

**OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait**

**Interim condensed consolidated financial information (Unaudited)
and review report for the nine months period ended 30 September 2020**

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
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For the nine months period ended 30 September 2020

Contents	Page
Report on review of interim condensed consolidated financial information	1
Interim condensed consolidated statement of financial position (Unaudited)	2
Interim condensed consolidated statement of profit or loss (Unaudited)	3
Interim condensed consolidated statement of comprehensive income (Unaudited)	4
Interim condensed consolidated statement of changes in equity (Unaudited)	5
Interim condensed consolidated statement of cash flows (Unaudited)	6
Notes to the interim condensed consolidated financial information (Unaudited)	7– 17



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Report on review of interim condensed consolidated financial information

**The Board of Directors
OSOS Holding Group Company K.P.S.C.
State of Kuwait**

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of OSOS Holding Group Company K.P.S.C. ("the Parent Company") and its subsidiaries (together referred to as "the Group") as at 30 September 2020 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of preparation disclosed in note no. (2). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of preparation disclosed in note no. (2).

Report on review of other legal and regulatory requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the accounting records of the Parent Company. We further report that nothing has come to our attention indicating any contravention during the nine months period ended 30 September 2020, of the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, or of the provisions of Law No. 7 of year 2010 concerning the Capital Markets Authority, Executive Regulations and its related regulations, as amended, or of the Parent Company's Memorandum and Articles of Association that would materially affect the Group's activities or its consolidated financial position.


Barrak Abdul Mohsen Al-Ateeqi
Licence No. 69 A
Al-Ateeqi Certified Accountants
A Member of B.K.R. International
Kuwait: 22 October 2020

OSOS Holding Group Company K.P.S.C and its subsidiaries
State of Kuwait
Interim condensed consolidated statement of financial position (Unaudited)
As at 30 September 2020

		30 September 2020	31 December 2019 (Audited)	30 September 2019
	Notes	KD	KD	KD
Assets				
Non-current assets				
Property and equipment		6	5	4
Investment properties	4	7,480,000	8,680,000	8,310,000
Investments in associates		198,777	141,620	332,541
Financial assets at fair value through other comprehensive income	5	<u>1,125,405</u>	<u>814,123</u>	<u>900,566</u>
Total non-current assets		<u>8,804,188</u>	<u>9,635,748</u>	<u>9,543,111</u>
Current assets				
Debtors and other debit balances	6	81,739	80,905	63,324
Due from related parties	7	2,788,697	2,716,119	2,659,143
Financial assets at fair value through profit or loss	8	2,996,278	6,889,408	3,229,818
Wakala investments deposits	9	161,000	200,000	200,000
Cash and bank balances	10	<u>2,504,561</u>	<u>485,042</u>	<u>3,604,871</u>
Total current assets		<u>8,532,275</u>	<u>10,371,474</u>	<u>9,757,156</u>
Non-current assets held for sale	4	<u>1,200,000</u>	-	-
Total assets		<u>18,536,463</u>	<u>20,007,222</u>	<u>19,300,267</u>
Equity and liabilities				
Equity				
Share capital	11	10,500,000	10,000,000	10,000,000
Statutory reserve		973,965	973,965	827,272
Fair value reserve		(244,870)	(244,870)	(158,427)
Foreign currency translation reserve		(46,402)	(44,084)	(44,170)
Retained earnings		<u>488,429</u>	<u>2,515,335</u>	<u>2,253,846</u>
Total equity		<u>11,671,122</u>	<u>13,200,346</u>	<u>12,878,521</u>
Liabilities				
Non-current liabilities				
Provision for end of service indemnity		<u>170,111</u>	<u>144,990</u>	<u>138,319</u>
Total non-current liabilities		<u>170,111</u>	<u>144,990</u>	<u>138,319</u>
Current liabilities				
Creditors and other credit balances		543,727	510,383	508,106
Provisions	12	<u>6,151,503</u>	<u>6,151,503</u>	<u>5,775,321</u>
Total current liabilities		<u>6,695,230</u>	<u>6,661,886</u>	<u>6,283,427</u>
Total liabilities		<u>6,865,341</u>	<u>6,806,876</u>	<u>6,421,746</u>
Total equity and liabilities		<u>18,536,463</u>	<u>20,007,222</u>	<u>19,300,267</u>

The accompanying notes form an integral part of these interim condensed consolidated financial information.


Abdulmuhsen S. Al Meshan
Chairman


Fahad A. Al Mukhaizim
Vice Chairman


Khalid M. AlNouri
Chief Executive Officer

OSOS Holding Group Company K.P.S.C and its subsidiaries
State of Kuwait
Interim condensed consolidated statement of profit or loss (Unaudited)
For the nine months period ended 30 September 2020

	Notes	For the three months period ended		For the nine months period ended	
		30 September	30 September	30 September	30 September
		2020	2019	2020	2019
		KD	KD	KD	KD
Real estate rental income		117,640	118,380	361,325	396,335
Real estate operating expenses		(6,279)	(15,273)	(15,508)	(38,440)
Gross profit		111,361	103,107	345,817	357,895
Share of results of an associate		(54,209)	70,001	59,474	238,525
Investment income / (loss)	13	243,095	(230,899)	(793,255)	645,869
General and administrative expenses		(97,997)	(106,688)	(324,053)	(271,283)
Provision for doubtful debts		(51,930)	(4,865)	(124,665)	(22,260)
Foreign currency gain		1,018	7,702	1,026	8,275
Reversal of provision no longer required		-	50,315	-	50,315
Profit on wakala investments deposit		843	1,575	3,217	14,233
Other income		2,369	405	5,533	665
Profit / (loss) for the period before contribution to Kuwait Foundation for Advancement of Sciences "KFAS", National Labour Support Tax "NLST" and Zakat		154,550	(109,347)	(826,906)	1,022,234
KFAS		-	984	-	(9,200)
NLST		-	3,961	-	(20,874)
Zakat		-	1,585	-	(8,349)
Profit / (loss) for the period		154,550	(102,817)	(826,906)	983,811
Basic and diluted earnings / (loss) per share (Fils)	14	1.47	(0.98)	(7.88)	9.37

The accompanying notes form an integral part of these interim condensed consolidated financial information.

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Interim condensed consolidated statement of comprehensive income (Unaudited)
For the nine months period ended 30 September 2020

	For the three months period ended		For the nine months period ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	KD	KD	KD	KD
Profit / (loss) for the period	<u>154,550</u>	<u>(102,817)</u>	<u>(826,906)</u>	<u>983,811</u>
Other comprehensive loss				
<i>Items that may be reclassified subsequently to the consolidated statement of profit or loss:</i>				
(Loss) / gain exchange differences on translating foreign operations	(1,303)	469	(2,318)	(27,643)
<i>Items that will not be reclassified subsequently to the consolidated statement of profit or loss:</i>				
Loss on investments in equity instruments designated at fair value through other comprehensive income	-	(54,210)	-	(179,289)
Other comprehensive loss for the period	<u>(1,303)</u>	<u>(53,741)</u>	<u>(2,318)</u>	<u>(206,932)</u>
Total profit / (loss) and other comprehensive income for the period	<u>153,247</u>	<u>(156,558)</u>	<u>(829,224)</u>	<u>776,879</u>

The accompanying notes form an integral part of these interim condensed consolidated financial information.

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Interim condensed consolidated statement of changes in equity (Unaudited)
for the nine months period ended 30 September 2020

	Share capital KD	Statutory reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Total equity KD
Balance at 1 January 2020	10,000,000	973,965	(244,870)	(44,084)	2,515,335	13,200,346
Loss for the period	-	-	-	-	(826,906)	(826,906)
Other comprehensive loss for the period	-	-	-	(2,318)	-	(2,318)
Total other comprehensive loss for the period	-	-	-	(2,318)	(826,906)	(829,224)
Cash dividends	-	-	-	-	(700,000)	(700,000)
Bonus shares (note 11)	500,000	-	-	-	(500,000)	-
Balance at 30 September 2020	<u>10,500,000</u>	<u>973,965</u>	<u>(244,870)</u>	<u>(46,402)</u>	<u>488,429</u>	<u>11,671,122</u>
Balance at 1 January 2019	10,000,000	827,272	20,862	(16,527)	2,308,648	13,140,255
Profit for the period	-	-	-	-	983,811	983,811
Other comprehensive loss for the period	-	-	(179,289)	(27,643)	-	(206,932)
Total other comprehensive (loss) / income for the period	-	-	(179,289)	(27,643)	983,811	776,879
Realised loss on equity instrument at fair value through other comprehensive income	-	-	-	-	(38,613)	(38,613)
Cash dividends	-	-	-	-	(1,000,000)	(1,000,000)
Balance at 30 September 2019	<u>10,000,000</u>	<u>827,272</u>	<u>(158,427)</u>	<u>(44,170)</u>	<u>2,253,846</u>	<u>12,878,521</u>

The accompanying notes form an integral part of these interim condensed consolidated financial information.

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Interim condensed consolidated statement of cash flows (Unaudited)
For the nine months period ended 30 September 2020

	Notes	For the nine months period ended 30 September 2020 KD	30 September 2019 KD
Cash flows from operating activities			
(Loss) / profit for the period		(826,906)	983,811
Adjustments for:			
Depreciation		149	-
Unrealised (gain) / loss on financial assets at fair value through profit or loss	13	(163,554)	236,844
Realised loss / (gain) on sale of financial assets at fair value through profit or loss	13	1,224,369	(694,539)
Share of results of an associate		(59,474)	(238,525)
Reversal of provision no longer required		-	(50,315)
Dividend income	13	(288,877)	(214,263)
Profit on wakala investments		(3,217)	(14,233)
Provision for doubtful debts		124,665	22,260
Provision for indemnity		33,698	20,360
Reversal of provision for indemnity		(1,027)	-
Operating profit before changes in working capital		39,826	51,400
Changes in working capital			
Debtors and other debit balances		(105,223)	43,235
Due from related parties		(72,578)	(262,139)
Creditors and other credit balances		5,373	38,435
Due to related parties		-	(153,617)
Net cash used in operating activities		(132,602)	(282,686)
Cash flows from investing activities			
Net movement of financial assets at fair value through profit or loss		2,832,316	3,671,408
Wakala investments deposits		39,000	-
Purchase of financial assets at fair value through other comprehensive income		(311,282)	(626,967)
Purchase of property and equipment		(150)	-
Dividend received from investments		265,438	203,341
Profit on wakala investments received		6,479	19,264
Net cash from investing activities		2,831,801	3,267,046
Cash flows from financing activities			
Payment to shareholders on reduction of share capital		(841)	(13,106)
Dividend paid		(678,839)	(988,403)
Net cash used in financing activities		(679,680)	(1,001,509)
Increase in cash and cash equivalents		2,019,519	1,982,851
Cash and cash equivalents at beginning of the period		485,042	1,622,020
Cash and cash equivalent at the end of the period	10	<u>2,504,561</u>	<u>3,604,871</u>
Non-cash transactions:			
Indemnity		(7,551)	-
Creditors and other credit balances		7,551	-

The accompanying notes form an integral part of these interim condensed consolidated financial information.

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the interim condensed consolidated financial information (Unaudited)
For the nine months period ended 30 September 2020

1. Incorporation and activities

The International Valley for Computer Company K.S.C. (Closed) was incorporated as per articles of association of a Kuwaiti Shareholding Company (Closed) authenticated at the Ministry of Justice- Real Estate Registration and Authentication Department – under ref. No. 17/Volume 284 dated May 16, 1994. According to the decision taken by Ordinary and Extraordinary General Assembly meeting dated 23 May 2007, the company agreed to amend the name of the company to become: "Al-Safat TEC Holding Company – K.S.C. (Holding)" and this amendment was registered in the Commercial Register on 30 May 2007. As per decision made in extra-ordinary meeting held on 30 July 2015, it was agreed to amend company's name to "OSOS Holding Group Company K.P.S.C.", this amendment was registered in commercial register on 8 September 2015.

As per extra-ordinary general assembly meeting held on 25 October 2018, it was decided to amend the Company's business objectives as detailed below. These amendments are recorded in the commercial register on 5 November 2018.

The purpose which the Company is incorporated is to conduct its activities in accordance with Islamic Sharia Laws and it is not permitted, in any form or shape, to conduct any of its activities below, directly or indirectly, in a way that contradicts with Islamic Sharia Laws.

1. Manage subsidiary companies or co-manage to those companies where there is equity interest and provide necessary support.
2. Invest funds in trading shares, bond and other financial instruments.
3. Finance or provide loan to those companies where the Parent Company has equity interest and guarantee against others. In this case, the Parent Company's equity interest should not be less than 20% at minimum.
4. Owning property rights of patents, trade marks, commercial or industrial fees, or any other rights and using and leasing this to subsidiaries or other companies both inside and outside Kuwait.
5. Owning real estate or movables necessary to direct its activity in the limits and in accordance with the law.
6. Using the surplus funds available to the company in portfolio administered by the companies and specialized bodies.

In all cases, the Company is required to conduct all its activities in accordance with Islamic Sharia Law and the Company should stay away from activities that contradicts with Islamic Sharia Law. The Company can obtain guidance from Sharia Compliance Committee and their directive become obligatory on Company's management.

The address of the Parent Company's registered office is Hawalli, Beirut Street, Al Safat Tower, Floor 8, P.O. Box 16798 Qadisiya, 35858 Kuwait.

The interim condensed consolidated financial information for the nine months period ended 30 September 2020, comprise of the Parent Company and its subsidiaries (together referred to as "the group") (refer note 3).

The interim condensed consolidated financial information of OSOS Holding Group Company K.P.S.C. ("the Group") for the nine months period ended 30 September 2020 was authorized for issue by Board of Directors of the Parent Company on 22 October 2020.

2. Basis of preparation

The interim condensed consolidated financial information is prepared in accordance with IAS 34 "Interim Financial Reporting". The interim condensed consolidated financial information does not include all of the information and footnotes required for complete financial statements prepared in accordance with International Financial Reporting Standards. For further information, refer to the consolidated financial statements and notes thereto for the year ended 31 December 2019. In the opinion of the management all adjustments (consisting of recurring accruals) have been included in the interim condensed consolidated financial information.

The operating results for the nine months period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the year ending 31 December 2020.

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the interim condensed consolidated financial information (Unaudited)
For the nine months period ended 30 September 2020

2. Basis of preparation (continued)

The interim condensed consolidated financial information have been presented in Kuwaiti Dinars, which is the functional currency of the Group.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019. Certain amendments and interpretations apply for the first time on 1 January 2020, but do not have an impact on the interim condensed consolidated financial information of the Group.

The New and Amended Standards applied by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2019 which have been adopted by the Group. Information on these new standards is presented below:

IFRS 3 – Amendments

The Amendments to IFRS 3 Business Combinations are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only with respect to Definition of Business. The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

IAS 1 and IAS 8 – Amendments

The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

Management does not anticipate that the application of these amendments in the future will have a significant impact on the Group's consolidated financial statements.

New and amended standards issued but not yet effective

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations).
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the interim condensed consolidated financial information (Unaudited)
For the nine months period ended 30 September 2020

3. Basis of consolidation

This interim condensed consolidated financial information for the nine months ended 30 September 2020 includes the Parent Company and all its subsidiaries.

Details of principal operating subsidiaries are as follows:

<u>Name of subsidiary</u>	<u>Country of Incorporation</u>	<u>Percentage of ownership interest (%)</u>		
		30 September 2020	31 December 2019	30 September 2019
OSOS Limited Company for Sale and Purchase of Real Estate and Shares for the Benefit of the Company O.P.C.	State of Kuwait	100	100	100
OSOS United Real Estate Group Company K.S.C. (Closed)	State of Kuwait	99	99	99

4. Investment properties

Include investment properties located in State of Kuwait. The details of investment properties are as follows:

	30 September 2020	31 December 2019 (Audited)	30 September 2019
	KD	KD	KD
Investment properties on freehold land	7,480,000	7,480,000	7,210,000
Investment properties as per lease contracts	-	1,200,000	1,100,000
	<u>7,480,000</u>	<u>8,680,000</u>	<u>8,310,000</u>

The movement of investment properties are as follows:

	30 September 2020	31 December 2019 (Audited)	30 September 2019
	KD	KD	KD
Beginning balances	8,680,000	8,310,000	8,310,000
Change in fair value	-	370,000	-
Transferred to non-current assets held for sale	(1,200,000)	-	-
	<u>7,480,000</u>	<u>8,680,000</u>	<u>8,310,000</u>

During the period, the Group management decided to sell investment properties as per lease contracts located in Shuwaikh Industrial Area in the State of Kuwait which was previously classified as investment properties at book value of KD 1,200,000. Accordingly, investment properties as per lease contracts is included in non-current assets held for sale as per IFRS 5: Non-current assets held for sale.

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the interim condensed consolidated financial information (Unaudited)
For the nine months period ended 30 September 2020

5. Financial assets at fair value through other comprehensive income

	30 September 2020	31 December 2019 (Audited)	30 September 2019
	KD	KD	KD
Foreign unquoted securities	845,425	534,143	534,143
Local unquoted securities	<u>279,980</u>	<u>279,980</u>	<u>366,423</u>
	<u>1,125,405</u>	<u>814,123</u>	<u>900,566</u>

Financial assets at fair value through other comprehensive income are acquired with the intention of capital appreciation over a medium to long-term time frame.

Foreign unquoted securities of KD 534,143 (31 December 2019: KD 534,143 and 30 September 2019: KD 534,143) are managed by a related party under a portfolio management agreement (note 7).

6. Debtors and other debit balances

	30 September 2020	31 December 2019 (Audited)	30 September 2019
	KD	KD	KD
Tenants receivable	241,644	125,420	106,940
Refundable deposits	9,790	9,790	9,790
Provision for doubtful debts	<u>(199,360)</u>	<u>(76,800)</u>	<u>(72,560)</u>
	52,074	58,410	44,170
Staff receivables	1,669	1,612	1,989
Prepaid expenses	3,400	3,400	3,400
Accrued income	<u>24,596</u>	<u>17,483</u>	<u>13,765</u>
	<u>81,739</u>	<u>80,905</u>	<u>63,324</u>

7. Related parties

Related parties primarily comprise of directors, key management personnel, associates, subsidiaries, shareholders and companies of which the Parent Company is principal owner or over which they are able to exercise significant influence. All related party transactions are carried out on terms approved by the group's management. The following is the summary of significant related party transactions.

	For the three months period ended		For the nine months period ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	KD	KD	KD	KD
Transactions included in the interim condensed consolidated statement of profit or loss:				
Net rental income	1,050	-	3,150	-
Portfolio management fees	-	-	-	(18,764)
Investment property management fees	(1,481)	(2,349)	(5,083)	(3,457)
Key management personnel compensation:				
Salaries and social insurance	45,515	39,456	144,793	110,317

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the interim condensed consolidated financial information (Unaudited)
For the nine months period ended 30 September 2020

7. Related parties (continued)	30 September 2020	31 December 2019 (Audited)	30 September 2019
	KD	KD	KD
Balances included in the interim condensed consolidated statement of financial position :			
Financial assets at fair value through other comprehensive income (note 5)	534,143	534,143	534,143
Due from related parties	<u>2,788,697</u>	<u>2,716,119</u>	<u>2,659,143</u>
8. Financial assets at fair value through profit or loss	30 September 2020	31 December 2019 (Audited)	30 September 2019
	KD	KD	KD
Local managed portfolios	53,117	53,689	53,608
Local quoted shares	2,848,175	6,757,806	3,096,875
Foreign managed portfolios	<u>94,986</u>	<u>77,913</u>	<u>79,335</u>
	<u>2,996,278</u>	<u>6,889,408</u>	<u>3,229,818</u>
9. Wakala investments deposits	30 September 2020	31 December 2019 (Audited)	30 September 2019
	KD	KD	KD
Wakala investments deposits	<u>161,000</u>	<u>200,000</u>	<u>200,000</u>
The effective yield rate of the wakala investments deposits is 1.60% (31 December 2019: 3.125% and 30 September 2019: 3.125%) per annum.			
10. Cash and cash equivalents	30 September 2020	31 December 2019 (Audited)	30 September 2019
	KD	KD	KD
Cash on hand	771	394	23,481
Cash at banks	429,170	451,573	3,174,108
Cash in portfolios	<u>2,074,620</u>	<u>33,075</u>	<u>407,282</u>
	<u>2,504,561</u>	<u>485,042</u>	<u>3,604,871</u>

11. Share capital

The company's share capital is KD 10,500,000 (31 December 2019: KD 10,000,000 and 30 September 2019: KD 10,000,000) distributed into 105,000,000 shares (31 December 2019: 100,000,000 shares and 30 September 2019: 100,000,000 shares) each valued at 100 fils and all shares are cash shares.

On 9 March 2020, the extra-ordinary general assembly meeting of shareholders approved capital increase from KD 10,000,000 (Ten Million Kuwaiti Dinars) to KD 10,500,000 (Ten Million and Five Hundred Thousand Kuwaiti Dinars) through issuance of 5,000,000 (Five Million) shares at nominal value of 100 fils per share. The value of issued shares will be paid from retained earnings and will be distributed to shareholders registered in company records proportionally. This decision was registered in the commercial register on 29 April 2020.

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the interim condensed consolidated financial information (Unaudited)
For the nine months period ended 30 September 2020

12. Provisions

The Group management performed comprehensive study of contingents and commitments that will probably require resource outlays and future cash outflow. Furthermore, the management created provision for probable losses as follows:

	30 September 2020	31 December 2019 (Audited)	30 September 2019
	KD	KD	KD
Opening balances	6,151,503	5,825,636	5,825,636
Reversal of provision	-	(50,315)	(50,315)
Provisions provided during the period / year	-	376,182	-
	<u>6,151,503</u>	<u>6,151,503</u>	<u>5,775,321</u>

13. Investments income / (loss)

	For the three months period ended		For the nine months period ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	KD	KD	KD	KD
Unrealised gain / (loss) on financial assets at fair value through profit or loss	200,943	(178,969)	163,554	(236,844)
(Loss) / gain on sale of financial assets at fair value through profit or loss	(31,620)	(67,640)	(1,224,369)	694,539
Dividend income	84,298	21,240	288,877	214,263
Portfolio management fees	<u>(10,526)</u>	<u>(5,530)</u>	<u>(21,317)</u>	<u>(26,089)</u>
	<u>243,095</u>	<u>(230,899)</u>	<u>(793,255)</u>	<u>645,869</u>

14. Earnings / (loss) per share attributable to owners of the Parent Company (fils)

Earnings / (loss) per share is calculated by dividing the net profit / (loss) attributable to owners of the Parent Company to weighted average number of shares outstanding during the period. The following is the profit / (loss) and weighted average number of shares outstanding during the period which is used to calculate the earnings / (loss) per share.

The Parent Company had no outstanding dilutive potential shares.

	For the three months period ended		For the nine months period ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Profit / (loss) for the period attributable to owners of the parent company	154,550	(102,817)	(826,906)	983,811
Weighted average number of shares (No's)	105,000,000	105,000,000	105,000,000	105,000,000
Basic and diluted earnings / (loss) per share (Fils)	<u>1.47</u>	<u>(0.98)</u>	<u>(7.88)</u>	<u>9.37</u>

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the interim condensed consolidated financial information (Unaudited)
For the nine months period ended 30 September 2020

15. Fair value of financial instruments

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of financial assets at fair value through other comprehensive income, due from related parties, accounts receivable and other debit balances financial assets at fair value through profit or loss, bank balances and short term deposits. Financial liabilities consist of accounts payable and other credit balances. The fair values of financial instruments are not materially different from their carrying values.

a) Fair value measurements recognised in the consolidated statement of financial position

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

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

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

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

30 September 2020

	Level 1	Level 3	Total
	KD	KD	KD
<i>Financial assets at fair value through profit or loss</i>			
Managed portfolios	53,117	94,986	148,103
Local quoted securities	2,848,175	-	2,848,175
<i>Financial assets at fair value through other comprehensive income</i>			
Foreign unquoted securities	-	845,425	845,425
Local unquoted securities	-	279,980	279,980
Total	<u>2,901,292</u>	<u>1,220,391</u>	<u>4,121,683</u>

31 December 2019

<i>Financial assets at fair value through profit or loss</i>			
Managed portfolios	53,689	77,913	131,602
Local quoted securities	6,757,806	-	6,757,806
<i>Financial assets at fair value through other comprehensive income</i>			
Foreign unquoted securities	-	534,143	534,143
Local unquoted securities	-	279,980	279,980
Total	<u>6,811,495</u>	<u>892,036</u>	<u>7,703,531</u>

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the interim condensed consolidated financial information (Unaudited)
For the nine months period ended 30 September 2020

15. Fair value of financial instruments (continued)

30 September 2019	Level 1	Level 3	Total
	KD	KD	KD
<i>Financial assets at fair value through profit or loss</i>			
Managed portfolios	53,608	79,335	132,943
Local quoted securities	3,096,875	-	3,096,875
<i>Financial assets at fair value through other comprehensive income</i>			
Foreign unquoted securities	-	534,143	534,143
Local unquoted securities	-	366,423	366,423
Total	<u>3,150,483</u>	<u>979,901</u>	<u>4,130,384</u>

There have been no transfers between levels 1 & 3 during the reporting period.

Valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 3 financial instruments, as well as the inter-relationship between key unobservable inputs and fair value, are set out below.

Valuation of unquoted equity investments classified under level 3 is normally based on price to book value technique, dividend yield method and external valuation with marketability discount ranging from 20% to 30%.

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the consolidated statement of profit or loss, total assets, total liabilities or total equity.

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

Reconciliation of Level 3 fair value measurements of financial assets

	Financial assets at fair value through profit and loss	Financial assets at fair value through other comprehensive income	Total
	KD	KD	KD
30 September 2020			
Beginning balance	77,913	814,123	892,036
Total gain or loss			
- In profit or loss	17,073	-	17,073
Purchases	-	311,282	311,282
Ending balance	<u>94,986</u>	<u>1,125,405</u>	<u>1,220,391</u>
31 December 2019			
Beginning balance	67,538	491,502	559,040
Total gain or loss			
- In profit or loss	10,375	-	10,375
- Change in fair value reserve	-	(211,522)	(211,522)
Purchases	-	534,143	534,143
Ending balance	<u>77,913</u>	<u>814,123</u>	<u>892,036</u>

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the interim condensed consolidated financial information (Unaudited)
For the nine months period ended 30 September 2020

15. Fair value of financial instruments (continued)

	Financial assets at fair value through profit and loss	Financial assets at fair value through other comprehensive income	Total
	KD	KD	KD
30 September 2019			
Beginning balance	67,538	491,502	559,040
Total gain or loss			
- In profit or loss	11,797	-	11,797
- Change in fair value reserve	-	(179,289)	(179,289)
Purchases	-	588,353	588,353
Ending balance	<u>79,335</u>	<u>900,566</u>	<u>979,901</u>

The sensitivity analysis of a reasonably possible change in one significant unobservable input, holding other inputs constant, of level 3 financial instruments is provided below:

Financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss (level 3)

	Profit or loss		Other comprehensive income	
	Increase	Decrease	Increase	Decrease
	KD	KD	KD	KD
30 September 2020				
If marketability discount changes by 5% with all other factors constant, the impact on the profit and equity would be:	4,749	(4,749)	56,270	(56,270)
31 December 2019				
If marketability discount changes by 5% with all other factors constant, the impact on the profit and equity would be:	3,896	(3,896)	40,706	(40,706)
30 September 2019				
If marketability discount changes by 5% with all other factors constant, the impact on the profit and equity would be:	3,967	(3,967)	45,028	(45,028)

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

(i) Quoted securities

All the listed equity securities are publicly traded on a recognized stock exchange. Fair value has been determined by referring to their quoted bid prices at the reporting date.

(ii) Unquoted securities

Unlisted securities are measured at fair value estimated using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates or the latest financial statements or information available on these investments the future financial flows of which are unpredictable.

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the interim condensed consolidated financial information (Unaudited)
For the nine months period ended 30 September 2020

16. Operating segments

The group's activities represent mainly two segments: real estate activities and investments activities. The group operates mainly in the State of Kuwait and has no other geographical area. For the purpose of presenting the main activities, the management classified its activities as follows:

Real estate activities: Own, sell, purchase real estate and bare lands and develop for the Company's account inside Kuwait and outside Kuwait as well as property management for others. Own, sell, purchase shares and bonds in real estate companies for company's account only. Prepare studies and offer consultations in the field of real estate in varied forms.

Investment activities: Investing in portfolios and in other companies.

	Real estate activities	Investment activities	Total
	KD	KD	KD
30 September 2020			
Segment revenues / (losses)	362,362	(725,045)	(362,683)
Segment costs	<u>(210,360)</u>	<u>(253,863)</u>	<u>(464,223)</u>
Segment result	<u>152,002</u>	<u>(978,908)</u>	<u>(826,906)</u>
Segment assets	8,885,198	9,651,265	18,536,463
Segment liabilities	170,406	6,694,935	6,865,341
31 December 2019			
Segment revenues	890,848	1,438,309	2,329,157
Segment costs	<u>(161,264)</u>	<u>(775,898)</u>	<u>(937,162)</u>
Segment result	<u>729,584</u>	<u>662,411</u>	<u>1,391,995</u>
Segment assets	8,755,384	11,251,838	20,007,222
Segment liabilities	76,341	6,730,535	6,806,876
30 September 2019			
Segment revenues	397,000	957,217	1,354,217
Segment costs	<u>(117,221)</u>	<u>(253,185)</u>	<u>(370,406)</u>
Segment result	<u>279,779</u>	<u>704,032</u>	<u>983,811</u>
Segment assets	8,387,474	10,912,793	19,300,267
Segment liabilities	61,762	6,359,984	6,421,746

17. Annual general assembly meeting

On 9 March 2020, the annual general assembly meeting of shareholders was held and approved the consolidated financial statements for the year ended 31 December 2019. The general assembly meeting also approved distribution of dividends for year ended 31 December 2019 as follows:

1. Cash dividends at the rate of 7% (Seven percent) of nominal value per share (that is 7 fills per share).
2. Bonus shares at the rate of 5% (Five percent) of issued and paid capital (that is five shares for each 100 shares) by issuing 5,000,000 (Five Million shares) new shares distributed as bonus shares.

Furthermore, the annual general assembly meeting of shareholders approved board of directors' bonus in the amount of KD 9,000 for the year ended 31 December 2019.

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the interim condensed consolidated financial information (Unaudited)
For the nine months period ended 30 September 2020

18. Extra-ordinary general assembly meeting

On 9 March 2020, the extra-ordinary general assembly meeting of shareholders approved capital increase from KD 10,000,000 (Ten Million Kuwaiti Dinars) to KD 10,500,000 (Ten Million and Five Hundred Thousand Kuwaiti Dinars) through issuance of 5,000,000 (Five Million) shares at nominal value of 100 fills per share. The value of issued shares will be paid from retained earnings and will be distributed to shareholders registered in company records proportionally. This decision was registered in the commercial register on 29 April 2020.

19. Impact of COVID - 19

During the early months of this year (2020), the Coronavirus pandemic (COVID-19) suddenly erupted at global scale and disturbed normal business operations, financial markets and other economic activities. The resulting financial impact on Group financial position and on profit and loss statement have been adjusted and accounted for as at 30 September 2020. However, the full impact of COVID-19 on Group business cannot be reliably measured from current observations as the pandemic is still in progress as at reporting date.

Impairment of financial assets and expected credit loss

The Group holds financial assets at fair value through profit and loss as well as financial assets at fair value through other comprehensive income. The Group also has receivables resulting primarily from rental of real estate in the normal course of business. The Group management closely monitors risk developments to take pre-emptive measures to limit risks arising from impact of COVID-19 pandemic.

Investment properties and investment in associates

The Group's investment properties are mainly located in State of Kuwait and independent valuation is made at the end of each year. Similarly, the Group assesses impairment of investment in associates (if any) at the year end. The Group managements values investment properties at fair value and reflects changes in fair value in statement of profit and loss at the end of each year.

Going concern

The Group management performed assessment of impact of COVID-19 on its primary business activities and foresee no treat to going concern principle. Although the future behavior of COVID-19 cannot be measured with precision at this stage, the management believes that business continuity will not be adversely affected.