Board and Board Committees' meetings and agenda, in addition to presenting, retaining, and following up on the meeting minutes.

The Secretary of the Board documents all the Board meeting minutes with a specific record, bearing consecutive numbers for the year in which the meeting was held, in addition to recording the location, date, and the beginning and end time of the meeting. Meeting minutes prepared also include discussions, deliberations, and voting results. All meeting minutes are classified and filed 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 the Executive Management, as well as the authorities delegated to the Executive Management.
Boursa Kuwait has defined the duties and responsibilities of each member of the Board of Directors and the Executive Management, as well as the authorities delegated to the Executive Management, as follows:

Review the job descriptions of Board members and Executive Management

Review and update the policies and regulations identifying the tasks and responsibilities of the Board of Directors and Executive Management and their performance measurement indicators

Review and develop the policy and matrix of delegation of authorities

Board of Director's Achievements in 2020

1. Continuous supervision and guidance on all Boursa Kuwait operational and regulatory procedures has led to the promotion of the Boursa Kuwait indices to the MSCI emerging markets index, and the inclusion of seven securities of "Premier Market" listed companies to that index.
2. Approved signing deals with our major shareholders, leading to Boursa Kuwait's acquisition of the Kuwaiti Clearing Company.
3. Assessed market needs, simplified operational processes and aligned market standards with international best-practice.
4. Approved the listing of Boursa Kuwait's security in the "Premier" market.
5. Supervised the activation of the business continuity plan to resume essential market operations during the current Covid-19 pandemic.
6. Approved the long-term action plan in light of the ongoing pandemic.
7. Supervised and monitored the approved plans to diversify and increase revenue streams in addition to decreasing operating costs in the Company.
8. Reviewed and approved the initiatives and products provided by the Company based on the approved Strategic Plan.
9. Approved the updated Company-wide financial and operational authority matrix.
10. Approved the Rulebook updated in line with the new market developments.
11. Approved the Boursa Kuwait building renovation plan.
12. Reviewed and approved the latest Company's functional organizational structure.
13. Developed the Company's strategy and approved the annual business plan and budget.
14. Reviewed the internal control systems related reports submitted to the Capital Markets Authority by the supervisory functions: Internal Audit, Risk Management, and the Supervisory Compliance and Governance.
15. Supervised the enhancement of the corporate governance framework.
16. Reviewed the Company's financial performance reports.

17. Supervised Executive Management's performance and ensured the completion of their required responsibilities.
18. Approved the Company's interim and annual financial statements.
19. Approved the Audit Committee's recommendation on the appointment of the external auditor prior to presenting the same before the General Assembly for approval.
20. Approved the Company-wide risk appetite.
21. Approved the profit distribution policy.
22. Approved the draft Annual General Meeting/ Extraordinary General Meeting agendas and their content.
23. Supervised the Board Committees' duties and ratified their recommendations.
24. Approved the remuneration of the executive management and employees.
25. Reviewed and approved the Nominations and Remunerations Committee's proposition for the remunerations of the members of the Board of Directors prior to presenting the same before the General Assembly for approval.

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.

The Audit Committee

- Supports the Board of Directors in the control and oversight of the efficiency and independence of the internal audit processes, and the external audit of the Company.
- Oversees the preparation of periodic financial statements and reports of reviewing the internal control system.

The Risk Management Committee

- To support the Board of Directors in performing its duties and responsibilities concerning risk management, through assessment and follow up of the risks framework and management in line with the Company's strategy.

Nominations & Remunerations Committee

- To review the remuneration policy and recommend with approval of nominees and renomination of the members of the Board of Directors and Executive Management.
- Review of the job descriptions of the members of the Board of Directors.
- Oversee the assessment of Board Directors and Executive Management.

The Executive Committee

- Review the progress in completing the Company strategy and its relevant business plan.
- Oversee all strategic projects of the Company associated to its operational activity.

Governance Committee

- Ensure that the Company adheres to strict compliance and application of a proper governance system.
- Support the Board of Directors and its Committees to oversee the building and development of the governance system in accordance with Capital Markets Authority's instructions and leading practices.

Corporate governance report *continued*

1. The Audit Committee

On 13/10/2020, the Audit Committee was restructured in accordance with 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 Audit Committee's responsibilities and duties have been identified by the Board of Directors through the preparation and approval of the Audit Committee charter.

Achievements of the Audit Committee during the year 2020

Planning and Supervision of Audit Engagement	✓ Supervised the Internal Audit Department's activities to ensure their alignment with the objectives set by the Board. ✓ Reviewed and approved the Internal Audit Department's plan, which was based on the outcome of the risk assessment. ✓ Conducted an annual review and update of the Committee's charter. ✓ Conducted an annual review of the Internal Audit Policy Manual.
Internal Control	✓ Assessed the performance of the external Auditors and made a recommendation to the Board regarding their reappointment and fees. ✓ 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 to mitigate the identified observations. ✓ Reviewed the Internal Control Systems report.
Financial Statements and their Integrity	✓ Supervised the engagement of the external Auditors and validated their independence. ✓ Reviewed the annual and interim financial statements and made recommendations on the same to the Board for approval.

The Audit Committee meetings

The Audit Committee held five meetings during FY 2020:

Audit Committee meetings from 01/01/2020 till 31/12/2020

Name and capacity of the Committee member	No. (1) 03/02/2020	No. (2) 16/04/2020	No. (3) 06/08/2020	No. (4) 15/10/2020	No. (5) 03/11/2020	Number of Meetings (5)
Mr. Faleh Abdullah Al-Rogobah, Head of Committee	✓	✓	✓	✓	✓	5/5
Mr. Ahmad Hamad Al-Thunayan (Resigned)	✓	✓	✓	Membership ended on 14/09/2020		3/3
Mr. Bader Abdullah AlKandari	Could not attend until the completion of the registration requirements with the CMA					
Mr. Khaled Waleed Al-Falah	✓	✓	✓	✓	✓	5/5

Capacity of Board Member	
Independent	× Not Attended
Non-Executive	✓ Attended

2. The Risk Committee

On 21/04/2019, the Risk Committee was formed in accordance with 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 Risk Committee's responsibilities and duties have been identified by the Board of Directors through the preparation and approval of the Risk Committee charter.

Achievements of the Risk Committee during the year 2020

Risk Governance	✓ Reviewed the business continuity plan and disaster recovery plan, along with their relevant documents. ✓ Ensure the independence of the risk management department's activities. ✓ Reviewed the Company's information security framework. ✓ Provided sufficient support to the risk management team in highlighting the importance of their activities across the Company.
Risk Strategy	✓ Reviewed the risk appetite and risk register. ✓ Reviewed the business-impact analysis conducted within the BCMS program. ✓ Reviewed the risk management strategy. ✓ Supervised the implementation of the risk management system.
Follow-up and Supervision	✓ Followed up on the business continuity related periodic reports and the selection of a disaster recovery site. ✓ Review of Key Risk Indicators (KRIs). ✓ Reviewed the risk management periodic reports covering the assessment of risks and the risk mitigation plan. ✓ Reviewed the risk-management department's semi-annual reports submitted to the Capital Markets Authority. ✓ Evaluated the mechanism for risk identification and assessment, and followed-up on the risks faced by the Company. ✓ Reviewed transactions conducted with related parties. ✓ Reviewed the Directors and Officer's liability insurance for members of the Board of Directors.

The Risk Committee Meetings

The Risk Management Committee held four meetings during FY 2020:

Risk Committee meetings from 01/01/2020 till 31/12/2020

Name and capacity of the Committee member	No. (1) 01/04/2020	No. (2) 28/06/2020	No. (3) 17/12/2020	No. (4) 31/12/2020	Number of meetings (4)
Mr. Khaled Waleed Al-Falah, Head of Committee	✓	✓	✓	✓	4/4
Mr. Bader Abdulmohsen Al-Jeaan	✓	✓	✓	✓	4/4
Mr. Raed Jawad Bukhamseen	✓	✓	×	✓	3/4

Capacity of Board Member	
Independent	× Not Attended
Non-Executive	✓ Attended

Corporate governance report *continued*

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 Nominations and Remunerations Committee's responsibilities and duties have been identified by the Board of Directors through the preparation and approval of the Nominations and Remunerations Committee charter.

Achievements of the Nominations and Remunerations Committee during the year 2020

Nominations	✓ Reviewed the Board membership applications submitted for registered positions at the CMA. ✓ Ensured that independent Board members maintain their capacity as independent members.
Remunerations	✓ Reviewed the Company's remuneration policy. ✓ Prepared a report including the remuneration granted to the Board members and the Executive Management in accordance with the regulations of the Capital Markets Authority. ✓ Determined the remuneration scheme for the Executive Management, e.g. fixed remunerations and variable remuneration. ✓ Developed the general framework for the grading structure.
Evaluation, Training and Supervision	✓ Reviewed the KPIs at a Sector-wide level. ✓ Conducted annual review on the Committee's charter. ✓ Approved the annual training plan for the Board of Directors and the Executive Management. ✓ Approved the succession plan. ✓ Reviewed and updated the Company's organizational structure. ✓ The Nominations and Remunerations Committee Meetings

The Nominations and Remunerations Committee Meetings

The Nominations and Remunerations Committee held two meetings during FY 2020:

Nominations and Remunerations Committee meetings from 01/01/2020 till 31/12/2020

Name and capacity of the Board Member	No. (1) 19/01/2020	No. (2) 22/09/2020	Number of Meetings (2)
Mr. Talal Jassim Al-Bahar, Head of Committee	✓	✓	2/2
Mr. Bader Nasser Al-Kharafi	✓	✓	2/2
Mr. Bader Abdulmohsen Al-Jeaan	✓	✓	2/2

Capacity of Board Member	
Independent	× Not Attended
Non-Executive	✓ 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 Executive Committee's responsibilities and duties have been identified by the Board of Directors through the preparation and approval of the Executive Committee charter.

Achievements of the Executive Committee during the year 2020:

Business strategy	✓ Developed the Company's strategy, reviewed the business plan, and made recommendations on both to the Board for approval. ✓ Reviewed the annual budget and provided feedback focusing on diversifying revenue channels, increasing revenue, and decreasing operational expenses. ✓ Studied the market development initiatives provided by the executive management and made recommendations on the same to the Board for ratification. This has directly contributed to the increase in net income, creation of an attractive issuer base, and wider market-depth by offering new products and services. ✓ Reviewed the updated financial and operational authorities' matrix resulting from the dynamic operating environment, and submitted the same to the Board of Directors for approval. ✓ Approved the long-term action plan in light of the ongoing implications of the Coronavirus (Covid-19).
Projects & contracts	✓ Assessed the financial impact of purchasing Kuwait Clearing Company (KCC) shares on the bottom line and raised recommended the Board to proceed with the transaction. ✓ Studied the Boursa Kuwait building enhancement initiative and raised recommendation to the Board for approval. ✓ Reviewed the commercial proposals and quotations submitted for strategic projects. ✓ Reviewed the proposed amendments on the Trading Rulebook. ✓ Approved listing of Boursa Kuwait share in the 'Premier' market prior to submitting the same to the CMA via the listing advisor.
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. ✓ Conducted the annual review on the Committee's charter.

The Executive Committee meetings

The Executive Committee held eight meetings during FY 2020:

Executive Committee meetings from 01/01/2020 till 31/12/2020

Name and capacity of the Committee member	No. (1) 19/01/20	No.(2) 08/03/20	No. (3) 29/06/20	No. (4) 17/08/20	No. (5) 10/09/20	No. (6) 21/09/20	No. (7) 21/11/20	No. (8) 25/11/20	Number of meetings (8)
Mr. Bader Nasser Al-Kharafi, Head of Committee	✓	✓	✓	✓	✓	✓	✓	✓	8/8
Mr. Hamad Mishari Al-Humaidhi	✓	✓	✓	✓	✓	✓	✓	✓	8/8
Mr. Talal Jassim Al-Bahar	✓	✓	×	✓	✓	✓	✓	✓	7/8

Capacity of Board Member	
Independent	× Not Attended
Non-Executive	✓ Attended

Corporate governance report *continued*

5. Corporate Governance Committee

On 13/10/2020, the Corporate Governance Committee was restructured 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 Corporate Governance Committee's responsibilities and duties have been identified by the Board of Directors through the preparation and approval of the Corporate Governance Committee charter.

Achievements of the Corporate Governance Committee during 2019

Board of Director's Affairs	✓ Reviewed the charters of the Board and its committees and ensured it covers all relevant regulatory requirements.
Policies and Regulations	✓ Reviewed the Corporate Governance manual. ✓ Reviewed the Shareholder Protection policy. ✓ Reviewed the Board Members' Trading policy. ✓ Reviewed the Board Members' Handbook and approved its amendments. ✓ Reviewed the Stakeholder Protection policy and its implementation at Company-wide level. ✓ Reviewed the Code of Ethics.
Governance Reports	✓ Reviewed the governance report to be presented at the Company's General Assembly meeting and proposed enhancements on the Annual Corporate Governance Report. ✓ Ensured that the social responsibility initiatives are implemented in accordance with the approved plan. ✓ Reviewed the Whistleblowing Report. ✓ Reviewed the Complaints Report. ✓ Reviewed the Corporate Governance Report submitted to the Capital Markets Authority. ✓ Reviewed the Related-Parties Transactions Report. ✓ Reviewed the Conflict of Interest Report.

The Corporate Governance Committee Meetings

The Corporate Governance Committee held two meetings during FY 2020:

Corporate Governance Committee meetings from 01/01/2020 till 31/12/2020

Name and capacity of the Committee member	No. (1) 01/12/2020	No. (2) 29/12/2020	Number of meetings (2)
Mr. Hamad Mishari Al-Humaidhi	✓	✓	2/2
Mr. Faleh Abdullah Al-Rogobah	✓	✓	2/2
Mr. Ahmad Hamad Al-Thunayan (Resigned)	Membership ended on 14/09/2020		
Mr. Bader Abdullah AlKandari	Could not attend until the completion of the registration requirements with the CMA	✓	1/1

Capacity of Board Member	
Independent	× Not Attended
Non-Executive	✓ 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 for 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 the 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 the 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 the 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 Board of Directors and Executive Management. This framework is based on the principle of equal opportunities and transparency depending 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 a leading practice 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:

As per the financial statements for the fiscal period ending 31/12/2020, the total remuneration for the Board members amounts to 176,000 KD (One Hundred and Seventy Six Thousand Kuwaiti Dinars Only). The amount is equally divided among all members, whereby entitling each member to 22,000 KD (Twenty Two Thousand Kuwaiti Dinars Only).

The fees for membership in the Committees emanating from the Board of Directors amounts to 32,000 KD (Thirty Two Thousand Kuwaiti Dinars). The amount is equally divided among all members, whereby entitling each member to 4,000 KD (Four Thousand Kuwaiti Dinars Only).

b. Rewards granted to members of Executive Management, including the CEO and the below Sector Heads:

1. Head of Trading Operations Sector
2. Head of the Markets Sector
3. Head of Finance Sector
4. Head of Legal and Market Supervision
5. Head of Information Technology

Fixed Rewards (KD)	Variable Rewards (KD)	Total of rewards and other financial benefits (KD)
599.678	376.828	976.506

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

Please refer to the table under section (b) above.

A report on all remunerations granted to the Executive Management, prepared in accordance with Appendix No. 3 "Remuneration Report Structure" issued in CMA resolution No. 118 of 2019, shall be presented to the Company's General Assembly for approval.

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 the 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 Auditors

The Board of Directors is keen to reduce potential conflicts of interest. The Audit Committee, emanating from the Board, 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.

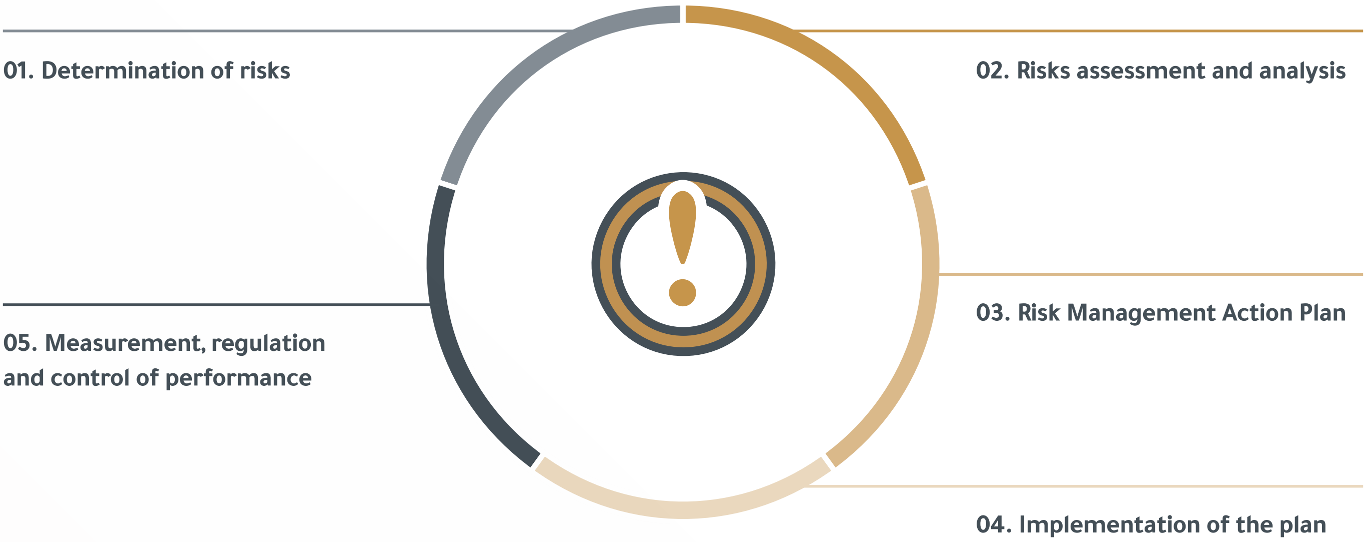
Article Five

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:



Risk Management 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, Risk-Management has adopted an automated system "Electronic Risk Management System" (ERM), which was developed by one of the world's leading risk management companies. It also has been able to issue technical and analytical reports and examine 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 to improve 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 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 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, having established independent control departments. These include 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 Chief Executive Officer in compliance-related matters, and to the Corporate Governance Committee in corporate-governance related matters.

Corporate governance report *continued*

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

Regulatory and control procedures and activities	**Continuous assessment of risks**	**Constant follow-up and update of regulatory and control procedures**	**Effective Information and communication**	**Active regulatory and control environment**

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, the 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 the Board members to the information of Boursa Kuwait's clients and members.

Compliance department

The role of the Compliance department of Boursa Kuwait includes the following main tasks:

- Prevent the risks of non-compliance with the instructions set by the regulatory and control authorities
- Manage the relationship with the regulatory and control authorities
- Setup the framework that ensures combating of money laundering and terrorism finance operations
- Promote a compliance culture within the working environment
- Maintain proper control and supervisory environment on all business activities

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

The Internal Audit Department of Boursa 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 manual in addition to the approved annual audit plan.

Article Six

Enhancement of professional behavior 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, the 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 gains, as well as to limit the exploitation of internal information and to promote the principle of avoiding conflicts of interest, which are summarized as follows:

Related party 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 party register has been prepared and circulated to the relevant departments. Any new business relationship within the Company is initiated only after verification that it is not related to any party on the 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 Management 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 email 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, provision of the necessary investigation and supervision of such procedures.

A summary of the policies and mechanisms for managing conflict of interest cases

In order to eliminate any potential conflict of interest cases, the Company has developed a conflict of interest policy that sets out guidelines for the identification, notification, reporting, disclosure, prevention, or strict control of potential conflict of interest cases. In addition, appropriate procedures have been set to identify and effectively deal with cases posing a conflict of interest, as well as ensuring that the Board of Directors handles existing and potential conflict of interest cases in a manner that serves the Company's best interests.

In efforts to manage conflict of interest cases and in line with the CMA Executive Bylaws, the Company prohibits their employees along with their dependents from dealing in securities under Boursa Kuwait that are listed or have applied for listing. To ensure adherence, all employees upon their recruitment must disclose of all listed securities under their ownership or that of their dependents and sign a form of not dealing with any securities that are listed or have applied to be enlisted under Boursa Kuwait unless it is within the cases exempt as per the CMA bylaws. In addition, the Company submits to the CMA an annual report including the securities owned by their employees and their dependents along with details of transactions on these securities conducted throughout the past year.

In line with CMA resolution 41 and 42 of the year 2020, and in efforts to ensure its independence post listing under Boursa Kuwait, the Company has developed an operations manual to prevent conflict of interest cases that may arise when conducting its duties as a securities exchange and that as a listed company under that same securities exchange.

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 its 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 its customers through service-excellence. 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 the 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 and an investor relations section.

Corporate governance report *continued*

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
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 that includes financial and non-financial reports of interest to the shareholders, annual reports, and a means of communication with investors to address their inquiries.

A brief summary on developing the information technology infrastructure and its reliability in the operation of disclosures
In efforts to communicate with shareholders and stakeholders using the latest technological developments, the Company developed a new website in addition to smartphone applications on both operating systems that addresses the needs of the Boursa Kuwait audience by providing data in a simple and convenient manner.

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 to receive data from this register from Boursa Kuwait or the Kuwait Clearing Company.

Mechanism of voting 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 the Executive Management.

The Ordinary and Extraordinary General Assembly meetings for FY2019 were virtually conducted to ensure shareholder-safety and encourage them to participate and attend the meetings despite the Covid-19 pandemic during the year 2020. Using the latest technological means, a platform was developed for addressing shareholder questions during the virtual meetings.

Article Nine

Role of Stakeholders

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

The Company has developed a specific policy designed to ensure the respect and protection of the rights of stakeholders, in accordance with the laws and instructions issued by the relevant regulatory authorities.

Boursa Kuwait also protected the rights of all stakeholders, providing stability and sustainability through its good financial performance. Guidelines were developed to help identify stakeholders Parties considered stakeholders and how their rights should be protected.

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 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.

Corporate governance report *continued*

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 training programs as well as directing efforts to recruit 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 one element of a drive promote a culture of openness and transparency within the Company with open channels of communication between Boursa Kuwait and its employees.

Company actions towards employees during the spread of the COVID-19 pandemic

Employee safety is Boursa Kuwait's top priority. Precautionary measures, including the distribution of the necessary tools, has taken place to support all Boursa Kuwait employees cope with these exceptional circumstances. In addition, the Human Resources department has worked to raise awareness of all health and safety requirements, in addition to guidance procedures for employees who are traveling and working remotely.

In line with the local government decisions, Boursa Kuwait has requested all employees to disclose their travel destinations in order to identify those who require home quarantine. The period during which the employees were quarantined was not deducted from the employee's compensation nor from their annual leave balances. Boursa Kuwait took proactive steps to limit employee travel during the first phase of the crisis and supported families of several employees reunite.

In addition, in line with the Council of Ministers' resolutions, employees who worked remotely were provided with the required technical means such as connection to the Virtual Private Network (VPN) and were encouraged to use the virtual meeting applications to ensure operational efficiency and continuity.

Moreover, Boursa Kuwait provided the maintenance team with sterilization and cleaning materials to ensure periodic sterilization of the Company's premises and conduct appropriate safety measures.

Article Ten

Performance enhancement and improvement

A brief summary of the implementation of requirements for setting mechanisms that allow the Board of Directors and the 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 the Executive Management through the development of training programs. 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 introduced a briefing booklet for the members of the Board of Directors.

Boursa Kuwait has identified a range of topics to help Board members to develop their skills and 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 of Directors and the role played by its committees by using a self-assessment methodology for each member of the Board to identify their required development and training aspects needs.

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

01. Qualifications, experiences and development aspects

02. Efficiency of meetings, attendance and reporting quality

03. Methods of communication and regulation of the relationship with Executive Management

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 identify a recognised set of Company values, for the short, medium and long-term. Accordingly, the Board of Directors has adopted a code of conduct which emphasizes the importance of following these practices and adhering 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 staff to adopt 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 new initiatives 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 the society

Boursa Kuwait is committed to its responsibilities to the community and its employees, adopting a policy that ensures the achievement of both Company and societal objectives. Boursa 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.

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

Moreover, Boursa 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 help it achieve its strategic objectives.

An overview of the mechanisms to help highlight efforts in the field of social responsibility

Boursa Kuwait seeks to achieve balance between its objectives and those sought by the 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 2020 to achieve this goal, please refer to the "Corporate Sustainability" section.

Corporate sustainability

A sustainable future

Boursa Kuwait has aligned its long-term business strategy with the country's vision for a sustainable future, reaffirming its commitment to contributing to the New Kuwait 2035 vision, which aims to transform Kuwait 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.

At Boursa Kuwait, Corporate Sustainability is fundamental to our long-term success, in terms of the strength and growth of our business and people, as well as the overall development of the Kuwaiti economy.

Our Corporate Sustainability program, which was developed in line with our business strategy and goals, is built around three core pillars - Education, Community and Environment.

These pillars are aligned with New Kuwait 2035's goals to elevate Kuwait's "Global Positioning", "Creative Human Capital", "Effective Civil Service" and "Sustainable Diversified Economy" to ensure that our sustainability initiatives and activities have a significant and lasting impact for our business and stakeholders.

The Company's Board of Directors and Executive Management are committed to expanding on Boursa Kuwait's Corporate Sustainability efforts and achievements. We plan to build on the strong foundation to further develop our sustainability programs over the coming years, while also seeking international environmental, social, and governance (ESG) accreditations and certifications to ensure alignment with the highest global standards and practices.

Our sustainability vision and objectives

Boursa Kuwait's Corporate Sustainability Vision is:

"To be responsible and committed to the sustainable development of Boursa Kuwait and the communities in which we operate, by ensuring a positive contribution in the areas of Education, Community and Environment, and to promote the adoption of socially impactful and accountable practices throughout our stakeholder community."

Our Corporate Sustainability objectives are to:

- Raise the profile of Boursa Kuwait as a socially responsible organization that works to create sustainable operations and support the surrounding community.
- Strengthen Boursa Kuwait's presence and position on a local and regional front through strategic collaborations that support sustainability.
- Generate positive media exposure across local, regional and international media.

Our corporate sustainability strategy

Boursa Kuwait's three-phased "Align, Create and Integrate" approach to Corporate Sustainability ensures that all our initiatives are designed and delivered in alignment with the exchange's business and sustainability objectives, while also providing measurable return on investment for our Company and stakeholders.

Align our Corporate Sustainability efforts and initiatives with our business strategy and purpose, ensuring coordination with corporate governance, industry best practices and investors' expectations, to support sustainable success on all levels.

Create strong and sustainable partnerships that allow us to leverage the valuable capabilities, strengths and experience of other companies and organizations, in order to help deliver long-term impact.

Integrate our Corporate Sustainability programs and activities with our corporate culture to create sustained engagement with our workforce and instill a sustainability focus across our day-to-day operations.

Our strategic pillars

Our Corporate Sustainability strategy is founded on a business-led approach to creating long-term value for our stakeholders, with three strategic pillars - Education, Community and Environment. Collectively, these pillars provide focus to our diverse activities and initiatives in order to achieve our objectives and ensure progress towards our Corporate Sustainability vision.

Our strategic pillars

Education

Education plays an essential role in delivering economic and social prosperity and development. As such, it has been a key focus of Boursa Kuwait's journey since establishment, and a catalyst to elevate the overall status and positioning of the exchange on the local, regional and international stage.

To ensure that all our all stakeholders are fully equipped with the knowledge and skills to contribute to and benefit from the nation's exchange, and more broadly capital markets, Boursa Kuwait is committed to enhancing financial literacy, promoting best practices and driving positive behavioral change through a diverse range of in-person and virtual training and knowledge development programs and initiatives.

Community

Supporting and serving the communities and people across Kuwait is a responsibility that Boursa Kuwait takes very seriously. We seek to be a force for good for all our stakeholders, both external and internal, by actively giving back and driving positive impact through an ongoing and diverse range of community and social impact initiatives.

To foster a true sense of belonging and care, Boursa Kuwait works to deeply engage our stakeholders by championing initiatives and campaigns through the 'Boursa Kuwait Cares' program, as well as supporting long-term community initiatives through strategic partnerships, promoting employee volunteering and applying our resources in support of worthy causes.

Environment

Safeguarding our natural environment is a priority for Boursa Kuwait and our employees. Although we do not operate in an environmentally sensitive business, we recognize that our operations have an impact on the environment and acknowledge that addressing environmental issues is a collective responsibility shared by every member of the community.

We are committed to minimizing our environmental footprint and continually improving our environmental management practices to reduce our consumption of energy and other resources, while also promoting recycling across our operations and encouraging our employees to adopt environmentally responsible behaviors.

Corporate sustainability *continued*

Corporate sustainability highlights & achievements

During 2020, we made solid strategic progress across our three Corporate Sustainability pillars, collaborating closely with the government and our strategic partners across a wide range of new and ongoing initiatives aimed at educating our stakeholders, supporting our community and safeguarding our environment.

Education pillar

Developing stakeholder knowledge & awareness

Boursa Kuwait goes to great lengths to promote knowledge, awareness and transparency through the sustained approach to education that we have adopted with respect to all key stakeholders. We continued to fund, develop and support a range of high-impact, education-focused initiatives through our Boursa Academy Online platform and enhanced collaboration with local, regional and international strategic partners.

Boursa Kuwait's new website and applications

As part of its ongoing efforts to further enhance Kuwait's capital market, Boursa Kuwait launched its newly-upgraded electronic ecosystem on 31 December 2020, which included a newly-redesigned website and a suite of applications for smartphones, watches and tablets.

The website, the centerpiece of Boursa Kuwait's new digital offerings, has been developed from the ground up using a bespoke Content Management System (CMS), and was designed to make the vital information that market participants rely on easier to find than ever, while introducing several new features and improvements.

Some of these include an enhanced version of MarketWatch, which promises greater speeds, while the stock screeners option allows users to focus on what matters most to them. Investors can also keep up to date with the new calendar and Company announcements, as well as access sophisticated charts and comprehensive reports that assist participants in the decision-making process. The Over the Counter (OTC) platform has also been redesigned to provide an even richer experience and has been integrated into the main Boursa Kuwait website.

In addition to the website, applications for iOS, iPadOS, WatchOS and Android phones and tablets were also developed, giving market participants easy access to the Kuwaiti capital market.

Developing knowledge through Boursa Academy Online

Launched in 2018, Boursa Academy Online is a free digital education portal designed and developed by Boursa Kuwait, which aims to promote investing and financial literacy among new and professional retail investors.

During 2020, in collaboration with the Chartered Financial Analyst (CFA) Society, Boursa Kuwait prepared educational videos to raise awareness and understanding of financial markets. These videos were published on the Boursa Academy Online digital platform and various owned social media channels.

In 2021, we will continue to enhance the Boursa Academy Online website and app, through improved functionality, user experience and by introducing new, engaging and educational content, which will be developed in collaboration with the CFA Society, Kuwait University and other local universities.

Deepening ties with MEIRA

Through Boursa Kuwait's ongoing partnership with the Middle East Investor Relations Association (MEIRA) - an independent organization that seeks to enhance the reputation, efficiency and attractiveness of the Middle East capital markets - we seek to promote Investor Relations (IR) best practices and international standards in corporate governance in our markets.

As part of our commitment to ensure a robust and sustainable capital markets ecosystem in Kuwait - an ecosystem that empowers our stakeholders to achieve their business goals - Boursa Kuwait sponsored the "2020 MEIRA Virtual Annual Conference and Awards" and participated in MEIRA's "MSCI upgrade in the Kuwaiti market" workshop.

In 2021, we plan to organize workshops to improve knowledge and awareness around IR best practices and enhance standards to attract local, regional and international investment.

Partnering with leading universities

Boursa Kuwait partners with leading Kuwaiti higher education institutions to support students and advance their knowledge and awareness of capital markets.

Through our partnerships, we have launched a wide range of collaborative activities, from speaking opportunities and educational booths to workshops, seminars and encouraging students to build their skills and knowledge on the Boursa Academy Online digital platform.

Boursa Kuwait also opened our doors to field visits, granting students a firsthand experience of the day-to-day workings of the exchange. During the tour, students were informed of Boursa Kuwait's journey as one of the privatized entities in Kuwait and its main objectives, which focus primarily on continuously upgrading the exchange's infrastructure and business environment, in accordance with best practices and international standards.

During 2020, Boursa Kuwait continued to build on these mutually beneficial partnerships, while also hosting two educational tours for 20 trainees from the fifth edition of the Capital Markets Authority's (CMA) fresh graduates training program. We also organized an educational field trip for the Bayan Bilingual School Economics Department to raise their awareness about the market in Kuwait and the bourse's operations.

Leveraging LinkedIn Training

In line with our commitment to continue to develop the knowledge and skills of our workforce despite the unique circumstances of this year, Boursa Kuwait partnered with LinkedIn Learning in 2020 to provide access to a wide range of virtual training programs. All Boursa Kuwait employees were assigned specific training programs, based on their unique job profile and technical competencies, which were tracked towards their training KPI.

In total, 2060 hours of training was conducted through this innovative learning channel during the year. We intend to build on this success by continuing to leverage LinkedIn Learning to enhance the knowledge, skills and competencies of our people moving forward.

Impact through Internships

As a leading regional financial and trading center, we prioritize attracting, developing and retaining local talent by 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.

In 2021, Boursa Kuwait will reinforce our commitment to Kuwaitization. We have already agreed to training interns from the Gulf University of Science and Technology (GUST), through a program that provides participants with an inside look at the various functional sectors within Boursa Kuwait, the responsibilities of each sector, and the role they each play in the successful operations of the Company.

Our education pillar strategic partners include:

Sustainable Stock Exchanges Initiative

CFA Institute

middle east investor relations association

Corporate sustainability *continued*

Community pillar

Supporting and serving our community

Boursa Kuwait leads by example to support healthy, vibrant and diverse communities through social responsibility programs, encouraging employee volunteering and fostering a culture of care.

This year, we developed and accelerated a series of community initiatives aimed at sparking positive change for our employees and the people in our communities across Kuwait.

Taking action for health & wellness

Throughout this unprecedented year, Boursa Kuwait reinforced our central role in the community by acting to protect the health and well-being of our diverse stakeholders. We worked to ensure a safe and healthy environment for our employees, customers and visitors, while simultaneously maintaining business continuity in the best interests of our issuers and investors.

We took every reasonable precaution to safeguard the health of our employees, temporarily closing the building to the public and introducing a wide range of health measures, from temperature screening to sanitization to social distancing, in full compliance with government directives and guidelines.

During the early stages of the pandemic, Boursa Kuwait's employees were able to transition to a remote work environment, thanks to the technological know-how of its team. The Company exhibited tremendous resilience throughout the pandemic, and was able to minimize the negative impact on trading actions and results while ensuring the safety and health of all stakeholders through the introduction of a robust operational framework.

Throughout this period of disruption and uncertainty, Boursa Kuwait's trading operations continued with no change in trading hours, while transactions for Transfer of Ownership, Mandatory Executions, Off Market Trades and Over the Counter Trading (OTC) were temporarily suspended before continuing as usual at the end of June.

In addition to these COVID-related responses, we partnered with the Kuwait Association for the Care of Children in Hospitals (KACCH) in 2020 to support its initiatives to improve the hospital experience for children and their families, through the sponsorship of KACCH's Child Life Program that enhances patient experience in seven Kuwait hospitals.

In 2021, Boursa Kuwait will maintain our commitment to providing a healthy and safe environment for all internal and external stakeholders, while also continuing or expanding many of these worthy health initiatives to benefit the people across Kuwait who are in need of support through these challenging times.

Engaging the investor community

As one of Kuwait's key financial institutions, Boursa Kuwait continuously promotes the Kuwaiti capital market to institutional investors and asset-management firms across the globe, highlighting the unique value-proposition and investment opportunities our market has to offer.

Despite the challenges resulting from the COVID-19 pandemic during 2020, we maintained our focus on this critical role during this landmark year for our exchange and our business.

To this end, we organized several virtual corporate days and roadshows, in collaboration with HSBC, Morgan Stanley, Goldman Sachs and JP Morgan, which were attended by many listed Kuwaiti companies. Providing exclusive insights into the needs and expectations of institutional investors, these corporate days featured facilitated sessions with many of the world's leading institutional investors and asset-management firms, as well as a series of one-on-one meetings with investors to highlight investment opportunities in the Kuwaiti capital market.

Reaffirming our commitment to building a sustainable capital market for both issuers and investors, Boursa Kuwait hosted, sponsored and supported a number of well-attended and received online seminars and workshops during the year, including:

- "Assessment metrics and benchmarks of MSCI ESG Ratings" in collaboration with MSCI
- "Updates and final preparations for the Kuwaiti capital market's promotion to the MSCI EM Indices" hosted by HSBC with the participation of the Capital Markets Authority
- "Effects of MSCI inclusion on the Kuwaiti capital market" organized by Kuwaiti Direct Investment Promotion Authority (KDIPA)
- "Charting the COVID-19 crisis" hosted by MSCI in collaboration with Boursa Kuwait
- IFN Kuwait OnAir Forum 2020, highlighting the Company's ongoing commitment to the growth and development of Kuwait's capital market and wider economy, through a panel entitled "Funding, Infrastructure, Capital Markets and Responsible Finance Initiatives in Kuwait"

In the first half of 2021, Boursa Kuwait will conduct its corporate days and roadshows virtually, which will complement face-to-face corporate days and roadshows in the second half of the year, if feasible, given the ongoing COVID-19 pandemic.

Ensuring business continuity

Boursa Kuwait took several measures to guarantee business continuity, including the facilitation of working from home (WFH) by providing laptops equipped with VPNs, antivirus, and other required software.

Boursa Kuwait adhered to ISO 27001 standards for information and cybersecurity. Internal monitoring and control measures have been taken to achieve Confidentiality, Integrity and Availability, while periodic Vulnerability, Penetration and DDoS testing was conducted to identify any control gaps. The deployment of ISP level protection and Content Delivery mechanisms has effectively managed to control any and all DDoS attacks on Boursa Kuwait.

MSCI inclusion measures

On November 30, 2020, the inclusion of seven listed companies into the MSCI Emerging Markets Indices resulted in a record 961.6 million Kuwaiti dinars in traded value. This operation was completed without any complications, thanks to months of meticulous planning and extensive testing by Boursa Kuwait and the Kuwait Clearing Company.

Web-based portals for brokerage firms

During the pandemic, Boursa Kuwait was able to successfully launch web-based portals for brokerage firms. These portals seamlessly integrated all stakeholders onto a single, secure web platform and allow fast and efficient handling of Off-Market Trades by reducing overall processing time and cost.

Equal opportunities and empowerment of women

Boursa Kuwait is committed to fighting discrimination and supporting equal opportunities for women, both within our organization and throughout the listed companies. We act to empower women though our ongoing support of the Women's Empowerment Principles (WEPs) and follow a strict sexual harassment and/or non-discrimination policy, with all employees enjoying equal work freedom and career-development opportunities.

In 2020, Boursa Kuwait lit up our iconic building in orange to mark the United Nations' International Day for the Elimination of Violence Against Women. The bourse's participation in this global initiative is part of our efforts to raise community awareness of the pivotal role that the private sector can play in this critical issue, in accordance with SDG 5 to "Achieve gender equality and empower all women and girls."

The bourse also rang the bell to mark International Women's Day and celebrate the integral role women play in the sustainable development of our country for the third consecutive year.

Supporting local talent

Boursa Kuwait is committed to attracting local talent and supporting the success of local employees, both within our Company and in the community, in line with our strategy and the goals of the New Kuwait 2035 vision.

Corporate Sustainability *continued*

As part of our ongoing efforts to attract the best and brightest Kuwaiti talent to join our ranks and empower the youth to contribute to the development of the country's economy, Boursa Kuwait continued its tradition of participating in careers fairs organized by local colleges and universities in 2020. We also sponsored and participated in a career fair held at the College of Administrative Sciences at Kuwait University.

Boursa Kuwait also joined forces with talented Kuwaitis for a number of high-profile creative projects, which included recording a song performed by Kuwaiti artist Humood Al-Khuder as part of our National Day campaign.

The song reaffirmed the feelings of gratitude and loyalty to the homeland, where no effort is spared to achieve prosperity, stability and success for everyone living in Kuwait. The campaign was a massive success, garnering over three million YouTube views and receiving a Creativity Award for 2020 from the Arab Media Forum.

In addition, for Boursa Kuwait's Board of Directors and Executive Management photo-library shoot, we employed the talents of local photographer Osama Alibrahim, in line with our goal to support Kuwaiti talent to participate in the development of the country's economy.

In 2021, for the upcoming update of our corporate video and photo libraries, we plan to continue our support of Kuwaiti talent by hiring local photographer/videographer Faisal Al-Bisher, an accomplished and imaginative photographer who is also Sony's Ambassador in the Middle East.

Our community pillar strategic partners include:

UN WOMEN
United Nations Entity for Gender Equality and the Empowerment of Women

WRSC

UNDP

KACCH

Environment pillar

Safeguarding our natural environment

Boursa Kuwait acts as a catalyst for positive, environmental change by seeking partnerships, launching initiatives and carrying out activities to limit the impact of our operations on the environment. During this year, we extended and deepened a variety of green initiatives to minimize our carbon footprint and preserve our natural environment.

Cleaning Our marine environment

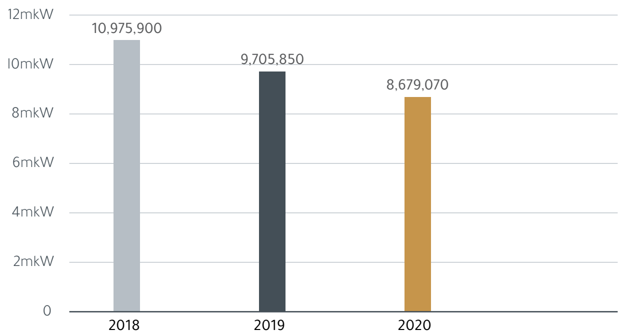
Under the umbrella of the Environmental Voluntary Foundation, Boursa Kuwait continued our partnership with the Kuwait Dive Team in 2020, who are committed to the preservation of the marine life in and around the Kuwait Bay, one of the richest, most diverse ecosystems in the Gulf and a key contributor to the Kuwaiti economy.

In 2020, Boursa Kuwait's activities with the Kuwait Dive Team resulted in the removal of around 63 tons of various waste from the Bay by the Company-sponsored Boursa Boat. These trips included a two-ton clearing of hazardous waste from beaches and islands, in collaboration with government institutions; eight trips to clear 4.8 tons of fishing nets; and six operations to remove wrecked ships and boats, with the combined weight of 56 tons.

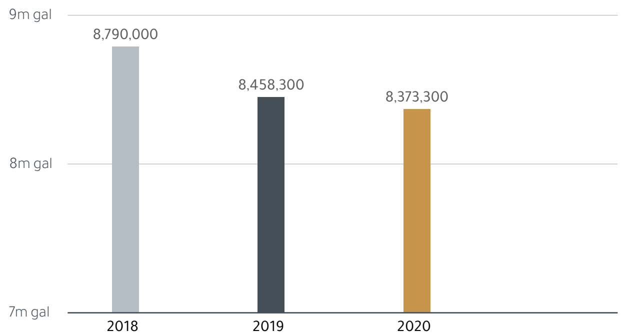
Reducing energy & water consumption

Boursa Kuwait undertook several measures to reduce our use of electricity and water, including the implementation of energy-saving electrical products, advanced HVAC systems, and water-efficient plumbing devices.

As a result of these initiatives, we successfully reduced energy consumption by 1.027 million kilowatts during 2020:



Water consumption also decreased by 85,000 gallons during 2020:



Looking forward

During 2021, Boursa Kuwait will continue to deepen our commitment to environmental protection, leveraging our partnerships, our position and our people to make a positive, long-term impact on our environment.

We will actively explore the adoption of sustainable procurement-practices, increase purchasing of eco-friendly consumables and energy, and other sustainable practices across our operations.

We plan to continue our partnership with the Kuwait Dive Team and the Environmental Voluntary Foundation and look forward to a strategic partnership to recycle unused electronic materials.

We also aim to further reduce our energy and water consumption in order to continue to promote an eco-friendly working environment in support of our "Go Green" mandate.

Our environment pillar strategic partners include:

Consolidated financial statements

بورصة الكويت
BOURSA KUWAIT

Kuwait: 1 March 2021

Dear Shareholders,

Subject: Boursa Kuwait Financial Report as of 31/12/2020

Please find attached Boursa Kuwait's audited financial report dated December 31, 2020.

This is to certify that the Company's financial report attached herein is fairly presented 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 Mishari Al-Humaidhi
Chairman

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Independent Auditor's Report

To the shareholders of Boursa Kuwait Securities Company K.P.S.C.

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Boursa Kuwait Securities Company K.P.S.C. (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another independent auditor who expressed an unmodified opinion on these statements on 8 March 2020.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have identified the following key audit matters:

a) Accounting for business combinations

During the year, the Group has finalized the purchase price allocation ("PPA") for the acquisition of 50% effective holding in Kuwait Clearing Company K.S.C. (Closed) ("KCC") which has been classified as investment in subsidiary and accounted for using the step acquisition method, as disclosed in Note 6 to the consolidated financial statements. Management determined the fair value of the identifiable assets and liabilities and has used external valuation expert to support the valuation.

We have determined this to be a key audit matter based on the significant management judgment and estimates made on the PPA and quantitative materiality of the acquisition.

Our audit procedures included, among others, the following:

- We reviewed the share purchase agreement, obtained an understanding of the acquisition structure and assessed whether the accounting treatment in accordance with IFRS 3 Business Combinations has been appropriately applied.
- We evaluated whether the external management expert has the necessary competency, capabilities and objectivity for audit purposes.
- We tested the identification and fair valuation of the acquired assets, and the acquired liabilities by corroborating this identification based on our discussions with management and understanding of the business.
- We involved our specialists to assist us in assessing the reasonableness of fair valuation of the acquired assets, which included challenging the methodology used and evaluating the reasonableness and appropriateness of key inputs used.
- We also assessed the adequacy of the related disclosures in Note 6 to the consolidated financial statements.

The Group's policy on accounting for business combinations is disclosed in Note 2.5.1 to the consolidated financial statements.

b) Revenue recognition

The Group has recognized revenue from share in trading commission of securities amounting to KD 6,857,276 for the year ended 31 December 2020. There is an inherent risk around the accuracy of share in trading commission revenue recognition because of the complexity of the related Information Technology ("IT") environment, the processing of large volumes of data through a number of different IT systems and the combination of different products. Due to the complexities and judgment required in the revenue recognition process, we have considered this as a key audit matter. The accounting policy for revenue recognition is set out in Note 2.5.4 and the related disclosures are disclosed in Note 4 in the consolidated financial statements.

Our audit procedures included, among others, the following:

- We evaluated the relevant IT systems, with the assistance of our internal IT specialists, and evaluated the design and implementation of internal controls related to revenue recognition.
- We tested the operating effectiveness of controls over the recording of revenue transactions; authorization of rate changes and its input to the systems and the change control procedures in place around those systems.
- We tested the reconciliation of the revenue generated and recorded in those systems to the general ledger and performed substantive tests of revenue recorded.
- We evaluated whether the revenue recognition policy and processes are appropriate and in accordance with IFRS 15 Revenue from Contracts with Customers.
- We confirmed our understanding of the revenue sharing arrangement process and accordingly adopted a substantive audit approach for the revenue sharing arrangements by testing revenue sharing calculations and agreeing key terms with the underlying contracts.
- We also used analytical procedures in the analysis of the revenue sharing streams. This included analyzing monthly trading volumes and their correlation with monthly revenue recognised.
- We also assessed the disclosures in the financial statements relating to this matter against the requirements of IFRSs.

Other information included in the Group's 2020 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Group's Annual Report after the date of our auditor's report.

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.

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 IFRSs, 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.

Independent Auditor's Report *continued*

To the shareholders of Boursa Kuwait Securities Company K.P.S.C.

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 skepticism 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.
- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

1 March 2021
Kuwait

Consolidated statement of income

for the year ended 31 December 2020

	Notes	2020 KD	2019 KD
Revenue			
Subscription fees		**6,983,112**	7,265,465
Share in trading commission		**6,857,276**	5,535,175
Clearing, settlement and depository fees		**4,777,210**	-
Miscellaneous fees		**3,553,076**	1,402,288
	4	**22,170,674**	14,202,928
Expenses			
General and administrative expenses		**(3,816,834)**	(2,808,149)
Staff costs		**(6,472,495)**	(4,230,408)
Allowance for expected credit losses	8	**(70,889)**	(61,962)
		(10,360,218)	(7,100,519)
Operating profit		**11,810,456**	7,102,409
Net investment income		**142,380**	-
Interest income		**548,591**	497,618
Rental income		**945,148**	873,110
Net gain on business combination	6	**13,223,871**	-
Other income		**309,179**	25,136
Reversal of provision for legal cases, no longer required		**259,500**	-
Interest expense on lease liabilities		**(43,205)**	(47,949)
Share of results of an associate		**1,284,497**	1,445,753
Profit before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), Zakat, National Labor Support Tax ("NLST") and Board of Directors' remuneration		**28,480,417**	9,896,077
KFAS		**(116,894)**	(74,607)
Zakat		**(144,567)**	(85,718)
NLST		**(42,004)**	-
Board of Directors' remuneration		**(176,000)**	(144,000)
Profit for the year		**28,000,952**	9,591,752
Attributable to:			
Equity holders of the Parent Company		**25,808,302**	9,591,752
Non-controlling interest		**2,192,650**	-
		28,000,952	9,591,752
Basic and diluted earnings per share attributable to equity holders of the parent company	5	**128.54 fils**	47.77 fils

The attached notes 1 to 20 form part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2020

	2020 KD	2019 KD
Profit for the year	**28,000,952**	9,591,752
Other comprehensive loss:		
Items that will not be reclassified subsequently to the consolidated statement of income:		
Unrealized loss of financial assets at fair value through other comprehensive income	**(105,721)**	-
Group's share in an associate's reserves	**-**	(13,430)
Other comprehensive loss for the year	**(105,721)**	(13,430)
Total comprehensive income for the year	**27,895,231**	9,578,322
Attributable to:		
Equity holders of the Parent Company	**25,721,693**	9,578,322
Non-controlling interest	**2,173,538**	-
	27,895,231	9,578,322

The attached notes 1 to 20 form part of these consolidated financial statements.

Consolidated statement of financial position

as at 31 December 2020

	Notes	2020 KD	2019 KD
Assets			
Non-current assets			
Intangible assets	6	**31,824,089**	292,123
Goodwill	6	**9,492,308**	-
Property and equipment	7	**1,363,042**	557,171
Right of use assets		**840,776**	950,403
Investment in an associate		**-**	12,814,632
Accounts receivable and other assets	8	**1,418,005**	655,091
Financial assets at fair value through other comprehensive income		**278,902**	-
Debt instruments at amortized cost	9	**3,900,000**	-
		49,117,122	15,269,420
Current assets			
Accounts receivable and other assets	8	**2,352,482**	1,507,486
Debt instruments at amortized cost	9	**1,000,000**	-
Term deposits	10	**29,484,240**	3,526,850
Cash and cash equivalents	11	**22,206,620**	15,890,692
		55,043,342	20,925,028
Total assets		**104,160,464**	36,194,448
Equity and liabilities			
Equity			
Share capital	12	**20,077,575**	20,077,575
Statutory reserve	12	**4,066,211**	1,437,434
Voluntary reserve	12	**4,066,211**	1,437,434
Fair value reserve		**(128,985)**	(42,376)
Retained earnings	12	**24,723,061**	9,191,707
Equity attributable to equity holders of the Parent Company		**52,804,073**	32,101,774
Non-controlling interest	6	**37,930,399**	-
Total equity		**90,734,472**	32,101,774
Liabilities			
Non-current liabilities			
Employees' end of service benefits	13	**5,219,202**	458,840
Lease liabilities		**736,856**	839,613
		5,956,058	1,298,453
Current liabilities			
Accounts payable and other liabilities	14	**7,353,764**	2,696,465
Lease liabilities		**116,170**	97,756
		7,469,934	2,794,221
Total liabilities		**13,425,992**	4,092,674
Total equity and liabilities		**104,160,464**	36,194,448

Hamad Mishari Al-Humaidhi
Chairman

Mohammad Saud Al-Osaimi
Chief Executive Officer

The attached notes 1 to 20 form part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2020

	Attributable to equity holders of the Parent Company							
	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Cumulative change in fair values reserve KD	Retained earnings KD	Subtotal KD	Non-controlling interests KD	Total KD
As at 1 January 2020 *(audited)*	20,077,575	1,437,434	1,437,434	(42,376)	9,191,707	32,101,774	-	32,101,774
Profit for the year	-	-	-	-	25,808,302	25,808,302	2,192,650	28,000,952
Other comprehensive loss for the year	-	-	-	(86,609)	-	(86,609)	(19,112)	(105,721)
Total comprehensive (loss) income for the year	-	-	-	(86,609)	25,808,302	25,721,693	2,173,538	27,895,231
On acquisition of a subsidiary (Note 6)	-	-	-	-	-	-	35,869,361	35,869,361
Other movement in non-controlling interests	-	-	-	-	-	-	(112,500)	(112,500)
Transfer to reserves	-	2,628,777	2,628,777	-	(5,257,554)	-	-	-
Dividends (Note 12)	-	-	-	-	(5,019,394)	(5,019,394)	-	(5,019,394)
As at 31 December 2020	20,077,575	4,066,211	4,066,211	(128,985)	24,723,061	52,804,073	37,930,399	90,734,472
Balance as at 1 January 2019 *(audited)*	19,121,500	447,826	447,826	(28,946)	2,535,246	22,523,452	-	22,523,452
Profit for the year	-	-	-	-	9,591,752	9,591,752	-	9,591,752
Other comprehensive loss for the year	-	-	-	(13,430)	-	(13,430)	-	(13,430)
Total comprehensive (loss) income for the year	-	-	-	(13,430)	9,591,752	9,578,322	-	9,578,322
Transfer to reserves	-	989,608	989,608	-	(1,979,216)	-	-	-
Bonus shares (Note 12)	956,075	-	-	-	(956,075)	-	-	-
As at 31 December 2019	20,077,575	1,437,434	1,437,434	(42,376)	9,191,707	32,101,774	-	32,101,774

The attached notes 1 to 20 form part of these consolidated financial statements.

Consolidated statement of cash flow

for the year ended 31 December 2020

	Notes	2020 KD	2019 KD
Operating activities			
Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), Zakat, National Labor Support Tax (NLST) and Board of Directors' remuneration		**28,480,417**	9,896,077
Adjustment for:			
Depreciation on property and equipment	7	**418,948**	272,697
Depreciation on right of use assets		**164,928**	115,200
Amortization of intangible asset		**248,568**	241,808
Allowance for expected credit losses	8	**70,889**	61,962
Share of results of an associate		**(1,284,497)**	(1,445,753)
Net gain on business combination	6	**(13,223,871)**	-
Interest income		**(548,591)**	(497,618)
Net investment income		**(142,380)**	-
Interest expense on lease liabilities		**43,205**	47,949
Provision for employee's end of service benefits	13	**414,250**	175,994
		14,641,866	8,868,316
Changes in working capital:			
Accounts receivable and other assets		**1,148,159**	(1,244,852)
Accounts payable and other liabilities		**651,971**	(260,733)
Cash flows from operations		**16,441,996**	7,362,731
Employees' end of service benefits paid	13	**(167,535)**	(116,477)
Taxation paid		**(160,325)**	(36,467)
Net cash flows from operating activities		**16,114,136**	7,209,787
Investing activities			
Purchase of property and equipment	7	**(156,310)**	(97,883)
Additions on right of use assets		**(2,988)**	-
Additions on intangible asset		**(61,634)**	(32,440)
Dividends received from an associate		**1,068,000**	556,250
Net movement in term deposits		**(8,270,342)**	6,220,500
Acquisition of additional shares in an associate		**(3,782,500)**	-
Net investment income received		**142,380**	-
Acquisition of a subsidiary, net of cash acquired	6	**5,338,570**	-
Interest income received		**543,160**	312,027
Net cash flows (used in) from investing activities		**(5,181,664)**	6,958,454
Financing activities			
Payment of current portion of lease liabilities		**(212,055)**	(140,946)
Dividends paid		**(4,404,489)**	-
Net cash flows used in financing activities		**(4,616,544)**	(140,946)
Net increase in cash and cash equivalents		**6,315,928**	14,027,295
Cash and cash equivalents as at beginning of the year		**15,890,692**	1,863,397
Cash and cash equivalents as at the end of the year	11	**22,206,620**	15,890,692

The attached notes 1 to 20 form part of these consolidated financial statements.

Notes to the consolidated financial statements

31 December 2020

1 Corporate information and activities

Boursa Kuwait Securities Company K.P.S.C. (the "Parent Company") was incorporated as a Kuwaiti Shareholding Public Company under the Memorandum of Associate No. 2357 dated 22 April 2014, which was published in the official gazette dated 27 April 2014. The Parent Company was recorded in the Commercial register under No. 355538 on 16 October 2014 and is regulated by Capital Market Authority (CMA).

The Parent 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 market.
- Provide design, development and processing of electronic data services related to the field of operating securities exchanges.
- Provide support services for third parties' accounts 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 CMA.
- The Parent Company may have interests or participate in any suitable way with entities that engage in similar business activities or that may help the Parent Company achieve its objectives inside Kuwait and abroad, as per applicable laws and regulations.
- The Parent Company may utilize available financial surplus 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 Parent Company may carry out the above business in the State of Kuwait or abroad.

The registered head office of the Parent Company is located at Boursa Kuwait Building, Sharq, Kuwait P.O. Box 1027 Dasman, 15461 Kuwait.

The nationwide initial public offering of the shares of the Parent Company 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 Parent Company's shares, the Parent 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%.

On 14 September 2020, the Group became listed on Boursa Kuwait.

The consolidated financial statements for the year ended 31 December 2019 were approved by the shareholders at the Annual General Assembly meeting held on 9 June 2020. Dividends declared and paid by the Parent Company for the year then ended are provided in Note 12.

The consolidated financial statements of Boursa Kuwait Securities Company K.P.S.C. and its Subsidiaries for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 1 March 2021 and are subject to the approval of the annual general assembly meeting ("AGM") of the shareholders of the Parent Company. The AGM of the shareholders has the power to amend the consolidated financial statements after issuance.

2 Basis of preparation and significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

The consolidated financial statements have been prepared on a historical cost basis, except for the financial assets at fair value through other comprehensive income that have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is also the functional currency of the Group.

The consolidated financial statements provide comparative information in respect of the previous year. Certain comparative information has been reclassified and represented to conform to classification in the current year. Such reclassification has been made to improve the quality of information presented.

Notes to the consolidated financial statements *continued*

31 December 2020

2 Basis of preparation and significant accounting policies *continued*

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2020. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in consolidated statement of income. Any investment retained is recognised at fair value.

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as follows:

Name of the company	Country of incorporation	Effective equity interest 2020	2019	Principal activities
Directly held				
Boursa Kuwait for Business Economical and Information Technology Advisory Services Company W.L.L.	Kuwait	**100%**	100%	Administrative, economic and information technology consulting
Kuwait Clearing Company K.S.C. (Closed) (KCC) (Note 6)	Kuwait	**50%**	-	Provides clearing, settlement and depository services
Held through KCC				
Kuwait International Trustee Company K.S.C. (Closed)	Kuwait	**99.25%**	-	Providing trustee services
Kuwait Company for Clearing K.S.C. (Closed) [formerly Kuwait International Settlement and Clearing Company K.S.C. (Closed)]	Kuwait	**99.25%**	-	Performing clearing and settlement between securities trading operations
Kuwait Company for Central Depository K.S.C. (Closed) [formerly Kuwait International Custody Company K.S.C. (Closed)]	Kuwait	**99.25%**	-	Providing central depository, saving and transfer of ownership services

2.3 Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. This amendment had no impact on the consolidated financial statements, nor is expected to have any future impact to the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2020 did not have any material impact on the accounting policies, financial position or performance of the Group.

Summary of accounting policies for new transactions and events

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to the consolidated statement of income over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2.4 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice.

Notes to the consolidated financial statements *continued*

31 December 2020

2 Basis of preparation and significant accounting policies *continued*

2.4 Standards issued but not yet effective *continued*

Reference to the Conceptual Framework - *Amendments to IFRS 3*

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations - Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use - *Amendments to IAS 16*

In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Onerous Contracts - Costs of Fulfilling a Contract - *Amendments to IAS 37*

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 9 *Financial Instruments* - Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Other new or amended standards which are issued but not yet effective, are not relevant to the Group and have no impact on the accounting policies, financials position or performance of the Group.

2.5 Summary of significant accounting policies

The significant accounting policies adopted are set out below:

2.5.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expense.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date in profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of comprehensive income in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in consolidated statement of income.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.5.2 Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

Notes to the consolidated financial statements *continued*

31 December 2020

2 Basis of preparation and significant accounting policies *continued*

2.5 Summary of significant accounting policies *continued*

2.5.2 Investment in associates *continued*

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit or loss of an associate is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.5.3 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. An analysis of fair value measurements of financial instruments and further details as to how they are measured are provided in Note 19.

2.5.4 Revenue from contracts with customers

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the control of the promised goods or services to its customers. Revenue is measured at the fair value of the consideration received or receivable taking into account the following specific recognition criteria must also be met before revenue is recognised:

- Subscription fees are recognised on a time proportion basis over the period of the annual subscriptions.
- Share in trading commission, and clearing, settlement and depositary fees are recognised at the time when the underlying trade and service are provided to the customer.
- Rental income arising from investment properties is accounted for on straight-line basis over the lease term.
- Interest income is recognised as interest accrues using effective interest rate method. Net investment income is recognised when the right to receive payment is established.

2.5.5 Taxes

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Parent Company in accordance with the Ministry of Finance resolution No. 58/2007.

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Parent Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries, Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

National Labour Support Tax (NLST)

The Parent Company calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per the law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST are deducted from the profit for the year.

2.5.6 Property and equipment

Capital work in progress is stated at cost, net of accumulated impairment losses, if any. Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Leasehold improvements 5-10 years
- Furniture, fixtures and equipment 5 years
- Computers 3-5 years
- Motor vehicles 5 years
- Office equipment 5 years

An item of property and equipment and any significant part initially recognised is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Notes to the consolidated financial statements *continued*

31 December 2020

2 Basis of preparation and significant accounting policies *continued*

2.5 Summary of significant accounting policies *continued*

2.5.7 Leases - Group as a lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

i) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are presented under 'property and equipment' in the consolidated statement of financial position and are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets (i.e. 20 years).

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer below for 'Impairment of non-financial assets' accounting policy.

ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

2.5.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Amortization of intangible assets with finite useful life is calculated on a straight-line basis over the estimated useful lives of assets, as follows:

- Software 3 years

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income.

2.5.9 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated statement of income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Notes to the consolidated financial statements *continued*

31 December 2020

2 Basis of preparation and significant accounting policies *continued*

2.5 Summary of significant accounting policies *continued*

2.5.10 Financial instruments - initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivable that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognized modified or impaired.

Since the Group's financial assets (accounts and other receivables, cash and cash equivalents, term deposits and debt instruments at amortized cost) meet these conditions, they are subsequently measured at amortized cost.

Financial assets at fair value through OCI with recycling of cumulative gains and losses

For financial assets at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group does not have any financial assets classified under this category.

Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group's financial assets at fair value through OCI includes investments in unquoted instruments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of income.

The Group does not have any financial assets classified under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivable, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Notes to the consolidated financial statements *continued*

31 December 2020

2 Basis of preparation and significant accounting policies *continued*

2.5 Summary of significant accounting policies *continued*

2.5.10 Financial instruments - initial recognition and subsequent measurement *continued*

The Group considers a financial asset in default when contractual payments are 1 year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written-off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Refer to accounting policy on leases for the initial recognition and measurement of lease liabilities, as this is not in the scope of IFRS 9.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable and accruals and lease liabilities.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost

The Group has not designated any financial liability as at fair value through profit or loss and financial liabilities at amortized cost is more relevant to the Group.

Financial liabilities at amortized cost

This is the category most relevant to the Group and generally applies to accounts payable and accruals and payables to a related party.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2.5.11 Cash and short-term deposits

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2.5.12 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

2.5.13 Employees' end of service benefits

The Group provides end of service benefits to all its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Further, with respect to its national employees, the Group also makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligation is limited to these contributions, which are expensed when due.

2.5.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.5.15 Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

2.5.16 Contingencies

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

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

Notes to the consolidated financial statements *continued*

31 December 2020

2 Basis of preparation and significant accounting policies *continued*

2.5 Summary of significant accounting policies *continued*

2.5.17 Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorization for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognizes in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

2.5.18 Foreign currencies

The Group's consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed-off, at which time, the cumulative amount is reclassified to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

2.5.19 Cash dividend

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

3 Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3.1 Judgments

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

Classification of financial assets

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Determining the lease term of contracts with renewal and termination options - Group as lessee

The Group has some lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group included the renewal period as part of the lease term for leases of assets with shorter non-cancellable period (i.e., three to five years), due to the significance of these assets to its operations and there will be a significant negative effect on operations if a replacement is not readily available.

3.2 Estimates and assumptions

The key assumptions concerning the future and key sources of estimation uncertainty at the reporting date, that has a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year is discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses of debt instruments carried at amortized cost and trade receivable

The Group assesses, on a forward-looking basis, the ECLs associated with its debt instruments carried at amortized cost. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

For trade receivable, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

Business combinations

Business combinations require management to identify the fair value of assets acquired (including newly identified intangible assets), liabilities and contingent liabilities assumed as part of the Purchase Price Allocation (PPA) exercise. This requires significant management judgment and estimates made on the PPA.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortization charges for its property and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortization charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 2.5.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Notes to the consolidated financial statements *continued*

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3 Significant accounting judgments, estimates and assumptions *continued*

3.2 Estimates and assumptions *continued*

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4 Revenue from contracts with customers

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue:

	2020 KD	2019 KD
Types of services		
Subscription fees	**6,983,112**	7,265,465
Share in trading commission		
Main commission	**6,780,724**	5,078,520
Special transaction commission	**76,552**	455,770
Others	**-**	885
	6,857,276	5,535,175
Miscellaneous fees		
Revenues from transferring of ownership and acquisition fees	**1,866,289**	441,782
Trading commission of non-listed companies	**403,609**	436,494
Registration fees	**143,000**	59,500
Other subscription fees	**1,140,178**	464,512
	3,553,076	1,402,288
Clearing, settlement and depositary fees	**4,777,210**	-
	22,170,674	14,202,928
Geographical markets:		
State of Kuwait	**22,170,674**	14,202,928
Timing of revenue recognition:		
Services transferred over time	**10,536,188**	8,667,753
Services transferred in a point in time	**11,634,486**	5,535,175
	22,170,674	14,202,928

5 Basic and diluted earnings per share

Basic and diluted earnings per share are computed by dividing the profit for the year attributable to the equity holders of the Parent Company by the weighted average number of shares outstanding during the year as follows:

	2020 KD	2019 KD
Profit for the year attributable to equity holders of the Parent Company (KD)	**25,808,302**	9,591,752
Weighted average of shares	**200,775,750**	200,775,750
Basic and diluted earnings per share attributable to equity holders of the Parent Company	**128.54 fils**	47.77 fils

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

6 Business combinations

On 15 July 2020 ("acquisition date"), the Parent Company acquired additional equity interest of 33,375,000 shares in Kuwait Clearing Company K.S.C. (Closed) ("KCC") (previously accounted for as investment in an associate) for a total consideration of KD 15,018,750 increasing its interest from 33.33% to 50%. Out of the total additional shares acquired, 26,700,000 shares were acquired from a related party at arm's length transaction (Note 15). The Group determined that it exercises control over Kuwait Clearing Company K.S.C. (Closed) at the date of acquisition and consequently finalized the Purchase Price Allocation ("PPA") exercise during the year and accounted for this transaction under IFRS 3 "Business Combinations". The PPA resulted in identifying an intangible asset of KD 31,631,600 pertaining to the Regulatory License (the "License") obtained from Capital Market Authority of Kuwait ("CMA") and a residual goodwill arising from the transaction amounting to KD 9,492,308. The Parent Company has consolidated the financial statements of KCC from acquisition date.

The following table summarizes the consideration transferred to acquire Kuwait Clearing Company K.S.C. (Closed) and the amounts of identified assets acquired, and liabilities assumed at the acquisition date:

	KD
Cash and cash equivalents	**20,357,320**
Term deposits	**17,687,048**
Debt instruments at amortized cost	**4,900,000**
Financial assets at fair value through other comprehensive income	**384,623**
Accounts receivable and other assets	**3,024,728**
Right-of-use assets	**52,313**
Property and equipment	**1,068,509**
Assets acquired	**47,474,541**
Accounts payable and accruals	**3,077,672**
Employees' end of service benefits	**4,513,647**
Lease liabilities	**81,519**
Liabilities assumed	**7,672,838**
Non-controlling interest	**(305,419)**
Total net identifiable assets	**39,496,284**
Consideration paid in cash	**15,018,750**
Fair value of previously held interest	**30,037,500**
Non-controlling interest	**35,563,942**
Less: Intangible assets (identified upon business combination)	**(31,631,600)**
Less: Net identifiable assets acquired	**(39,496,284)**
Goodwill on acquisition	**9,492,308**
Cash flows on business combination	
Cash and bank balances in subsidiary acquired	**20,357,320**
Cash consideration paid	**(15,018,750)**
	5,338,570

The non-controlling interest was recognised as a proportion of the net assets acquired.

As a result of obtaining control over Kuwait Clearing Company K.S.C. (Closed), the previously held interest, classified as investment in an associate, was remeasured at fair value at the acquisition date, resulting in a gain of KD 13,223,871 recognised in the consolidated statement of income.

Since the acquisition date, Kuwait Clearing Company K.S.C. (Closed) contributed revenues of KD 6,933,421 and profit of KD 4,382,981.

Had the business combination taken place at the beginning of the year, revenues of the Group and profit attributable to the equity holders of the Group would have increased by KD 5,829,033 and KD 2,411,171, respectively.

Notes to the consolidated financial statements *continued*

31 December 2020

7 Property and equipment

	Leasehold improvement KD	**Furniture and fixture KD**	**Computers KD**	**Motor vehicles KD**	**Office equipment KD**	**Capital work in progress KD**	**Total KD**
Cost:							
As at 1 January 2020	**132,217**	**-**	**890,184**	**-**	**153,227**	**-**	**1,175,628**
Transfer on Acquisition (Note 6)	**-**	**503,931**	**5,879,097**	**36,000**	**-**	**215,656**	**6,634,684**
Additions	**32,440**	**-**	**52,892**	**-**	**18,200**	**52,778**	**156,310**
Transfers	**-**	**3,350**	**78,937**	**-**	**-**	**(82,287)**	**-**
As at 31 December 2020	**164,657**	**507,281**	**6,901,110**	**36,000**	**171,427**	**186,147**	**7,966,622**
Depreciation:							
As at 1 January 2020	**83,361**	**-**	**477,592**	**-**	**57,504**	**-**	**618,457**
Transfer on Acquisition (Note 6)	**-**	**500,723**	**5,053,855**	**11,597**	**-**	**-**	**5,566,175**
Charge for the year	**15,930**	**1,177**	**368,620**	**3,627**	**29,594**	**-**	**418,948**
As at 31 December 2020	**99,291**	**501,900**	**5,900,067**	**15,224**	**87,098**	**-**	**6,603,580**
Net carrying amount:							
As at 31 December 2020	**65,366**	**5,381**	**1,001,043**	**20,776**	**84,329**	**186,147**	**1,363,042**

	Leasehold improvement KD	Furniture and fixture KD	Computers KD	Motor vehicles KD	Office equipment KD	Capital work in progress KD	Total KD
Cost:							
As at 1 January 2019	109,036	-	869,674	-	99,035	-	1,077,745
Additions	23,181	-	20,510	-	54,192	-	97,883
As at 31 December 2019	132,217	-	890,184	-	153,227	-	1,175,628
Depreciation:							
As at 1 January 2019	63,808	-	247,426	-	34,526	-	345,760
Charge for the year	19,553	-	230,166	-	22,978	-	272,697
As at 31 December 2019	83,361	-	477,592	-	57,504	-	618,457
Net carrying amount:							
As at 31 December 2019	48,856	-	412,592	-	95,723	-	557,171

8 Accounts receivable and other assets

	2020 KD	2019 KD
Trade receivables, gross	**3,182,149**	1,566,513
Less: Allowance for expected credit losses	**(917,457)**	(487,936)
Trade receivables, net	**2,264,692**	1,078,577
Amounts due from related parties (Note 15)	**187,500**	537,078
Refundable deposits, advances and prepayments	**945,442**	417,366
Other receivables	**372,853**	129,556
	3,770,487	2,162,577
Non-current	**1,418,005**	655,091
Current	**2,352,482**	1,507,486
	3,770,487	2,162,577

Movements in the allowance for expected losses of trade receivable were as follows:

	2020 KD	2019 KD
As at 1 January	**487,936**	425,974
Transfer on acquisition of a subsidiary (Note 6)	**358,632**	-
Charge for the year	**70,889**	61,962
As at 31 December	**917,457**	487,936

9 Debt instruments at amortized cost

Debt instrument at amortized cost represents the Group's investment in locally issued bonds that carry an effective interest rate ranging between 4.75% and 6.5% (2019: 4.75% and 6.79%) per annum and maturing over a period ranging from 2 to 6.5 years.

10 Term deposits

Term deposits are placed with a local bank, denominated in Kuwaiti Dinar and carry an effective interest rate of 1.6% to 1.65% as at 31 December 2020 (2019: 3.6%) per annum and maturing within twelve months from the date of deposit.

11 Cash and cash equivalents

	2020 KD	2019 KD
Cash at bank	**11,034,057**	5,886,044
Cash balances	**4,974**	5,000
Short term deposits*	**13,770,591**	10,000,000
	24,809,622	15,891,044
Less: restricted cash**	**(2,600,000)**	-
Less: expected credit loss	**(3,002)**	(352)
Cash and cash equivalents	**22,206,620**	15,890,692

* Short term deposits are placed with a local bank, denominated in Kuwaiti Dinar and carry an effective interest rate between 1.26% to 1.63% (2019: 3% to 3.38%) per annum and maturing within three months from the date of deposit.

** Restricted cash represents a balance deposited in a local bank in accordance with the financial clearance guarantee policy approved by the Capital Markets Authority to be used to cover failures resulting from the trading of the broker's clients or custodian clients, after the financial guarantee provided to these clients (the broker and custodian) has been exhausted.

12 Equity

a) Share capital

At 31 December 2020, the authorised, issued and fully paid share capital in cash of the Parent Company comprised of 200,775,750 shares of 100 fils each (2019: 200,775,750 shares of 100 fils each).

b) Dividends

On 9 June 2020, the shareholders approved in the AGM the distribution of cash dividends of 25 fils per share amounting to KD 5,019,394 for the year ended 31 December 2019 which were partially paid subsequently.

On 21 April 2019, the shareholders approved in the AGM the distribution of bonus shares of 5% from the issued and fully paid-up capital by issuing 9,560,750 shares of nominal value 100 fils per share amounting to KD 956,075.

c) Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences, Zakat and Directors' remuneration less accumulated losses brought forward shall be transferred to the statutory reserve until this reserve reaches a minimum of 50% of the paid up share capital.

The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

Notes to the consolidated financial statements *continued*

31 December 2020

12 Equity *continued*

d) Voluntary reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences, Zakat and Directors' remuneration less accumulated losses brought forward is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

13 Employees' end of service benefits

Movements in the provision recognised in the consolidated statement of financial position are as follows:

	2020 KD	2019 KD
As at 1 January	**458,840**	399,323
Transferred on acquisition (Note 6)	**4,513,647**	-
Provided during the year	**414,250**	175,994
End of service benefits paid	**(167,535)**	(116,477)
As at 31 December	**5,219,202**	458,840

14 Accounts payable and other liabilities

	2020 KD	2019 KD
Unearned revenues	**1,408,184**	172,894
Trade payables	**891,746**	621,503
Accrued expenses	**2,290,972**	972,800
Commission payable to Capital Market Authority (Note 15)	**234,024**	192,237
Staff leave provision	**1,038,737**	415,124
Dividends payable	**614,905**	-
Other payables	**875,196**	321,907
	7,353,764	2,696,465

15 Related party transactions

These represent transactions with certain parties (major shareholders, directors and executive officers of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence) entered into by the Group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Group's management, and board of directors.

Transactions and balances with related parties are as follows:

	Shareholders KD	2020 KD	2019 KD
Consolidated statement of comprehensive income:			
Subscription fees	**108,884**	**108,884**	150,000
General and administrative expense	**15,000**	**15,000**	150,002

	Shareholders KD	2020 KD	2019 KD
Consolidated statement of financial position:			
Amounts due from related parties (Note 8)	**187,500**	**187,500**	537,078
Amounts due to related parties (Note 14)	**-**	**-**	192,237

On 15 July 2020, the Parent Company acquired additional equity interest of 26,700,000 shares in Kuwait Clearing Company K.S.C. (Closed) ("KCC") (previously accounted for as investment in an associate) for a total consideration of KD 12,015,000 from a related party at arm's length transaction (Note 6).

Compensation of key management personnel and Board of Directors

The remuneration of key management personnel and Board of Directors during the year was as follows:

	2020 KD	2019 KD
Short-term benefits	**344,314**	188,558
Employees' end of service benefits	**87,354**	22,434
Board of Directors' remuneration	**176,000**	144,000
Board of Directors' committee remuneration	**32,000**	3,000
	639,668	357,992

16 Segment information

The Group's operating segments are determined based on the reports reviewed by the decision makers that are used for strategic decisions. These segments are strategic business units that offer different products and services. They are managed separately since the nature of the products and services; class of customers and marketing strategies of these segments are different.

Operating revenue recognised in the consolidated statement of income represents revenue from external customers and originated in the State of Kuwait.

The Group is primarily engaged in operating securities exchange related activities in the State of Kuwait. Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments.

The following tables present information regarding the Group's segments activities:

	2020			2019		
	Securities exchange KD	Clearing KD	Total KD	Securities exchange KD	Clearing KD	Total KD
Operating revenue	**15,447,586**	**6,723,088**	**22,170,674**	14,202,928	-	14,202,928
Non-operating revenue	**2,549,267**	**940,028**	**3,489,295**	2,841,617	-	2,841,617
Operating expenses	**(6,965,993)**	**(3,394,225)**	**(10,360,218)**	(7,100,519)	-	(7,100,519)
Non-operating expenses	**(426,427)**	**(96,243)**	**(522,670)**	(352,274)	-	(352,274)
Gain on business combination	**13,223,871**	**-**	**13,223,871**	-	-	-
Segment result	**23,828,304**	**4,172,648**	**28,000,952**	9,591,752	-	9,591,752
Segment assets	**52,166,819**	**51,993,645**	**104,160,464**	36,194,448	-	36,194,448
Segment liabilities	**6,015,881**	**7,410,111**	**13,425,992**	4,092,674	-	4,092,674

17 Financial risk management objectives and policies

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group's principal financial liabilities comprise of accounts payables and accruals and lease liabilities. The Group financial assets comprise of accounts receivables, cash and cash equivalents, fixed deposits, debt instruments at amortized cost and financial assets at fair value through other comprehensive income that arrive directly from its operations.

The management of the Group is responsible for the overall risk management approach and for approving the risk strategy. The management reviews and agrees policies for managing each of these risks which are summarized below:

17.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group is exposed to credit risk from its operating and investing activities.

Notes to the consolidated financial statements *continued*

31 December 2020

17 Financial risk management objectives and policies *continued*

17.1 Credit risk *continued*

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	2020 KD	2019 KD
Accounts receivable and other assets (excluding prepayments)	**2,825,045**	1,746,186
Debt instruments at amortized cost	**4,900,000**	-
Term deposits	**29,484,240**	3,526,850
Cash and short-term deposits (excluding cash on hand)	**22,201,646**	15,885,692
	59,410,931	21,158,728

Fixed deposits and cash and short-term deposits

Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks (including saving accounts and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

Impairment on fixed deposits and cash and short-term deposits has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and short-term deposits have low credit risk based on the external credit ratings of the counterparties.

Trade receivable

An impairment analysis is performed at each reporting date on an individual basis using a provision matrix to measure expected credit losses (ECLs). Generally, trade receivable is written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed above. The Group does not hold collateral as security.

Debt instruments at amortized cost

The Group invests only in debt instruments with very low credit risk. The Group's debt instruments at amortized cost comprised solely of bonds that are graded in the top investment category by accredited Credit Rating Agencies and, therefore, are considered to be low credit risk investments. The Group did not recognize any provision for expected credit losses on its debt instruments at amortized cost.

17.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group manages liquidity risk by monitoring on a regular basis that sufficient funds are available to meet liabilities as they fall due.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Less than 3 months KD	**3 to 12 months KD**	**More than 12 moths KD**	**Total KD**
2020				
Lease liabilities	**-**	**116,170**	**780,061**	**896,231**
Accounts payable and accruals (excluding unearned revenue)	**2,290,972**	**3,654,608**	**-**	**5,945,580**
	2,290,972	**3,770,778**	**780,061**	**6,841,811**

	Less than 3 months KD	3 to 12 months KD	More than 12 moths KD	Total KD
2019				
Lease liabilities	-	97,756	887,562	985,318
Accounts payable and accruals (excluding unearned revenue)	972,800	1,550,771	-	2,523,571
	972,800	1,648,527	887,562	3,508,889

17.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to change in market prices. Market risks arise for open positions in interest rate and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates and foreign exchange rates.

17.3.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest/ profit rates will affect future profitability or the fair values of financial instruments.

The Group is exposed to interest risk on its interest-bearing fixed deposits are matured within a period of more than 12 months, therefore, they are exposed to interest rate risk.

The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial liabilities held at 31 December.

	Increase/ decrease in basis points	**Effect on profit for the year KD**
2020	**50**	**240,774**
2019	50	67,634

17.3.2 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group's activities which result in exposure to fluctuation in foreign currency exchange rates consist of financial assets at fair value through other comprehensive income and long-term deposits in foreign currencies.

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group ensures that the net exposure is kept to an acceptable level by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The Group is not exposed to significant foreign currency risk.

Notes to the consolidated financial statements *continued*

31 December 2020

17 Financial risk management objectives and policies *continued*

17.3 Market risk *continued*

17.3.3 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of financial instruments. The Group believes it is not exposed to profit rate risk as its Islamic financial instruments are fixed rate instruments.

17.3.4 Equity price risk

Equity price risk arises from changes in the fair values of equity financial assets. Equity price risk is managed by the management of the Group. The Group is not exposed to equity price risk since none of its investments are listed in any stock exchanges.

18 Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 2019.

Capital comprises of equity attributable to equity holders of the Parent Company excluding cumulative changes in fair value reserve and is measured at of KD 52,933,058 as at 31 December 2020 (2019: KD 32,144,150).

19 Fair value measurement

Fair value hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Fair value measurement:

The following table shows an analysis of financial assets recorded at fair value by level of the fair value hierarchy:

2020	**Level 3 KD**	**Total KD**
Financial assets at fair value through other comprehensive income	**278,902**	**278,902**

2019	Level 3 KD	Total KD
Financial assets at fair value through other comprehensive income	-	-

There were no transfers between Level 1 and Level 2 fair value measurements during the year, and no transfers into or out of Level 3 fair value measurements during the year ended 31 December 2020.

Level 3 Fair value measurements

The Group's measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market date. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

2020	As at 1 January 2020 KD	Transferred on business acquisition during the year KD	Other comprehensive income KD	As at 31 December 2020 KD
Financial assets at fair value through other comprehensive income				
Local unquoted equity securities	-	31,937	-	31,937
Foreign unquoted equity securities	-	352,686	(105,721)	246,965
	-	384,623	(105,721)	278,902

Description of significant unobservable inputs to valuation performed at the reporting date is as follows:

Unquoted equity securities are valued based on price to book multiple method, multiples using latest financial statements available of the investee entities and adjusted for lack of marketability discount of 30%. The Group has determined that market participants would take into account these discounts when pricing the investments.

A change in assumptions used for valuing the Level 3 financial instruments, by possible using an alternative ±5% higher or lower liquidity and market discount could have resulted in an immaterial change in fair value.

Fair value of other financial instruments is not materially different from their carrying values, at the reporting date, as most of these instruments are of short-term maturity or re-priced immediately based on market movement in profit rates.

20 Impact of COVID-19

The coronavirus ("COVID-19") pandemic has spread across various geographies globally, causing disruption to business and economic activities. While the disruption is currently expected to be temporary, economic uncertainties have arisen. The existing and anticipated effects of the outbreak of COVID-19 on the economy is expected to continue to evolve.

The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance.

The uncertainties caused by COVID-19, and the volatility in oil prices have required the Group to update the estimates and assumptions used for the following:

- Expected credit losses on financial assets at amortized cost: The Group's exposure to credit risk from trade receivables is influenced mainly by the individual characteristics of each customer. Trade receivable credit risk is managed by ensuring that collections are made on a timely manner, substantially eliminating the Group's credit risk in this respect. However, the effects of COVID-19 may increase the amount of ECL recognised relating to trade receivables, due to the disruptive effects of the pandemic (e.g. shutdown of operations, reduced consumer spending, etc.). In measuring ECL, the Group considered the actions taken and the effect of those actions on cash flows which were immaterial.

Impairment of non-financial assets

As at the reporting date, the Group has considered the potential impact of the current economic volatility in the determination of the reported amounts of the Group's non-financial assets and the unobservable inputs are developed using the best available information about the assumptions that market participants would make in pricing these assets at the reporting date. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

Notes to the consolidated financial statements *continued*

31 December 2020

20 Impact of COVID-19 *continued*

Government assistance

In an attempt to mitigate the impact of the Covid-19 pandemic, the Government of Kuwait has introduced measures to aid private entities in response to the pandemic. These measures include government assistance made towards national workforce in the private sector for a period of up to six months effective from April 2020.

During the current year, the Group received an aggregate amount of KD 222,454 from the Public Authority for Manpower. The financial support is accounted for in accordance with IAS 20 'Accounting for Government Grants and Disclosures of Government Assistance' and recognised in profit or loss in 'other income' on a systematic basis over the periods in which the Group recognizes expenses for the related staff costs.

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