

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

**Consolidated financial statements and independent auditor's report
for the year ended 31 December 2022**

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Consolidated financial statements
for the year ended 31 December 2022

Contents	Page
Independent auditor's report	1 - 3
Consolidated statement of financial position	4
Consolidated statement of profit or loss	5
Consolidated statement of other comprehensive income	6
Consolidated statement of changes in equity	7
Consolidated statement of cash flows	8
Notes to the consolidated financial statements	9 – 32

Independent auditor's report

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of OSOS Holding Group Company K.P.S.C. ("the Parent Company") and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022 and the consolidated statements of profit or loss, other comprehensive income, changes in equity and 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 2022, 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* (IESBA Code) together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, 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.

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 Group for 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.

a) *Valuation of investment properties*

The Group's investment properties comprise of properties located in State of Kuwait. The total value of investment properties is significant to the Group's consolidated financial statements and is carried at fair value. Management determines the fair value of its investment properties on an annual basis using external appraisers to support the valuation.

The valuation of investment properties represents a significant judgment area requiring a number of assumptions including capitalization yields, future rental income, occupancy rates, net operating income and comparison to recent market transactions. Changes in these assumptions and judgments could lead to significant changes in valuation of investment properties and consequently change in fair value in the consolidated statement of profit or loss. The company's disclosures about its investment properties is included in Notes 4 and 21 (b).

Our audit procedures included assessing the appropriateness of management's process for reviewing and assessing the work of the external valuers and their valuations including management's consideration of competence and independence of the external valuers. We assessed the appropriateness of the valuation methodologies used in assessing the fair value of the investment properties including discussions with management and independent valuers, challenging the estimates, assumptions and valuation methodology used in assessing the fair value of investment properties. We also obtained the underlying information provided by management to the independent valuers in relation to rental income and occupancy to confirm it was consistent with information obtained during our audit.

Key audit matters (continued)

b) Valuation of investment securities

The Group's investment securities represent 24.6% of the Group's total assets, representing KD 4,926,651 which are measured at fair value and classified as financial assets at fair value through other comprehensive income (FVOCI) or financial assets at fair value through profit or loss (FVTPL) as disclosed in Notes 5 and 8 to the consolidated financial statements.

When the fair values of investment securities cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Given the size and complexity of the valuation of investment securities and the importance of the disclosures relating to the assumptions used in the valuation, we addressed this as a key audit matter.

Our audit procedures included, among others, the following:

- We have tested the level 1 inputs by comparing the fair values applied by the Group to quoted prices in active markets.
- For valuations which used significant unobservable inputs, we have tested the source data used in the valuations, to the extent possible, to independent sources and externally available market data to evaluate the data's relevance, completeness and accuracy. We have also involved our internal valuation specialists in assessing the valuation methodology used and significant judgments and assumptions applied to the valuation model, including discounts for lack of marketability.
- We assessed the adequacy and the appropriateness of the Group's disclosures concerning the fair value measurement of investment securities and the sensitivity to changes in unobservable inputs in Note 21 (a) to the consolidated financial statements.

c) Provision for probable obligation

Management assessed the need to create additional provisions as per the provision of IAS 37: provisions, contingent liabilities and contingent assets.

Management considered the technical aspects that trigger the recognition of a provision as a liability in the consolidated statement of financial position, as well as other cases in which may be disclosed as contingent and commitments not recognized.

The Group recognizes provisions if the case represents a current commitment and it is probable that an outflow of resources representing economic benefits are required for the settlement of the liability.

During the year, the Group management performed comprehensive study of contingents and commitments that will probably require cash outlays and future cash outflow. Furthermore, the management provided net provisions in the amount of KD 315,120 as disclosed in note (16) to consolidated financial statements.

We performed the following audit procedures, among others:

- Our audit focused on verifying the reasonableness of estimates made by management pursuant to the related audit procedures required for the audit of estimates as prescribed by the International Standards on Auditing.
- We have verified the validity and availability of recognition conditions for provisions as per the provision of IAS 37: provisions, contingent liabilities and contingent assets.
- We have assessed the reasonableness of assumptions and bases on which the management relied upon while estimating such provisions.
- We have ensured the application of such bases and assumptions in estimating the amount of the required provisions that meet the technical aspects prescribed by IFRS.
- We evaluated the appropriateness of disclosures on provisions included in the consolidated financial statements that meet the disclosure requirements of IFRS.

Other information

Management is responsible for the other information. Other information consists of the information included in the Group's 2022 Annual Report, other than the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information attached to it, and we do 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 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 concerning the other information we received before date of our 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.

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, related safeguards.

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

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 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 of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of association, as amended, have occurred during the year ended 31 December 2022 that might have had a material effect on the business or the consolidated financial position of the Group.



Barrak Abdul Mohsen Al-Ateeqi
Licence No. 69 A
Al-Ateeqi Certified Accountants
A Member of B.K.R. International
Kuwait: 15 March 2023

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Consolidated statement of financial position
As at 31 December 2022

	Notes	2022 KD	2021 KD
Assets			
Non-current assets			
Property and equipment		17	15
Investment properties	4	11,124,000	10,366,000
Investments in associates		1	1
Financial assets at fair value through other comprehensive income	5	400,872	411,398
Total non-current assets		11,524,890	10,777,414
Current assets			
Debtors and other debit balances	6	52,809	316,069
Due from related party	7	2,537,827	2,862,891
Financial assets at fair value through profit or loss	8	4,525,779	3,106,799
Wakala investment deposits	9	161,000	161,000
Cash and cash equivalents	10	1,219,076	3,108,770
Total current assets		8,496,491	9,555,529
Total assets		20,021,381	20,332,943
Equity and liabilities			
Equity			
Share capital	11	10,500,000	10,500,000
Statutory reserve	12	1,243,931	1,124,737
Fair value reserve		44,792	(370,524)
Retained earnings		978,215	1,405,373
Total equity		12,766,938	12,659,586
Liabilities			
Non-current liabilities			
Lease contract with promise to purchase – non-current portion	14	1,084,200	1,192,100
Provision for end of service indemnity		237,371	208,529
Total non-current liabilities		1,321,571	1,400,629
Current liabilities			
Creditors and other credit balances	15	513,703	538,439
Lease contract with promise to purchase – current portion	14	107,900	107,900
Provisions	16	5,311,269	5,626,389
Total current liabilities		5,932,872	6,272,728
Total liabilities		7,254,443	7,673,357
Total equity and liabilities		20,021,381	20,332,943

The accompanying notes form an integral part of these consolidated financial statements



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
Consolidated statement of profit or loss
for the year ended 31 December 2022

	Notes	2022 KD	2021 KD
Real estate rental income		452,722	304,870
Real estate operating expenses		<u>(78,373)</u>	<u>(31,583)</u>
Gross profit		374,349	273,287
Change in fair value of investment properties	4	423,375	611,000
Share of loss from associate		-	(74,268)
Loss on sale of an associate		-	(10,620)
Reversal of provision / (provision) for doubtful debts	6	9,937	(4,043)
Loss on foreign currency		(5,811)	(881)
Reversal of provision / (net provision)	16	315,120	(5,692)
General and administrative expenses	17	(493,815)	(486,716)
Income from investments	18	616,793	1,203,092
Profit on wakala investments deposits and others		6,535	4,606
Other income		2,567	4,919
Finance cost from lease contract with promise to purchase		<u>(57,113)</u>	<u>(6,963)</u>
Profit before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration		1,191,937	1,507,721
Contribution to Kuwait Foundation for Advancement of Science ("KFAS")		(10,727)	(13,569)
National Labour Support Tax (NLST)		(12,916)	(41,986)
Zakat		(5,166)	(16,794)
Board of Directors' remuneration	25	<u>(42,000)</u>	<u>(42,000)</u>
Profit for the year		<u>1,121,128</u>	<u>1,393,372</u>
Basic and diluted earnings per share (Fils)	19	<u>10.68</u>	<u>13.27</u>

The accompanying notes form an integral part of these consolidated financial statements.

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Consolidated statement of other comprehensive income
for the year ended 31 December 2022

	2022	2021
	KD	KD
Profit for the year	<u>1,121,128</u>	<u>1,393,372</u>
Other comprehensive loss		
<i>Items that may be reclassified subsequently to the consolidated statement of profit or loss:</i>		
Exchange differences on translating foreign operations	-	(1,088)
<i>Items that may not be reclassified subsequently to the consolidated statement of profit or loss:</i>		
Loss on investments at fair value through other comprehensive income	<u>(10,526)</u>	<u>(144,022)</u>
Other comprehensive loss for the year	<u>(10,526)</u>	<u>(145,110)</u>
Total comprehensive income for the year	<u>1,110,602</u>	<u>1,248,262</u>

The accompanying notes form an integral part of these consolidated financial statements.

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Consolidated statement of changes in equity
for the year ended 31 December 2022

	Share capital	Statutory reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Total equity
	KD	KD	KD	KD	KD	KD
Balance at 31 December 2020	10,500,000	973,965	(226,502)	(48,228)	762,694	11,961,929
Profit for the year	-	-	-	-	1,393,372	1,393,372
Other comprehensive loss for the year	-	-	(144,022)	(1,088)	-	(145,110)
Total comprehensive (loss) / income for the year	-	-	(144,022)	(1,088)	1,393,372	1,248,262
Realized profit from Financial assets at fair value through other comprehensive income	-	-	-	-	135,079	135,079
Dividends	-	-	-	-	(735,000)	(735,000)
Transfer to statutory reserve	-	150,772	-	-	(150,772)	-
Reclassification of profit or loss on disposal of an associate	-	-	-	49,316	-	49,316
Balance at 31 December 2021	10,500,000	1,124,737	(370,524)	-	1,405,373	12,659,586
Profit for the year	-	-	-	-	1,121,128	1,121,128
Other comprehensive loss for the year	-	-	(10,526)	-	-	(10,526)
Total comprehensive (loss) / income for the year	-	-	(10,526)	-	1,121,128	1,110,602
Realized profit from Financial assets at fair value through other comprehensive income	-	-	425,842	-	(379,092)	46,750
Dividends (note 24)	-	-	-	-	(1,050,000)	(1,050,000)
Transfer to statutory reserve	-	119,194	-	-	(119,194)	-
Balance at 31 December 2022	10,500,000	1,243,931	44,792	-	978,215	12,766,938

The accompanying notes form an integral part of these consolidated financial statements.

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Consolidated statement of cash flows
for the year ended 31 December 2022

	Notes	2022 KD	2021 KD
Cash flows from operating activities			
Profit for the year		1,121,128	1,393,372
Adjustments for:			
Depreciation	17	1,168	2,139
Change in fair value of investment properties	4	(423,375)	(611,000)
Share of results from associate		-	74,268
Loss on sale of an associate		-	10,620
(Reversal of provision) / provision for doubtful debts	6	(9,937)	4,043
(Reversal of provision) / net provisions	16	(315,120)	5,692
Unrealized (gain) / loss on financial assets at fair value through profit or loss	18	(86,409)	112,280
Realised gain on financial assets at fair value through profit or loss	18	(158,501)	(1,218,812)
Impairment of financial assets at fair value through profit or loss	18	-	88,554
Dividend income	18	(404,466)	(209,679)
Profit on wakala investments deposits and others		(6,535)	(4,606)
Provision for end of service indemnity		29,778	32,345
Finance cost from lease contract with promise to purchase		57,113	6,963
Operating loss before changes in working capital		(195,156)	(313,821)
Changes in working capital			
Debtors and other debit balances		22,333	(248,570)
Due from related party		325,064	(59,980)
Creditors and other credit balances		(13,420)	144,852
Indemnity paid		(936)	(5,438)
Net cash from/ (used in) operating activities		137,885	(482,957)
Cash flows from investing activities			
Net movement of financial assets at fair value through profit or loss		(1,174,070)	2,737,691
Proceed on sale of financial assets at fair value through other comprehensive income		46,750	723,433
Proceed from sale of an associate		-	119,372
Purchase of investment properties	4	(77,500)	(2,500,000)
Purchase of property and equipment		(1,170)	(2,146)
Dividend income received		398,723	204,007
Profit on wakala investments deposits and other received		6,017	5,048
Net cash (used in) / from investing activities		(801,250)	1,287,405
Cash flows from financing activities			
Payment to shareholders on reduction of share capital		(9,254)	(8,796)
Dividends paid		(1,053,925)	(736,929)
Lease contract with promise to purchase		(107,900)	1,300,000
Finance costs on lease contract with promise to purchase paid		(55,250)	-
Net cash (used in) / from financing activities		(1,226,329)	554,275
(Decrease) / increase in cash and cash equivalents		(1,889,694)	1,358,723
Cash and cash equivalents at the beginning of the year		3,108,770	1,750,047
Cash and cash equivalents at the end of the year	10	1,219,076	3,108,770
Non-cash transactions:			
Debtors and other debit balances		(257,125)	-
Investment properties		257,125	-

The accompanying notes form an integral part of these consolidated financial statements.

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the consolidated financial statements
for the year ended 31 December 2022

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 consolidated financial statements for the year ended 31 December 2022, comprise of the Parent Company and its subsidiaries (together referred to as “the group”) (see accounting policy 3.2).

The consolidated financial statements were authorized for issue by Board of Directors on 15 March 2023. The shareholders of the Company have the power to amend these consolidated financial statements at the annual general assembly.

2. 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 2022 which have been adopted by the Group. Information on these new standards is presented below:

Amendments to IFRS 3: Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 *Conceptual Framework* instead of the 1989 *Framework*. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 *Levies*, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Furthermore, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendment had no impact on the consolidated financial statements of the Group.

2. The New and Amended Standards applied by the Group (continued)

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

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures that cost of those items in accordance with IAS 2 *Inventories*.

The amendments also clarify the meaning of ‘testing whether an asset is functioning properly’. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity’s ordinary activities.

The amendment had no impact on the consolidated financial statements of the Group.

Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify which costs an entity includes when assessing whether a contract will be loss-making.

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The amendments are only to be applied to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual period in which it first applies the amendments.

The amendment had no impact on the financial statements of the Company.

Annual Improvements 2018-2020 Cycle

Amendment to IAS 1 simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. Subsidiary that is a first-time adopter later than its parent might have been required to keep two parallel sets of accounting records for cumulative translation differences based on different dates of transition to IFRSs. However, the amendment extends the exemption to cumulative translation differences to reduce costs for first-time adopters.

Amendment to IFRS 9 relates to the ‘10 per cent’ Test for Derecognition of Financial Liabilities – In determining whether to derecognize a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different. 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.

Amendment to IAS 41 removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement.

Lease Incentives – amendment to illustrative examples – The IASB was informed about the potential for confusion in applying IFRS 16 Leases because of how Illustrative Example 13 accompanying IFRS 16 had illustrated the requirements for lease incentives. Before the amendment, Illustrative Example 13 had included as part of the fact pattern a reimbursement relating to leasehold improvements; the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16. The IASB decided to remove the potential for confusion by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements.

The amendments had no impact on the consolidated financial statements of the Group.

2. The New and Amended Standards applied by the Group (continued)

New and revised IFRS Standards issued but not yet effective

IFRS 17: Insurance Contracts

IFRS 17 will be effective for annual periods beginning on or after 1 January 2023, and replaces IFRS 4: Insurance Contracts. The new standard applies to all types of insurance contracts, regardless of the type of establishments they are issued to, and it also applies to some guarantees and financial instruments with voluntary participation characteristics. The core of IFRS 17 is in generic form, in addition to:

- Special application for contracts with the characteristics of direct voluntary participation (the variable fee method).
- Simplified approach (the premium allocation method) mainly for short term contracts.

Early application is permitted provided that the Company also applies IFRS 9 and IFRS 15 on or before the date on which it first applies IFRS 17.

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

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the consolidated statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to IAS 8: Definition of Accounting Policies

The amendments to IAS 8 inserted the definition of accounting estimates replacing the definition of a change in accounting estimates. Accounting estimates are now defined as monetary amounts in financial statements that are subject to measurement uncertainty.

Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction

The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. As a result, companies will need to recognize a deferred tax asset and a defined tax liability for temporary differences arising on initial recognition of a lease and decommissioning provision.

These standards and amendments are not expected to have a material impact on the consolidated financial statements of the Group.

3. Significant accounting policies

3.1 Basis of preparation

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and Company Law No. 1 of 2016 and its executive regulations, as amended. These consolidated financial statements are prepared under the historical cost basis of measurement except for investment properties, and financial assets at fair value through profit or loss which are recorded at fair value. These consolidated financial statements have been presented in Kuwaiti Dinars.

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the amounts reported in these consolidated financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the consolidated financial statements
for the year ended 31 December 2022

3. Significant accounting policies (continued)

3.2 Basis of consolidation

The consolidated financial statements comprise of the Parent Company and its subsidiaries drawn up to 31 December 2022. All subsidiaries have a reporting date of 31 December.

Where the Parent Company has control over an investee, it is classified as a subsidiary. The Parent Company controls an investee if all three of the following elements are present:

- power over the investee;
- exposure to variable returns from the investee; and
- the ability of the investor to use its power to affect those variable returns.

Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Parent Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Parent Company considers all relevant facts and circumstances, including:

- The size of the Parent Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Parent Company and by other parties;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The consolidated financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Intercompany balances and transactions, including intercompany profits or losses and recognized profits and losses are eliminated in full on consolidation. Amounts reported in the consolidated financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of amount of those interests at the date of original business combination and the non-controlling entity's share of changes in equity since the date of the combination. Losses within a subsidiaries are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiaries is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in the consolidated statement of profit or loss.

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in profit or loss other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities (i.e. reclassified to the consolidated statement of profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).

The consolidated financial statements include the following subsidiaries:

<u>Name of subsidiary</u>	<u>Country of Incorporation</u>	<u>Percentage of ownership interest (%)</u>	
		<u>2022</u>	<u>2021</u>
Direct Holding :			
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
OSOS United Real Estate Group Company K.S.C. (Closed)	State of Kuwait	99	99

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the consolidated financial statements
for the year ended 31 December 2022

3. Significant accounting policies (continued)

3.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred or assumed by the Group to the former equity holders of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Acquisition-related costs are generally recognized in consolidated statement of income as incurred. At the acquisition date, the identifiable assets acquired and liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition date.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in the consolidated statement of profit or loss.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognize amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in consolidated statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in profit or loss and other comprehensive income are reclassified to consolidated statement of profit or loss where such treatment would be appropriate if that interest was disposed of.

3.4 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of profit or loss.

Depreciation is computed on a straight-line basis over the estimated useful lives of items of property and equipment as follows:

Vehicles	33.3 %	Furniture and fixture	15 to 20 %
Machinery and equipment	15 to 20%	Computers	33.3 to 50 %

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the consolidated financial statements
for the year ended 31 December 2022

3. Significant accounting policies (continued)

3.4 Property and equipment (continued)

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in the consolidated statement of profit or loss as the expense is incurred.

3.5 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are revalued annually and are included in the consolidated statement of financial position at their fair values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in the consolidated statement of profit or loss and other comprehensive income within change in fair value of investment properties.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

3.6 Recognition of financial assets and financial liabilities

Financial assets and financial liabilities are recognised when the Group becomes party to contractual provisions of the instrument and are initially measured at fair value. Transaction costs are included only for those financial instruments that are not measured at fair value through the consolidated statement of profit or loss.

3.7 Classification and measurement of financial assets

The Group determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cash flow characteristics of the financial assets.

Business model assessment

The Group determines its business model at the level that best reflects how It manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument by instrument basis but at a higher level of aggregated portfolios and is based on a number of observable factors. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

3. Significant accounting policies (continued)

3.7 Classification and measurement of financial assets (continued)

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money- e.g. periodical reset of interest rates.

Contractual terms that introduce a more than infinitesimal exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payment of principal and interest. In such cases, the financial asset is measured at fair value through profit or loss.

The Group classifies its financial assets upon initial recognition into the following categories:

- Financial assets carried at amortised cost
- Financial assets carried at fair value through other comprehensive income (FVOCI)
- Financial assets carried at fair value through profit or loss (FVTPL)

Financial assets carried at amortised cost:

A financial asset is carried at amortised cost if it meets both of the following conditions:

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

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and charge for expected credit losses are recognised in the consolidated statement of profit or loss. Any gain or loss on de-recognition is recognized in the consolidated statement of profit or loss.

Financial assets carried at fair value through other comprehensive income (FVOCI):

Equity investments at FVOCI

Upon initial recognition, the Group makes an irrevocable election to classify some of its equity investments as equity investments at FVOCI if they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument by instrument basis. Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognised in other comprehensive income and presented in the cumulative changes in fair values as part of equity. Cumulative gains and losses previously recognised in other comprehensive income are transferred to retained earnings on de-recognition and are not recognised in the consolidated statement of profit or loss. Dividend income on equity investments at FVOCI are recognised in the consolidated statement of profit or loss unless they clearly represent a recovery of part of the cost of the investment. Equity investments at FVOCI are not subject to impairment assessment.

3. Significant accounting policies (continued)

3.7 Classification and measurement of financial assets (continued)

Financial assets carried at fair value through profit or loss:

Financial assets in this category are those assets which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument as FVTPL that otherwise meet the requirements to be measured at amortised cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. Financial assets with contractual cash flows not representing solely payment of principal and interest are mandatorily required to be measured at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognized in the consolidated statement of profit or loss. Interest income is recognised using the effective interest method. Dividend income from equity investments measured at FVTPL is recognised in the consolidated statement of profit or loss when the right to the payment has been established.

3.8 Investment in an associate

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 generally accompanying a shareholding of between 20% and 50% of the voting rights.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income attributable to equity holders of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in the consolidated statement of profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

The associate's financial statements are prepared either to the Parent Company's reporting date or to a date not earlier than three months of the Parent Company's reporting date. Amounts reported in the consolidated financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the Parent Company's reporting date.

3. Significant accounting policies (continued)

3.9 Debtors and other debit balances

Debtors and other debit balances are stated at original invoice amount less provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

3.10 Related parties

The transactions with related parties are done as per the policies and rules followed with the third party.

3.11 Wakala investments deposits

Wakala receivables

Wakala receivable represents financial assets originated by the group and invested with third parties for onward deals by those parties in various Islamic financial products, and are carried at amortised cost less allowance for doubtful debts.

Specific provisions are calculated on the losses of wakalas originated by the group against credit risks. The specific provision is made for wakala originated by the group against the credit risks due to impairment of wakalas, in case there is an objective evidence of non-collection of the due amount.

The provision amount is the difference between the carrying value of wakala and the recoverable amount, which is the present value of the expected future cash flows including the amounts recoverable from collaterals and assets pledged in favour of the group, discounted by the effective profit rate prevailing in the market for variable rate. Provision for impairment loss in wakala is charged to the consolidated statement of profit or loss.

3.12 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances, investment in money market funds and short-term deposits with an original maturity of three months or less.

3.13 End of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labour Law and employee contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the financial position date, and approximates the present value of the final obligation.

With respect to its national employees, the group makes contributions to social security calculated as a percentage of the employees' salaries. The group's obligations are limited to these contributions, which are expensed when due.

3.14 Creditors and other credit balances

Creditors and other credit balances are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

3.15 Provisions

A provision is recognized in the consolidated statement of financial position when the group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.16 Use of estimates and judgments

The preparation of the group's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3. Significant accounting policies (continued)

3.17 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

- Rental income arising from investment properties is accounted for on a straight line basis over the lease terms.
- Dividend income is recognised when the right to receive payment is established.
- Fees and commission income is recognized at the time the related services are provided.

3.18 Leases

The Group as a lessee

For any new contracts entered into on or after 1 January 2022, the Group considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet measured as follows:

Right-of-use asset

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequent to initial measurement, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Lease liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the consolidated financial statements
for the year ended 31 December 2022

3. Significant accounting policies (continued)

3.18 Leases (continued)

The Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group classifies its leases as either operating or finance leases. When the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head-lease and sub-lease as two separate contracts. The sub-lease is classified as finance lease or operating lease by reference to the right-of-use of asset arising from the head-lease.

Rental income from operating leases is recognized on a straight-line basis over lease term. Initial direct cost incurred in arranging and negotiating a lease are added to the carrying amount of the lease assets and recognised on a straight-line basis over the lease term.

Amounts due under finance leases are recognized as receivables. Finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding for the finance lease.

The adoption of this standard did not have a significant impact on these consolidated financial statements.

3.19 Foreign currency

The consolidated financial statements are presented in Kuwaiti Dinars, which is the group's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the financial position date. All differences are taken to consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as 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 was determined.

On equity accounting, the carrying value of the associates is translated into Kuwaiti Dinars at the year end rates of exchange and the results of the associates are translated into Kuwaiti Dinars at the average rates of exchange for the year. All foreign exchange translation adjustments are taken to the foreign exchange translation reserve until disposal, at which time they are recognized in the consolidated statement of profit or loss.

3.20 Impairment of non-financial assets

An asset is impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset is the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. An assessment is made at each financial position date to determine whether there is objective evidence that an asset may be impaired. If such evidence exists, an impairment loss is recognized in the consolidated statement of profit or loss.

3.21 Financial instruments

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and cash equivalents, wakala investment, financial assets at fair value through profit or loss, due from related parties, receivables, payables and due to related parties. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this note.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Financial instruments are offset when the group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

3.22 Contingencies

Contingent liabilities are not recognized in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the consolidated financial statements
for the year ended 31 December 2022

3. Significant accounting policies (continued)

3.23 Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

4. Investment properties

Investment properties represent buildings on free hold land and buildings on leasehold land located in State of Kuwait. The details of investment properties are as follows:

	2022	2021
	KD	KD
*Buildings on freehold land	8,370,000	5,970,000
Freehold land	-	1,700,000
Buildings on lease hold land	<u>2,754,000</u>	<u>2,696,000</u>
	<u>11,124,000</u>	<u>10,366,000</u>

* During the year, the company completed the official procedures and extracted a document proving ownership as per reorganization project and adding land purchased from the state and merging, issued by the Ministry of Justice - Real Estate Registration Department for each of the real estate built on freehold land in addition to freehold land to become one real estate as per ownership document.

The movement of investment properties are as follows:

	2022	2021
	KD	KD
Beginning balances	10,366,000	7,255,000
Additions	334,625	2,500,000
Change in fair value	<u>423,375</u>	<u>611,000</u>
Closing balances	<u>11,124,000</u>	<u>10,366,000</u>

Note 21 (b). sets out how the fair value of the investment properties has been determined.

Investment properties in fair value of KD 2,754,000 are pledged against lease contract with promise to purchase (note 14).

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the consolidated financial statements
for the year ended 31 December 2022

5. Financial assets at fair value through other comprehensive income

	2022	2021
	KD	KD
Foreign unquoted securities	286,615	317,961
Local unquoted securities	<u>114,257</u>	<u>93,437</u>
	<u>400,872</u>	<u>411,398</u>

The movement of financial assets at fair value through other comprehensive income is as follows:

	2022	2021
	KD	KD
Balance at the beginning of the year	411,398	1,143,773
Disposals	-	(603,895)
Change on fair value reserve	<u>(10,526)</u>	<u>(128,480)</u>
Balance at the end of the year	<u>400,872</u>	<u>411,398</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.

The hierarchy for determining and disclosing the fair value of financial assets at fair value through other comprehensive income by valuation techniques are presented in note 21 (A).

6. Debtors and other debit balances

	2022	2021
	KD	KD
Receivable from tenants	187,893	211,071
Refundable deposits	8,640	8,540
Provision for doubtful debts	<u>(160,620)</u>	<u>(174,327)</u>
	35,913	45,284
Staff receivables	1,601	1,390
Prepaid expenses	5,125	5,125
Advance payments	-	257,125
Accrued income	10,061	7,036
Other debit balances	<u>109</u>	<u>109</u>
	<u>52,809</u>	<u>316,069</u>

The movement of provision for doubtful debts is as follows:

	2022	2021
	KD	KD
Balance at the beginning of the year	174,327	176,934
(Reversal of provision) / provision for the year	(9,937)	4,043
Written off	<u>(3,770)</u>	<u>(6,650)</u>
Balance at the end of the year	<u>160,620</u>	<u>174,327</u>

In determining the recoverability of trade receivable, the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the financial position date. The management believes that the provision as at 31 December 2022 is sufficient and that there is no need for any additional provisions.

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the consolidated financial statements
for the year ended 31 December 2022

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, and it is subject to the approval of the shareholders at annual general meeting.

The following is the summary of significant related party transactions.

	2022	2021
	KD	KD
Transaction included in the consolidated statement of profit or loss:		
Net rental income	4,200	4,200
Management fees for real estate and portfolio investments	(17,919)	(7,173)
Board of Directors' remuneration of Parent Company (note 25)	(42,000)	(42,000)
Board of Directors' remuneration of a subsidiary company	(10,000)	(10,000)
Key management personnel compensation		
Salaries and social insurance	241,667	249,638
Balances included in the consolidated statement of financial position:		
Due from:		
Associate company	<u>2,537,827</u>	<u>2,862,891</u>

8. Financial assets at fair value through profit or loss

	2022	2021
	KD	KD
Local managed portfolios	33,600	58,672
Local quoted shares	4,492,179	3,048,127
Foreign managed portfolio	88,554	88,554
* written off	<u>(88,554)</u>	<u>(88,554)</u>
	<u>4,525,779</u>	<u>3,106,799</u>

* During the previous year, the parent company wrote off the value of financial assets in foreign portfolio classified at fair value through profit or loss in the amount of KD 88,554, as a result of lawsuits filed by the investment company who holds the foreign portfolio against the foreign custodian of the shares subject to write-off due to non-compliance with the implementation of the instructions and conditions and the terms of the contract between them and for not providing periodic reports. The financial impact of these lawsuits cannot be determined up to the date of preparation of this consolidated financial statements. (note 18).

Local quoted shares amounting to KD 4,492,179 (2021: KD Nil) managed by a related party under a portfolio management agreement.

The hierarchy for determining and disclosing the fair value of financial assets at fair value through the consolidated statement of profit or loss by valuation techniques are presented in note 21 (A).

9. Wakala investment deposits

	2022	2021
	KD	KD
Wakala investment deposits	<u>161,000</u>	<u>161,000</u>

The effective yield rate of the wakala investments deposits as at date of consolidated financial position is 1.50% to 1.75% (2021: 1.125% to 1.25%) per annum.

10. Cash and cash equivalents

	2022	2021
	KD	KD
Cash on hand	1,101	454
Cash at banks	313,548	221,307
Cash in portfolios	21,427	2,887,009
Wakala investment deposits	<u>883,000</u>	<u>-</u>
	<u>1,219,076</u>	<u>3,108,770</u>

The effective interest rate on wakala investment deposits as at financial position date is between 3.25% to 4.125% (2021: Nil) per annum.

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the consolidated financial statements
for the year ended 31 December 2022

11. Share capital

The company's share capital is KD 10,500,000 (2021: KD 10,500,000) distributed into 105,000,000 shares (2021: 105,000,000 shares) each valued at 100 fils and all shares are cash shares.

12. Statutory reserve

In accordance with the Companies Law No. 1 of year 2016 and the Parent Company's articles of association, 10% of the net profit for the year is required to be transferred to the statutory reserve until the reserve totals 50% of the paid-up share capital before KFAS, NLST, Zakat and Board of Directors' remuneration. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

13. Voluntary reserve

In accordance with the Parent Company's memorandum of association, certain percentage of the net profit for the year proposed by board of directors' and approved by annual general assembly meeting is transferred to the voluntary reserve. Such transfer can be discontinued by resolution of shareholders in the annual general assembly meeting upon recommendation of the board of directors. As per board of directors' recommendation, this reserve has not been transferred to voluntary reserve.

14. Lease contract with promise to purchase

	2022	2021
	KD	KD
Total amount	1,260,646	1,355,250
Less: deferred finance costs	<u>(68,546)</u>	<u>(55,250)</u>
	<u>1,192,100</u>	<u>1,300,000</u>

On 19 October 2021 the subsidiary company (OSOS United Real Estate Group Company K.S.C. (Closed)) signed lease contract with promise to purchase with Local Islamic Bank at State of Kuwait. Lease contract with promise to purchase is repaid on maximum period of 12 years at effective cost rate 2.25% per annum above discount rate of Central Bank of Kuwait. The subsidiary company is obligated to deposit the property income or otherwise in the subsidiary company account with the local bank. Also, the subsidiary company undertakes that distribution rate of net profits shall not exceed 75%. Lease contract with promise to purchase is granted against pledged of buildings on leasehold land to a Local Islamic Bank (note 4)

	2022	2021
	KD	KD
Non- current portion	1,084,200	1,192,100
Current portion	<u>107,900</u>	<u>107,900</u>
	<u>1,192,100</u>	<u>1,300,000</u>

15. Creditors and other credit balances

	2022	2021
	KD	KD
Staff payables	1,540	2,010
Advance payments	3,850	1,050
Accrued expenses	105,554	100,013
Refundable deposit	36,189	31,210
Board of directors' remuneration - parent company	42,000	42,000
Board of directors' remuneration - the subsidiary company	10,000	10,000
Provision for leave	26,777	16,107
Accrued distribution to shareholders	171,687	184,864
KFAS	101,372	90,645
Zakat	1,702	13,330
NLST	12,916	41,986
Other	<u>116</u>	<u>5,224</u>
	<u>513,703</u>	<u>538,439</u>

The fair value of creditors and other credit balances approximate its carrying value.

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the consolidated financial statements
for the year ended 31 December 2022

16. 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 are as follows:

	2022 KD	2021 KD
Precautionary provision for bank facilities, granted to an associate	1,150,793	1,187,225
Provision against due from subsidiary and associate	3,964,095	4,046,403
Precautionary provision for potential estimated financial support from lawsuits of an associate	<u>196,381</u>	<u>392,761</u>
	<u>5,311,269</u>	<u>5,626,389</u>

Movement in provisions during the year was as follows:

	Precautionary provision for bank facilities, granted to an associate KD	Provision against due from subsidiary and associate KD	Precautionary provision for potential estimated financial support from lawsuits of an associate KD	Total KD
Opening balance	1,187,225	4,046,403	392,761	5,626,389
Reversal of provisions	<u>(36,432)</u>	<u>(82,308)</u>	<u>(196,380)</u>	<u>(315,120)</u>
	<u>1,150,793</u>	<u>3,964,095</u>	<u>196,381</u>	<u>5,311,269</u>

17. General and administrative expenses

	2022 KD	2021 KD
Salaries, wages and other staff benefits	374,292	329,250
Rent	36,600	36,600
Consulting fees	10,625	43,081
Telephone, fax, postage and internet	4,906	4,923
Maintenance	4,301	4,183
Professional and legal fees	47,157	42,919
Advertisement and promotion	1,960	3,612
Printing and stationery expenses	298	448
Bank charges	752	676
Miscellaneous	11,756	18,885
Depreciation	<u>1,168</u>	<u>2,139</u>
	<u>493,815</u>	<u>486,716</u>

18. Investments income

	2022 KD	2021 KD
Unrealized gain / (loss) on financial assets at fair value through profit or loss	86,409	(112,280)
Realized gain in on sale of financial assets at fair value through profit or loss	158,501	1,218,812
Financial assets at fair value through profit or loss written off (note 8)	-	(88,554)
Local dividend	381,447	132,537
Foreign dividend	23,019	77,142
Portfolio management fees and others	<u>(32,583)</u>	<u>(24,565)</u>
	<u>616,793</u>	<u>1,203,092</u>

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the consolidated financial statements
for the year ended 31 December 2022

19. Basic and diluted earnings per share attributable to owners of the Parent Company

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

The Parent Company had no outstanding dilutive potential shares.

	2022	2021
Profit for the year attributable to parent company (KD)	<u>1,121,128</u>	<u>1,393,372</u>
Weighted average number of shares outstanding (No's)	<u>105,000,000</u>	<u>105,000,000</u>
Basic and diluted earnings per share (Fils)	<u>10.68</u>	<u>13.27</u>

20. Financial risk and capital management

(a) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company credit policy and exposure to credit risk are monitored on an ongoing basis. The Company seeks to avoid undue concentration of risks with individuals or Company of customers in specific locations. It also obtains security when appropriate. The maximum credit risk exposure arising from default of the counter-party is limited to the carrying amount of cash at banks, trade receivables, and due from related party.

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

	2022	2021
	KD	KD
Debtors and other debit balances (excluding prepayments)	47,684	53,819
Due from related party	2,537,827	2,862,891
Deposits and wakala investments	161,000	161,000
Cash and cash equivalents	<u>1,219,076</u>	<u>3,108,770</u>
	<u>3,965,587</u>	<u>6,186,480</u>

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the consolidated financial statements
for the year ended 31 December 2022

20. Financial risk and capital management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its liabilities when they fall due.

The table below analyses the Company's non-derivative financial liabilities based on the contractual maturity date taking into consideration the past due amounts. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2022			Total	2021			Total
	Less than 1 year	1 - 5 years	More than 5 years		Less than 1 year	1 - 5 years	More than 5 years	
	KD	KD	KD	KD	KD	KD	KD	KD
Financial liabilities								
Non-current liabilities								
Lease contract with promise to purchase	-	539,500	544,700	1,084,200	-	539,500	652,600	1,192,100
Provision for staff indemnity	-	237,371	-	237,371	-	208,529	-	208,529
	<u>-</u>	<u>776,871</u>	<u>544,700</u>	<u>1,321,571</u>	<u>-</u>	<u>748,029</u>	<u>652,600</u>	<u>1,400,629</u>
Current liabilities								
Creditors and other credit balances	513,703	-	-	513,703	538,439	-	-	538,439
Lease contract with promise to purchase	107,900	-	-	107,900	107,900	-	-	107,900
Provisions	5,311,269	-	-	5,311,269	5,626,389	-	-	5,626,389
	<u>5,932,872</u>	<u>-</u>	<u>-</u>	<u>5,932,872</u>	<u>6,272,728</u>	<u>-</u>	<u>-</u>	<u>6,272,728</u>

d) Interest rate risk

The sensitivity of the consolidated statement of profit or loss and other comprehensive 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 assets and financial liabilities held at 31 December.

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

There is no impact on Group's equity.

	<i>Increase /decrease in basis points</i>	<i>Effect on profit for the year end</i>
2022	+ 1	1,481
2021	+1	11,390

(e) Market risk

• Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The Group is exposed to equity risk with respect to its financial assets at fair value through the consolidated statement of profit or loss.

The Group limits equity price risk by maintaining a diversified portfolio and by continuous monitoring of developments in international equity and bond markets. In addition, the Group actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees. The following table shows the impact on the Group's financial assets sensitive to equity prices considering a 5% change with other factors constant. There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis.

Market indices	% change on profit	Effect on profit and equity	
		2022	2021
		KD	KD
Boursa Kuwait	± 5	224,899	152,715

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the consolidated financial statements
for the year ended 31 December 2022

20. Financial risk and capital management (continued)

(e) Market risk (continued)

• **Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

The Group had the following net assets in foreign currencies.

	2022	2021
	KD	KD
U.S. Dollars	286,615	317,961

The tables below analyze the effect of a 5% strengthening in value of the currency rate against the Kuwaiti Dinar from levels applicable at 31 December, with all other variables held constant on the income statement and equity. The effect of decreases in foreign currency is expected to be equal and opposite to the effect of the increases shown.

Currency	Change in currency rate in %	2022	2021
		Effect on equity	Effect on equity
		KD	KD
U.S. Dollars	+5%	14,331	15,898

• **Profit rate risk**

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Group is exposed to profit rate risk with respect to its borrowings. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings.

Provisions are monitored on a regular basis and hedging strategies used to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the result for the year to a reasonably possible change in profit rates of the Group wakala investment and lease contract with promise to purchase +1% and -1% (2021: +1% and -1%) retrospectively from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition and rates.

	2022	2021
	<u>±1%</u>	<u>±1%</u>
	KD	KD
Result for the year	1,481	11,390

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

21. Fair value measurement

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 party, accounts receivable, financial assets at fair value through profit or loss, bank balances, short term deposits and investment in money market fund. Financial liabilities consist of accounts balance payable and lease contract with promise to purchase. The fair values of financial instruments are not materially different from their carrying values.

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the consolidated financial statements
for the year ended 31 December 2022

21. Fair value measurement (continued)

a) Fair value measurements of financial assets

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

31 December 2022	Level 1	Level 3	Total
	KD	KD	KD
<i>Financial assets at fair value through profit or loss</i>			
Managed portfolios	5,600	28,000	33,600
Local quoted securities	4,492,179	-	4,492,179
<i>Financial assets at fair value through other comprehensive income</i>			
Foreign unquoted securities	-	286,615	286,615
Local unquoted securities	-	114,257	114,257
Total	<u>4,497,779</u>	<u>428,872</u>	<u>4,926,651</u>
31 December 2021			
<i>Financial assets at fair value through profit or loss</i>			
Managed portfolios	6,172	52,500	58,672
Local quoted securities	3,048,127	-	3,048,127
<i>Financial assets at fair value through other comprehensive income</i>			
Foreign unquoted securities	-	317,961	317,961
Local unquoted securities	-	93,437	93,437
Total	<u>3,054,299</u>	<u>463,898</u>	<u>3,518,197</u>

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and 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.

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the consolidated financial statements
for the year ended 31 December 2022

21. Fair value measurement (continued)

a) Fair value measurements of financial assets (continued)

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

	<u>Financial assets at fair value through profit and loss</u>	<u>Financial assets at fair value through other comprehensive income</u>	<u>Total</u>
	KD	KD	KD
31 December 2022			
Beginning balance	52,500	411,398	463,898
Total gain or loss			
- In profit or loss	(24,500)	-	(24,500)
- Change in fair value reserve	-	(10,526)	(10,526)
Ending balance	<u>28,000</u>	<u>400,872</u>	<u>428,872</u>
31 December 2021			
Beginning balance	51,000	1,143,773	1,194,773
Total gain or loss			
- In profit or loss	1,500	-	1,500
- Change in fair value reserve		(128,480)	(128,480)
Disposals	-	(603,895)	(603,895)
Ending balance	<u>52,500</u>	<u>411,398</u>	<u>463,898</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)

	<u>Profit or loss</u>		<u>Other comprehensive income</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	KD	KD	KD	KD
31 December 2022				
If marketability discount changes by 5% with all other factors constant, the impact on the profit and equity would be:	1,400	(1,400)	20,044	(20,044)
31 December 2021				
If marketability discount changes by 5% with all other factors constant, the impact on the profit and equity would be:	2,625	(2,625)	20,570	(20,570)

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

(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) Managed portfolios

The underlying investments of managed funds primarily comprise of quoted and unquoted securities. The fair value of the quoted underlying securities has been determined by reference to their quoted bid prices at the reporting date. The fair value of the unquoted underlying securities has been determined using valuation techniques that are normally used by fund managers. All significant inputs into the model are based on observable market prices.

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the consolidated financial statements
for the year ended 31 December 2022

21. Fair value measurement (continued)

a) Fair value measurements of financial assets (continued)

(iii) 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 consolidated financial statements or information available on these investments the future financial flows of which are unpredictable.

b) Fair value measurements of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2022:

	Level 3 KD	Total KD
31 December 2022		
<i>Investment properties</i>		
Buildings on free hold land	8,370,000	<u>8,370,000</u>
Buildings on leasehold land	<u>2,754,000</u>	<u>2,754,000</u>
	<u>11,124,000</u>	<u>11,124,000</u>
31 December 2021		
<i>Investment properties</i>		
Buildings on free hold land	5,970,000	5,970,000
Free hold land	1,700,000	1,700,000
Buildings on leasehold land	<u>2,696,000</u>	<u>2,696,000</u>
	<u>10,366,000</u>	<u>10,366,000</u>

The fair values of all investment properties have been determined based on valuations obtained from two independent valuers for each investment property, who are specialized in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management as of 31 December 2022. For the valuation purpose, the Company has selected the lower value of the two valuations obtained for each investment property.

Buildings in Kuwait

The fair value of the building in Kuwait has been determined based on the lower of the two fair values was the fair value provided by an independent values, one of them is a local bank for the local real estate, who has valued the investment properties using income approach which capitalizes the monthly estimated rental income stream, net of projected operating costs using a discount rate derived from the market yields. When actual rent differs materially from estimated rents, adjustments have been made to the estimated rental value. When using the estimated rental stream approach, adjustments to actual rental are incorporated for factors such as current occupancy levels, the terms of in-place leases, expectations for rentals from future leases and unlicensed rented areas.

Further information regarding the level 3 fair value measurements is set out in the table below:

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Buildings on free hold land	Estimated rental stream approach	Monthly economic rental value	KD 10,800 and KD 12,425	Fair value increases if economic rental value increases, and vice versa
Buildings on free hold land	Estimated rental stream approach	Monthly economic rental value	KD 9,270 and KD 9,660	Fair value increases if economic rental value increases, and vice versa

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the consolidated financial statements
for the year ended 31 December 2022

21. Fair value measurement (continued)

b) Fair value measurements of non-financial assets

The Company's measurement of investment properties classified in level 3 uses valuation techniques and inputs that are not based on observable market data. The investment properties and investment in real estate portfolio within this level can be reconciled from beginning to ending balances as follows:

	2022 KD	2021 KD
Opening balance	10,366,000	7,255,000
Additions	334,625	2,500,000
Gain or losses recognized in the consolidated statement of profit or loss on:		
- Changes in fair value	<u>423,375</u>	<u>611,000</u>
Closing balance	<u>11,124,000</u>	<u>10,366,000</u>

22. 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 KD	Investment activities KD	Total KD
31 December 2022			
Segment revenues	878,514	932,788	1,811,302
Segment costs	<u>(242,938)</u>	<u>(447,236)</u>	<u>(690,174)</u>
Segment result	<u>635,576</u>	<u>485,552</u>	<u>1,121,128</u>
Segment assets	11,198,867	8,822,514	20,021,381
Segment liabilities	1,303,660	5,950,783	7,254,443
31 December 2021			
Segment revenues	920,792	1,132,547	2,053,339
Segment costs	<u>(164,153)</u>	<u>(495,814)</u>	<u>(659,967)</u>
Segment result	<u>756,639</u>	<u>636,733</u>	<u>1,393,372</u>
Segment assets	10,698,199	9,634,744	20,332,943
Segment liabilities	1,392,149	6,281,208	7,673,357

23. Contingent liabilities

Currently, there are contingent liabilities from legal cases for / against the Group. These legal cases are in front of the courts and the outcome cannot be predicted as at consolidated financial position date.

24. Annual general assembly meeting

The annual general assembly of shareholders was held on 28 April 2022 and approved the consolidated financial statements for the year ended 31 December 2021. The General Assembly also approved the distribution of cash dividends to shareholders at the rate of 10% (Ten Percent) of the nominal value of each share (i.e. 10 fils per share) for the year ended 31 December 2021.

The General Assembly also approved Board of Directors remuneration in the amount of KD 42,000 for the year ended 31 December 2021.

OSOS Holding Group Company K.P.S.C. and its subsidiaries
State of Kuwait
Notes to the consolidated financial statements
for the year ended 31 December 2022

25. Board of directors' recommendations

As per parent company's board of directors' meeting held on 15 March 2023 the following recommendations were approved:

- 1) Determined remuneration of parent company's board of directors' at KD 42,000 for the year ended 31 December 2022.
- 2) Distribution of dividends at the rate of 8% on paid-up capital for the year ended 31 December 2022.

Noting that the above recommendations are subject to approval of annual general assembly meeting of shareholders and concerned oversight authorities.