

**A'AYAN LEASING AND INVESTMENT  
COMPANY K.S.C.P. AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION (UNAUDITED)**

**31 MARCH 2021**





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## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF A'AYAN LEASING AND INVESTMENT COMPANY K.S.C.P.**

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of A'ayan Leasing and Investment Company K.S.C.P. (the "Parent Company") and Subsidiaries (collectively, the "Group") as at 31 March 2021, and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the three-month period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with basis of preparation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of Review*

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

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with basis of preparation as set out in Note 2.

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF A'AYAN LEASING AND INVESTMENT COMPANY K.S.C.P. (continued)**

**Report on Other Legal and Regulatory Requirements**

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of accounts of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any material violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Articles of Association and Memorandum of Incorporation, as amended, during the three-months period ended 31 March 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the three-months period ended 31 March 2021 that might have had a material effect on the business of the Parent Company or on its financial position.



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WALEED A. AL OSAIMI  
LICENCE NO. 68 A  
EY  
AL AIBAN, AL OSAIMI & PARTNER

29 April 2021  
Kuwait

A'ayan Leasing and Investment Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
(UNAUDITED)

For the period ended 31 March 2021

	Notes	Three months ended	
		31 March	
		2021	2020
		KD	KD
<b>CONTINUING OPERATIONS</b>			
<b>INCOME</b>			
Islamic finance income		2,315	5,296
Income from leasing operations	3	2,603,015	2,529,154
Real estate income	4	657,681	597,009
Income from investments and saving deposits	5	159,036	247,950
Share of results of associates		(1,253,874)	(6,113)
Hair-cut income on settlement of Islamic finance payables	10	530,434	-
Advisory and management fees		41,848	53,804
Other income		63,920	112,381
		<u>2,804,375</u>	<u>3,539,481</u>
<b>EXPENSES</b>			
Finance costs		(15,969)	(1,547,865)
Net impairment reversals (losses, expected credit losses and other provisions)	6	1,524,907	(132,360)
Staff costs		(1,282,096)	(1,673,914)
Depreciation expense		(89,985)	(93,445)
Net foreign exchange differences		17,983	(591,263)
Other expenses		(398,524)	(370,817)
		<u>(243,684)</u>	<u>(4,409,664)</u>
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE PROVISION FOR TAX</b>		<b>2,560,691</b>	<b>(870,183)</b>
Taxation		(59,677)	-
Taxation from subsidiaries		(47,003)	(27,545)
<b>PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>2,454,011</b>	<b>(897,728)</b>
<b>DISCONTINUED OPERATIONS</b>			
Loss after tax for the period from discontinued operations	10	-	(508,169)
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>2,454,011</b>	<b>(1,405,897)</b>
<b>Attributable to:</b>			
<b>Equity holders of the Parent Company</b>			
Profit (loss) for the period from continuing operations		2,230,248	(976,585)
Loss for the period from discontinued operations		-	(393,136)
		<u>2,230,248</u>	<u>(1,369,721)</u>
<b>Non-controlling interests</b>			
Profit for the period from continuing operations		223,763	78,857
Loss for the period from discontinued operations		-	(115,033)
		<u>223,763</u>	<u>(36,176)</u>
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>2,454,011</b>	<b>(1,405,897)</b>
<b>BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>			
	7	<u>2.78 fils</u>	<u>(1.71) fils</u>
<b>BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY FOR CONTINUING OPERATIONS</b>			
	7	<u>2.78 fils</u>	<u>(1.22) fils</u>
<b>BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY FOR DISCONTINUING OPERATIONS</b>			
	7	<u>0.00 fils</u>	<u>(0.49) fils</u>

The attached notes 1 to 18 form part of this interim condensed consolidated financial information.

**A'ayan Leasing and Investment Company K.S.C.P. and its Subsidiaries**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE**  
**INCOME (UNAUDITED)**

For the period ended 31 March 2021

	<i>Three months ended</i> <i>31 March</i>	
	<b>2021</b>	<b>2020</b>
	<b>KD</b>	<b>KD</b>
<b>PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>2,454,011</b>	<b>(897,728)</b>
<b>Other comprehensive (loss) income from continuing operations</b>		
<i>Other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<b>(44,642)</b>	208,579
	<b>(44,642)</b>	208,579
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Net gain on equity investments designated at fair value through other comprehensive income	<b>214,289</b>	-
<b>Other comprehensive income for the period from continuing operations</b>	<b>169,647</b>	208,579
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>2,623,658</b>	<b>(689,149)</b>
<b>LOSS FOR THE PERIOD FROM DISCONTINUING OPERATIONS</b>	<b>-</b>	<b>(508,169)</b>
<b>Other comprehensive income from discontinuing operations</b>		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Share of other comprehensive income of associates	-	49,591
Exchange differences on translation of foreign operations	-	104,809
	-	154,400
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Net gain on equity investments designated at fair value through other comprehensive income	-	4,224
<b>Other comprehensive income for the period from discontinuing operations</b>	<b>-</b>	<b>158,624</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD FROM DISCONTINUING OPERATIONS</b>	<b>-</b>	<b>(349,545)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>2,623,658</b>	<b>(1,038,694)</b>
<b>Attributable to:</b>		
<b>Equity holders of the Parent Company</b>		
Total comprehensive income (loss) for the period from continuing operations	<b>2,425,832</b>	(875,321)
Total comprehensive loss for the period from discontinued operations	-	(231,937)
	<b>2,425,832</b>	(1,107,258)
<b>Non-controlling interests</b>		
Total comprehensive income for the period from continuing operations	<b>197,826</b>	186,172
Total comprehensive loss for the period from discontinued operations	-	(117,608)
	<b>197,826</b>	68,564
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>2,623,658</b>	<b>(1,038,694)</b>

The attached notes 1 to 18 form part of this interim condensed consolidated financial information.

A'ayan Leasing and Investment Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2021

	Notes	31 March 2021 KD	(Audited) 31 December 2020 KD	31 March 2020 KD
<b>ASSETS</b>				
Cash and cash equivalents	8	32,886,449	33,851,865	51,726,605
Islamic finance receivables		-	-	5,895
Trading properties		-	-	14,381,812
Financial assets at fair value through profit or loss		2,484,357	2,460,775	2,266,589
Financial assets at fair value through other comprehensive income		5,474,865	4,340,771	286,649
Investment in associates	9	7,083,771	8,497,741	29,228,584
Investment properties		29,533,116	29,553,724	123,921,528
Other assets		7,921,983	6,985,643	10,887,238
Property and equipment		55,342,518	56,153,273	59,775,144
Leasehold property		2,448,252	2,776,626	3,780,013
Goodwill		91,005	91,005	91,005
		<u>143,266,316</u>	<u>144,711,423</u>	<u>296,351,062</u>
Assets held for disposal		-	1,979,363	-
<b>TOTAL ASSETS</b>		<u>143,266,316</u>	<u>146,690,786</u>	<u>296,351,062</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	11	81,403,882	81,403,882	81,403,882
Statutory reserve		145,466	145,466	-
General reserve		8,661,656	8,661,656	8,661,656
Treasury shares	12	(11,339,726)	(11,339,726)	(11,339,726)
Treasury shares reserve		2,678,070	2,678,070	2,678,070
Asset revaluation surplus		8,755,469	8,755,469	7,918,469
Foreign currency translation reserve		(233,059)	(214,354)	90,420
Fair value reserve		63,974	-	(53,216)
Effect of changes in reserves of associates		968,870	968,870	(506,092)
Retained earnings (accumulated losses)		2,511,290	130,727	(21,541,844)
<b>Equity attributable to equity holders of the Parent Company</b>		<u>93,615,892</u>	<u>91,190,060</u>	<u>67,311,619</u>
Non-controlling interests		12,398,460	12,400,479	37,332,543
<b>Total equity</b>		<u>106,014,352</u>	<u>103,590,539</u>	<u>104,644,162</u>
<b>Liabilities</b>				
Islamic finance payables	10	8,872,715	11,724,029	151,705,181
Other liabilities		28,379,249	30,896,855	40,001,719
		<u>37,251,964</u>	<u>42,620,884</u>	<u>191,706,900</u>
Liabilities directly associated with assets classified as held for disposal		-	479,363	-
<b>Total liabilities</b>		<u>37,251,964</u>	<u>43,100,247</u>	<u>191,706,900</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>143,266,316</u>	<u>146,690,786</u>	<u>296,351,062</u>

Fahad Ali Mohammed Thunayan Al-Ghanim  
Chairman

Abdullah Mohammed Al-Shatti  
Chief Executive Officer

The attached notes 1 to 18 form part of this interim condensed consolidated financial information.

**A'ayan Leasing and Investment Company K.S.C.P. and its Subsidiaries**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(UNAUDITED)**

For the period ended 31 March 2021

		<i>Three months ended</i>	
		<i>31 March</i>	
		<b>2021</b>	<b>2020</b>
		<b>KD</b>	<b>KD</b>
<b>OPERATING ACTIVITIES</b>	<i>Notes</i>		
Profit (loss) before tax from continuing operations		<b>2,560,691</b>	(870,183)
Loss before tax from discontinuing operations		-	(506,356)
Profit (loss) before tax		<b>2,560,691</b>	(1,376,539)
<i>Non-cash adjustments to reconcile profit (loss) before tax to net cash flows:</i>			
Depreciation and amortisation		<b>2,592,932</b>	2,885,015
Hair-cut income on settlement of Islamic finance payables	10	<b>(530,434)</b>	-
Net impairment losses, expected credit losses and provisions		<b>(1,524,907)</b>	163,510
Gain on disposal of property and equipment		<b>(625,459)</b>	(464,046)
Income from investments and saving deposits	5	<b>(159,036)</b>	(282,670)
Share of results of associates		<b>1,253,874</b>	637,825
Net foreign exchange differences		<b>(17,983)</b>	591,263
Provision for employees end of service benefits		<b>83,911</b>	196,070
Finance costs		<b>15,969</b>	1,722,698
		<b>3,649,558</b>	4,073,126
<i>Changes in operating assets and liabilities:</i>			
Islamic finance receivables		<b>18,498</b>	34,323
Other assets		<b>(704,941)</b>	(333,079)
Other liabilities		<b>218,052</b>	(548,465)
Cash flows from operations		<b>3,181,167</b>	3,225,905
End of service benefits paid		<b>(133,655)</b>	(38,476)
<b>Net cash flows from operating activities</b>		<b>3,047,512</b>	3,187,429
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of subsidiary		<b>1,200,000</b>	-
Purchase of financial assets at fair value through other comprehensive income		<b>(2,657,540)</b>	-
Proceeds from sale/redemption of investment in associates		-	39,887
Purchase of investment properties		-	(131,581)
Income received from investment and savings deposits		<b>129,450</b>	272,349
Dividend received		<b>6,003</b>	14,116
Dividend received from associates		<b>125,007</b>	207,950
Purchase of property and equipment		<b>(4,431,496)</b>	(4,497,828)
Proceeds from disposal of property and equipment		<b>3,603,157</b>	2,717,710
Movement in restricted bank balance		-	(1,171)
<b>Net cash flows used in investing activities</b>		<b>(2,025,419)</b>	(1,378,568)
<b>FINANCING ACTIVITIES</b>			
Finance costs paid		-	(137,099)
Net repayment of Islamic finance payables		<b>(1,435,656)</b>	(939,932)
Payment of lease liabilities		<b>(352,011)</b>	(355,605)
Dividends paid to non-controlling interests		<b>(199,845)</b>	(31,481)
Net movement in non-controlling interests		-	(4,959)
<b>Net cash flows used in financing activities</b>		<b>(1,987,512)</b>	(1,469,076)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(965,419)</b>	339,785
Cash and cash equivalents as at 1 January		<b>33,799,910</b>	51,333,942
<b>CASH AND CASH EQUIVALENTS AS AT 31 MARCH</b>	<b>8</b>	<b>32,834,491</b>	51,673,727

The attached notes 1 to 18 form part of this interim condensed consolidated financial information.

A'ayan Leasing and Investment Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2021

	<i>Attributable to equity holders of the Parent Company</i>												
	<i>Share capital KD</i>	<i>Statutory reserve KD</i>	<i>General reserve KD</i>	<i>Treasury shares KD</i>	<i>Treasury shares reserve KD</i>	<i>Asset revaluation surplus KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Fair value reserve KD</i>	<i>Effect of changes in reserve of associates KD</i>	<i>Retained earnings (accumulated losses) KD</i>	<i>Subtotal KD</i>	<i>Non-controlling interests KD</i>	<i>Total equity KD</i>
As at 1 January 2021	81,403,882	145,466	8,661,656	(11,339,726)	2,678,070	8,755,469	(214,354)	-	968,870	130,727	91,190,060	12,400,479	<b>103,590,539</b>
Profit for the period	-	-	-	-	-	-	-	-	-	2,230,248	2,230,248	223,763	<b>2,454,011</b>
Other comprehensive (loss) income for the period	-	-	-	-	-	-	(18,705)	214,289	-	-	195,584	(25,937)	<b>169,647</b>
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(18,705)	214,289	-	2,230,248	2,425,832	197,826	<b>2,623,658</b>
Transferred to retained earnings upon disposals	-	-	-	-	-	-	-	(150,315)	-	150,315	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(199,845)	<b>(199,845)</b>
<b>As at 31 March 2021</b>	<b>81,403,882</b>	<b>145,466</b>	<b>8,661,656</b>	<b>(11,339,726)</b>	<b>2,678,070</b>	<b>8,755,469</b>	<b>(233,059)</b>	<b>63,974</b>	<b>968,870</b>	<b>2,511,290</b>	<b>93,615,892</b>	<b>12,398,460</b>	<b>106,014,352</b>
As at 1 January 2020	81,403,882	-	8,661,656	(11,339,726)	2,678,070	7,918,469	(119,877)	(55,791)	(555,683)	(20,175,934)	68,415,066	37,304,230	105,719,296
Loss for the period	-	-	-	-	-	-	-	-	-	(1,369,721)	(1,369,721)	(36,176)	(1,405,897)
Other comprehensive income for the period	-	-	-	-	-	-	210,297	2,575	49,591	-	262,463	104,740	367,203
Total comprehensive income (loss) for the period	-	-	-	-	-	-	210,297	2,575	49,591	(1,369,721)	(1,107,258)	68,564	(1,038,694)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(31,481)	(31,481)
Change in ownership interest in subsidiaries	-	-	-	-	-	-	-	-	-	3,811	3,811	(8,770)	(4,959)
As at 31 March 2020	81,403,882	-	8,661,656	(11,339,726)	2,678,070	7,918,469	90,420	(53,216)	(506,092)	(21,541,844)	67,311,619	37,332,543	104,644,162

The attached notes 1 to 18 form part of this interim condensed consolidated financial information.



# A'ayan Leasing and Investment Company K.S.C.P. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

### 1 CORPORATE INFORMATION

The interim condensed consolidated financial information of A'ayan Leasing and Investment Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2021 was authorised for issue in accordance with a resolution of the Board of Directors ("BOD") of the Parent Company on 29 April 2021.

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved in the annual general assembly meeting ("AGM") of the shareholders of the Parent Company held on 4 April 2021.

In the extraordinary general meeting ("EGM") held on 4 April 2021, the shareholders had approved the partial reduction in share capital amounting to KD 10,000,000 from KD 81,403,882 to KD 71,403,882 proposed by the BOD in their meeting held on 4 February 2021.

The Parent Company is a public shareholding company, incorporated and domiciled in the State of Kuwait, and whose shares are publicly traded in Boursa Kuwait. The Parent Company is regulated by the Central Bank of Kuwait (CBK) and Capital Markets Authority ("CMA") as finance and investment company, respectively. The Parent Company's head office is located at A'ayan headquarters, Mohamed Bin Qasim Street, Al Rai 13027 and its registered postal address is P.O. Box 1426, Safat 13015, State of Kuwait.

The Group principally operates in Kuwait and engages in financial investments, trading properties, investment properties and leasing activities as detailed in the Group's annual consolidated financial statements for the year ended 31 December 2020.

The Group carries out its activities in accordance with the principles of Islamic Shari'a as approved by the Fatwa and Shari'a board appointed by the Parent Company.

The interim condensed consolidated financial information includes the financial information of the Parent Company and the following principal subsidiaries:

Subsidiary Name	Activity	Incorporation	% equity interest		
			31 March 2021	31 December 2020	31 March 2020
A'ayan Real Estate Company K.S.C.P. ("AREC") <sup>1</sup>	Real estate	Kuwait	-	-	61%
Mubarrad Holding Company K.S.C.P. ("Mubarrad") <sup>2</sup>	Trading and renting heavy vehicles	Kuwait	41.9%	41.9%	50.5%
Tawazun Holding Company K.S.C. (Closed) ("Tawazun") <sup>1</sup>	Holding company	Kuwait	-	-	100%
A'ayan Leasing Holding Company K.S.C. (Holding)	Leasing activities	Kuwait	100%	100%	100%
East Gate Real Estate Company S.P.C. Jahraa Mall – JV	Real estate	Kuwait	100%	100%	100%
Anan Real Estate Financing Company K.S.C. (Closed) (held indirectly through AREC) <sup>1</sup>	Real estate financing	Kuwait	77.1%	77.1%	84%
Takatuf Real Estate Company K.S.C. (Closed) (held indirectly through Mubarrad) <sup>2</sup>	Real estate	Egypt	-	-	61%
Yall Mall – JV (held indirectly through AREC) <sup>1</sup>	Real estate	Kuwait	41.9%	41.9%	50.5%
			-	-	74%

<sup>1</sup> During the prior year, the debt settlement arrangements with lenders led to loss of control in Tawazun and consequently, the Group ceased to consolidate Tawazun and AREC, and accounted for the retained interest in Tawazun as a financial asset at fair value through other comprehensive income (FVOCI) in accordance with IFRS 9: *Financial Instruments*, and the retained interest in AREC as an investment in associate in accordance with IAS 28: *Investments in Associates and Joint Ventures*.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

**1 CORPORATE INFORMATION (continued)**

<sup>2</sup> During the prior year and as a result of the debt settlement arrangements, the Group's ownership interest in Mubarrad decreased from 50.5% to 41.9% and the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in the Parent Company's relative interest in the subsidiary. Although the Group currently owns less than 50% of the equity of Mubarrad, management determined that it still controls the investee because the Group continues to hold the majority of the voting rights in view of the widely dispersed shareholding structure and the absence of evidence of minority shareholder acting in concert. The Group also holds the majority of the seats on the BOD, and accordingly, considers that it exercises *de facto* control over Mubarrad, based on IFRS 10: *Consolidated Financial Statements* criteria analysis.

On 9 December 2020, Mubarrad announced its commitment to a sale plan involving loss of control in a subsidiary, namely Batic Manufacturing Company W.L.L. ("Batic"). The criterion of being available for immediate sale was therefore met at the plan commitment date. Consequently, the associated assets amounting to KD 1,979,363 and liabilities amounting to KD 479,363 were presented as held for sale in the interim condensed consolidated statement of financial position as at 31 December 2020 and the results as discontinued operations in the interim condensed consolidated statement of profit or loss for the period ended 31 March 2020. During the period, the legal formalities of transferring the shares have been completed.

**2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES**

**2.1 Basis of preparation**

The interim condensed consolidated financial information of the Group is prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*", except as noted below.

The interim condensed consolidated financial information for the three months ended 31 March 2021 has been prepared in accordance with the regulations for financial services institutions as issued by the CBK in the State of Kuwait. These regulations require expected credit loss ("ECL") to be measured at the higher of the ECL on credit facilities computed under IFRS 9 according to the CBK guidelines or the provisions as required by CBK instructions; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board ("IASB") (collectively, referred to as "IFRS, as adopted for use by the State of Kuwait").

The interim condensed consolidated financial information does not include all of the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

Certain prior period amounts do not correspond with the interim condensed consolidated financial information for the period ended 31 March 2020 and reflect adjustments made for discontinued operations as detailed in Note 1 and Note 10).

**2.2 New standards, interpretations and amendments adopted by the Group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial information of the Group.

**Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Profit Rate Benchmark Reform – Phase 2**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

**2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)****2.2 New standards, interpretations and amendments adopted by the Group (continued)****Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Profit Rate Benchmark Reform – Phase 2 (continued)**

The amendments include the following practical expedients:

- ▶ A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of profit
- ▶ Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- ▶ Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of risk component.

These amendments had no impact on the interim condensed consolidated financial information of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

**3 INCOME FROM LEASING OPERATIONS**

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
Operating lease rental income	<b>4,097,893</b>	4,478,328
Service and maintenance and other related income	<b>269,641</b>	292,749
Gain on disposal of motor vehicles	<b>625,459</b>	464,046
	<b>4,992,993</b>	5,235,123
Less: depreciation of motor vehicles	<b>(1,907,965)</b>	(2,178,592)
Less: maintenance and other expenses	<b>(482,013)</b>	(527,377)
	<b>2,603,015</b>	2,529,154

**4 REAL ESTATE INCOME**

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
Rental income from investment properties	<b>734,228</b>	722,962
Rental income from leasehold rights	<b>656,149</b>	656,070
Depreciation of right-of-use assets relating to leasehold rights	<b>(266,603)</b>	(269,559)
Amortisation of a leasehold rights	<b>(328,379)</b>	(332,028)
Real estate related expenses	<b>(137,714)</b>	(180,436)
	<b>657,681</b>	597,009

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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**5 INCOME FROM INVESTMENTS AND SAVING DEPOSITS**

	<i>Three months ended</i>	
	<i>31 March</i>	
	<u>2021</u>	<u>2020</u>
	<u>KD</u>	<u>KD</u>
Investment deposits and savings profits	<b>129,450</b>	237,629
Dividend income	<b>6,003</b>	14,116
Changes in fair value of financial assets at FVTPL	<b>23,583</b>	(3,795)
	<u><b>159,036</b></u>	<u>247,950</u>

**6 NET IMPAIRMENT (REVERSALS) LOSSES, EXPECTED CREDIT LOSSES AND PROVISIONS**

	<i>Three months ended</i>	
	<i>31 March</i>	
	<u>2021</u>	<u>2020</u>
	<u>KD</u>	<u>KD</u>
Reversal of allowance for impairment on Islamic finance receivables	<b>(18,498)</b>	(16,975)
Net (reversal of allowance) / allowance for impairment on other assets	<b>(13,959)</b>	42,222
Allowance for impairment on trade receivables	<b>93,604</b>	97,000
Net reversal of allowance for impairment on investment in associates	-	(39,887)
Impairment losses on property and equipment	-	50,000
Reversal of provisions further to CBK approval	<b>(1,586,054)</b>	-
	<u><b>(1,524,907)</b></u>	<u>132,360</u>

**7 EARNINGS (LOSS) PER SHARE (EPS)**

Basic EPS amounts are calculated by dividing the profit (loss) for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit (loss) attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted EPS are identical.

	<i>Three months ended</i>	
	<i>31 March</i>	
	<u>2021</u>	<u>2020</u>
Profit (loss) for the period attributable to the equity holders of the Parent Company from continuing operations (KD)	<b>2,230,248</b>	(976,585)
Loss for the period attributable to the equity holders of the Parent Company from discontinued operations (KD)	-	(393,136)
Profit (loss) for the period attributable to the equity holders of the Parent Company (KD)	<u><b>2,230,248</b></u>	<u>(1,369,721)</u>
Weighted average number of shares outstanding during the period (shares) *	<u><b>801,673,982</b></u>	<u>801,673,982</u>
<b>Basic and diluted earnings (loss) per share from continuing operations attributable to the equity holders of the Parent Company (fils)</b>	<b>2.78</b>	(1.22)
<b>Basic and diluted loss per share from discontinuing operations attributable to the equity holders of the Parent Company (fils)</b>	-	(0.49)
<b>Total basic and diluted earnings (loss) per share attributable to the equity holders of the Parent Company (fils)</b>	<u><b>2.78</b></u>	<u>(1.71)</u>

\* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the period.

There have been no transactions involving ordinary shares between the reporting date and the date of authorisation of these interim condensed consolidated financial information which require the restatement of EPS.

# A'ayan Leasing and Investment Company K.S.C.P. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

### 8 CASH AND CASH EQUIVALENTS

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	<b>31 March 2021 KD</b>	<i>(Audited)</i> <b>31 December 2020 KD</b>	<b>31 March 2020 KD</b>
Cash and bank balances	<b>5,111,449</b>	5,851,865	12,971,605
Short-term placements with financial institutions	<b>27,775,000</b>	28,000,000	38,755,000
<b>Total cash and short-term deposits</b>	<b>32,886,449</b>	33,851,865	51,726,605
Less: restricted cash	<b>(51,958)</b>	(51,955)	(52,878)
<b>Total cash and cash equivalents</b>	<b>32,834,491</b>	33,799,910	51,673,727

### 9 INVESTMENT IN ASSOCIATES

a) Set out below are the material associates of the Group as at the reporting date:

Name	Country of domicile	% equity interest			Principal activities
		31 March 2021 KD	31 December 2020 KD	31 March 2020 KD	
Oman Integral Logistics Company O.S.C.C <sup>1</sup>	Oman	<b>50.0%</b>	50.0%	26.5%	Logistics
A'ayan Real Estate Company K.S.C.P. ("AREC") <sup>2</sup>	Kuwait	<b>15.1%</b>	15.1%	-	Real estate
Abyar Real Estate Development Company K.S.C.P.	Kuwait	-	-	33.0%	Real estate
Hajar Tower Real Estate Company K.S.C. (Closed) <sup>3</sup>	Kuwait	-	-	17.0%	Hospitality and residential services
Mashaer Holding Company K.S.C.P. <sup>3</sup>	Kuwait	-	-	31.5%	Real estate
Rawahel Holding Company K.S.C. (Closed) <sup>3</sup>	Kuwait	-	-	24.5%	Transportation
Al-Jadaf Real Estate Company K.S.C. (Closed) <sup>3</sup>	Kuwait	-	-	33.4%	Real Estate
Aayan Leasing Company – W.L.L. <sup>3</sup>	Qatar	-	-	50.0%	Leasing

<sup>1</sup> Included in the carrying amount of the investment in the associate is goodwill of KD 112,822 (31 December 2020: KD 112,822 and 31 March 2020: KD 112,822).

<sup>2</sup> Prior to 18 October 2020 (the date the Group lost control of Tawazun as a result of the debt settlement arrangement with lenders), the Group accounted for AREC as a subsidiary and consolidated the results and assets and liabilities of the investee. Following the loss of control in the former subsidiary, the Group deconsolidated AREC and management determined that it exerts significant influence over the investee through both its shareholding and its nominate directors' active participation on AREC's board of directors. As a result, the Group accounted for the directly retained interest in AREC (i.e. 15.1%) as an investment in associate using the equity method of accounting from the date control is lost in accordance with IAS 28: *Investments in Associates and Joint Ventures*.

<sup>3</sup> The Group's investment in these associates was held through Tawazun and AREC. In the prior year, the debt settlement arrangement with lenders gave rise to a dilution in the Group's interest in these entities and as such the Group no longer has significant influence over the investees and ceased to account for the investment in associates under the equity method.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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**9 INVESTMENT IN ASSOCIATES (continued)**

b) The movement in the carrying value of investment in associates is as follows:

	<b>31 March 2021 KD</b>	<i>(Audited)</i> <b>31 December 2020 KD</b>	<b>31 March 2020 KD</b>
Opening balance	<b>8,497,741</b>	29,714,607	29,714,607
Additions	-	295,000	-
Loss of control in subsidiary and retention as associate	-	10,482,782	-
Deemed disposal of associate due to loss of control of subsidiaries	-	(21,507,645)	-
Reclassification to financial assets held at FVPL upon loss of significant influence	-	(249,202)	-
Share of results from continuing operations	<b>(1,253,874)</b>	(347,841)	(6,113)
Share of results from discontinued operations	-	(3,260,865)	(631,712)
Share of other comprehensive income from continuing operations	-	(4,404)	-
Share of other comprehensive income from discontinued operations	-	74,550	49,591
Dividend receivable from associates	-	(235,945)	-
Dividend received from associates	<b>(125,007)</b>	(799,855)	-
Impairment losses	-	(89,113)	39,887
Fair valuation loss on initial recognition	-	(5,581,747)	-
Sale/redemption of associates	-	(39,887)	(39,887)
Foreign currency translation adjustments	<b>(35,089)</b>	47,306	102,211
	<b><u>7,083,771</u></b>	<u>8,497,741</u>	<u>29,228,584</u>

**10 ISLAMIC FINANCE PAYABLES, DEBT SETTLEMENT AND DISCONTINUED OPERATIONS**

	<b>31 March 2021</b>	<i>(Audited)</i> <b>31 December 2020</b>	<b>31 March 2020</b>
Relating to the Parent Company <sup>1</sup>	<b>7,237,616</b>	9,902,508	137,464,654
Relating to subsidiaries <sup>2</sup>	<b>1,635,099</b>	1,821,521	14,240,527
	<b><u>8,872,715</u></b>	<u>11,724,029</u>	<u>151,705,181</u>

<sup>1</sup> Islamic finance payables of the Parent Company are secured against collaterals in the form of investment properties as agreed in the restructuring agreements amounting to KD 12.2 million (31 December 2020: KD 12.2 million and 31 March 2020: KD 45 million), investment in an associate amounting to KD 3.3 million (31 December 2020: KD 4.6 million and 31 March 2020: KD 16 million) and shares of certain consolidated subsidiaries. The Parent Company is in the process of releasing these collaterals further to its debt settlement agreements signed with creditors.

<sup>2</sup> Islamic finance payables relating to the subsidiaries of the Group are secured against collaterals in the form of investment properties amounting to KD 6.3 million (31 December 2020: KD 6.3 million and 31 March 2020: KD 24 million) and trading properties amounting to KD Nil (31 December 2020: KD Nil and 31 March 2020: KD 0.6 million).

During 2015, the Parent Company approached the creditors to reschedule the entire previously restructured debt amounting to KD 160 million (included in the total Islamic finance payables of the Company until 31 December 2016) on a long term basis and also submitted an application to the Central Bank of Kuwait and Financial Stability Law (FSL) Court for the amendment of the Original FSL application requesting an amendment in the repayment plans to be extended until the first quarter of 2021, by submitting a revised business plan detailing the sources of future cash flows.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

**10 ISLAMIC FINANCE PAYABLES, DEBT SETTLEMENT AND DISCONTINUED OPERATIONS (continued)**

On 15 June 2017, the Parent Company obtained approval from the Special Circuit of the Court of Appeal (the FSL Judgement) on the amendment of the financial restructuring plan submitted by the Parent Company for rescheduling the outstanding Islamic finance payables of KD 160 million until the first quarter of 2021, which has become effective and enforceable against all lenders. The Parent Company has made principal repayment of KD 15 million and KD 10 million on 11 September 2017 and on 29 March 2018, respectively.

As at 28 March 2019 and 31 March 2020, an amount of KD 10 million and KD 30 million respectively, were due for repayment. However, the Parent Company has negotiated a final settlement plan ("proposed plan") of its Islamic finance payables of which the majority of creditors consented to. Accordingly, the Parent Company applied to the FSL Court its proposed plan, which was received and initialled by the Head of the Special Circuit Court for restructuring requests and referred to the Central Bank of Kuwait (CBK) for further assessment and approval.

On 3 March 2019, the Parent Company submitted its request for the proposed plan to the FSL Court. However, the Court of Appeal in the hearing dated 4 December 2019 rejected the Parent Company's request for the proposed plan. Notwithstanding the above, the Parent Company filed an appeal before the Court of Cassation on the basis of error in the application and interpretation of the law and flawed reasoning of the court. Further, the Parent Company filed a cross-appeal and requested the suspension of execution order of the appeal verdict during the pendency of the appeal which was accepted by the respective court on 5 January 2020.

On 19 August 2020, the Court of Cassation issued its final verdict approving the debt restructuring plan ("proposed plan") ratified by the Central Bank of Kuwait and the suspension of litigation and enforcement procedures related to the remaining debt exposure during the period extending to the end of 2024.

Subsequent to the final verdict, in September 2020 and during the fourth quarter of 2020, the Parent Company reached a settlement with lenders amounting KD 127,043,106 of the total outstanding Islamic financing payables. Further, during the current period ended 31 March 2021, the Parent Company further signed settlement agreements with lenders amounting to KD 2,652,038. The elements of debt settlement terms as follows:

- 20% deduction ("hair-cut") of the total outstanding Islamic financing payables;
- Cash settlement of KD 10 million from Parent Company;
- Cash settlement of KD 10 million from Tawazun (a fully owned subsidiary as at 30 September 2020) as a deduction from the net asset value of Tawazun;
- Transfer of Tawazun shares for the remaining outstanding Islamic financing payables.

During the period ended 31 March 2021, and further to the debt settlement agreements signed with creditors, the Parent Company recognised a gain on debt settlement amounting to KD 530,434 (31 December 2020: KD 25,395,989) being 20% hair-cut of the carrying amount of the Islamic finance payables (included within continuing operations in the interim condensed consolidated statement of profit or loss). Furthermore, the Parent Company transferred cash amounting to KD 383,868 (31 December 2020: KD 17,559,256) and shares in Tawazun against the remaining Islamic finance payables amounting to KD 1,737,736 (31 December 2020: KD 83,201,664).

As at 31 December 2020, the signed debt settlement agreements represented 95% of the Parent Company's stake in Tawazun and control have been transferred to the creditors. Consequently, the 5% retained interest in Tawazun have been recognised as financial assets at fair value through other comprehensive income amounting to KD 4,340,771.

As at 31 March 2021 and during the period then ended, the Group's equity interest in Tawazun increased to 11% being a net increase resulting from settling the debt with further shares representing 2% and acquiring back additional 8% equity interest and its carrying value as at 31 March 2021 amounting to KD 5,474,865.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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**10 ISLAMIC FINANCE PAYABLES, DEBT SETTLEMENT AND DISCONTINUED OPERATIONS (continued)**

The interim financial performance and cash flow information from discontinued operations for period ended 31 March 2020 is as follows:

	<i>Period ended 31 March 2020 KD</i>
Income	19,689
Expenses	(526,045)
<b>Loss from discontinued operations before taxes</b>	<b>(506,356)</b>
Taxes	(1,813)
<b>Loss from discontinued operation</b>	<b>(508,169)</b>
<b>Other comprehensive income</b>	<b>158,624</b>
<b>Total comprehensive loss from discontinued operation</b>	<b>(349,545)</b>

The net cash flow generated from disposal group are as follows:

	<i>Period ended 31 March 2020 KD</i>
Operating	562,227
Investing	125,144
Financing	(1,133,968)
	<b>(446,597)</b>

**11 SHARE CAPITAL**

	<i>31 March 2021</i>	<i>(Audited) 31 December 2020</i>	<i>31 March 2020</i>
Authorised shares of 100 fils each (shares)	<b>814,038,824</b>	814,038,824	814,038,824
Issued and fully paid-up shares of 100 fils each, paid in cash (KD)	<b>81,403,882</b>	81,403,882	81,403,882

**12 TREASURY SHARES**

	<i>31 March 2021 KD</i>	<i>(Audited) 31 December 2020 KD</i>	<i>31 March 2020 KD</i>
Number of treasury shares	<b>12,364,842</b>	12,364,842	12,364,842
Percentage of issued share capital	<b>1.5%</b>	1.5%	1.5%
Cost – KD	<b>11,339,726</b>	11,339,726	11,339,726
Market value – KD	<b>1,508,511</b>	1,133,856	434,006

Reserves equivalent to the cost of the treasury shares held less treasury shares reserve are not available for distribution during the holding period of such shares as per CMA guidelines.



# A'ayan Leasing and Investment Company K.S.C.P. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

### 13 COMMITMENTS AND CONTINGENCIES

#### 13.1 Capital commitments

The Group has no commitments in respect of future capital expenditure (31 December 2020: KD Nil and 31 March 2020: amounting KD 82,158) relating to ongoing projects under construction.

#### 13.2 Contingent liabilities

At 31 March 2021, the Group's bankers have provided bank guarantees amounting to KD 552,142 (31 December 2020: KD 458,752 and 31 March 2020: KD 349,796) from which it is anticipated that no material liabilities will arise.

### 14 RELATED PARTY DISCLOSURES

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

The following table provides the total amount of transactions that have been entered into with related parties during the three months ended 31 March 2021 and 2020, as well as balances with related parties as at 31 March 2021, 31 December 2020 and 31 March 2020:

	Associates KD	Major shareholders KD	Other related parties KD	Three months ended 31 March	
				2021 KD	2020 KD
<b>Interim condensed consolidated statement of profit or loss</b>					
Finance costs	-	15,969	-	<b>15,969</b>	125,673
Advisory and management fees	-	-	48,545	<b>48,545</b>	63,243

#### Transactions with key management personnel

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

The aggregate value of transactions and outstanding balances with related parties were as follows:

	Three months ended 31 March	
	2021 KD	2020 KD
<b>Key management personnel compensation:</b>		
Salaries and other short-term benefits	<b>469,566</b>	608,662
End of service benefits	<b>23,066</b>	56,983
	<b>492,632</b>	665,645

	Associates KD	Major shareholders KD	Other related parties KD	31 March 2021 KD	(Audited)	
					31 December 2020 KD	31 March 2020 KD
<b>Interim condensed consolidated statement of financial position:</b>						
Cash and bank balances	-	270,247	-	<b>270,247</b>	328,706	1,064,403
Amounts due from related parties (included in other assets)	83,558	-	695,253	<b>778,811</b>	734,681	2,286,808
Islamic finance payables	-	1,635,098	-	<b>1,635,098</b>	1,821,520	31,779,460
Amounts due to related parties (included in other liabilities)	176,550	-	-	<b>176,550</b>	198,074	161,721

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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### 14 RELATED PARTY DISCLOSURES (continued)

#### Terms and conditions of transactions with related parties

Transactions with related parties are made on terms approved by management. Outstanding balances at the reporting period other than Islamic finance payables are unsecured, non-profit bearing and have no fixed repayment schedule. For the period ended 31 March 2021 and 2020, the Group has not recorded any further provisions for expected credit losses relating to amounts owed by related parties. There have been no guarantees provided or received for any related party receivables or payables.

### 15 SEGMENT INFORMATION

For management purposes, the Group is organised into four major business segments. The principal activities and services under these segments are as follows:

- ▶ **Islamic financing:** Providing a range of Islamic products to corporate and individual customers;
- ▶ **Leasing sector:** Leasing of vehicle and equipment to corporate and individual customers and investments with similar or related operations;
- ▶ **Real estate management:** Buying, selling and investing in real estate; and
- ▶ **Proprietary investment and assets management:** Operations of the Group's subsidiaries and associates (excluding subsidiaries and associates falling under the leasing sector) and managing funds and portfolios.

	<i>Islamic financing KD</i>	<i>Leasing sector KD</i>	<i>Real estate KD</i>	<i>Proprietary investment and assets management KD</i>	<i>Others KD</i>	<i>Total KD</i>
<b>31 March 2021</b>						
Total assets	-	73,913,692	21,563,787	34,622,976	13,165,861	143,266,316
Total liabilities	36,476	11,321,027	4,218,381	6,200,031	15,476,049	37,251,964
Goodwill	-	-	-	91,005	-	91,005
<b>Period ended</b>						
<b>31 March 2021</b>						
Revenue	2,315	2,613,350	265,841	(607,567)	530,436	2,804,375
Segment (loss) profit	(25,725)	1,470,273	128,829	(1,296,378)	2,177,012	2,454,011
Depreciation	-	(1,997,012)	(267,541)	-	-	(2,264,553)
Amortisation of leasehold rights	-	-	(328,379)	-	-	(328,379)
<b>31 March 2020</b>						
Total assets	-	83,865,296	57,075,477	120,318,407	35,091,882	296,351,062
Total liabilities	692,789	62,815,922	20,963,329	89,299,217	17,935,643	191,706,900
Goodwill	-	-	-	91,005	-	91,005

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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15 SEGMENT INFORMATION (continued)

	<i>Islamic financing</i>	<i>Leasing sector</i>	<i>Real estate</i>	<i>Proprietary investment and assets management</i>	<i>Others</i>	<i>Assts held for disposal / discontinued operations</i>	<i>Total</i>
<i>Period ended 31 March 2020</i>							
Revenue	5,296	2,644,727	247,051	642,407	-	19,689	3,559,170
Segment (loss) profit	(53,736)	461,575	(65,124)	(983,157)	(257,286)	(508,169)	(1,405,897)
Depreciation	-	(2,268,120)	(270,704)	(2,772)	-	(11,391)	(2,552,987)
Amortisation of leasehold rights	-	-	(332,028)	-	-	-	(332,028)

16 FAIR VALUE MEASUREMENT

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

**Fair value hierarchy**

All financial and non-financial assets for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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

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

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

Set out below that are a summary of financial instruments and non-financial assets measured at fair value on a recurring basis, other than those with carrying amounts that are reasonable approximations of fair values:

	Fair value measurement using			Total KD
	Quoted prices in active markets (Level 1) KD	Significant observable inputs (Level 2) KD	Significant unobservable inputs (Level 3) KD	
<i>31 March 2021</i>				
<b>Investment securities:</b>				
Financial assets at FVOCI	-	-	5,474,865	5,474,865
Financial assets at FVPL	353,493	929,388	1,201,476	2,484,357
<b>Investment properties:</b>				
Investment properties	-	29,533,116	-	29,533,116
<b>Property and equipment:</b>				
Revalued leasehold land	-	11,681,000	-	11,681,000
	<u>353,493</u>	<u>42,143,504</u>	<u>6,676,341</u>	<u>49,173,338</u>

A'ayan Leasing and Investment Company K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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**16 FAIR VALUE MEASUREMENT (continued)**

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the three months ended 31 March 2021.

	Fair value measurement using			Total KD
	Quoted prices in active markets (Level 1) KD	Significant observable inputs (Level 2) KD	Significant unobservable inputs (Level 3) KD	
<i>31 December 2020</i>				
<i>Investment securities:</i>				
Financial assets at FVOCI	-	-	4,340,771	4,340,771
Financial assets at FVPL	329,253	930,046	1,201,476	2,460,775
<i>Investment properties:</i>				
Investment properties	-	29,553,724	-	29,553,724
<i>Property and equipment:</i>				
Revalued leasehold land	-	11,681,000	-	11,681,000
	<u>329,253</u>	<u>42,164,770</u>	<u>5,542,247</u>	<u>48,036,270</u>

	Fair value measurement using			Total KD
	Quoted prices in active markets (Level 1) KD	Significant observable inputs (Level 2) KD	Significant unobservable inputs (Level 3) KD	
<i>31 March 2020</i>				
<i>Investment securities:</i>				
Financial assets at FVOCI	48,823	-	237,826	286,649
Financial assets at FVPL	211,074	962,954	1,092,561	2,266,589
<i>Investment properties:</i>				
Investment properties	-	123,921,528	-	123,921,528
<i>Property and equipment:</i>				
Revalued leasehold land	-	11,537,000	-	11,537,000
	<u>259,897</u>	<u>136,421,482</u>	<u>1,330,387</u>	<u>138,011,766</u>

Reconciliation of recurring fair value measurements of unquoted equity investments categorised within Level 3 of the fair value hierarchy:

	Unquoted equity investments		
	Financial assets at FVOCI KD	Financial assets at FVPL KD	Total KD
<b>As at 1 January 2021</b>	<b>4,340,771</b>	<b>1,201,476</b>	<b>5,542,247</b>
Additions	2,657,540	-	2,657,540
Disposals	(1,587,420)	-	(1,587,420)
Remeasurement recognised in OCI	63,974	-	63,974
<b>As at 31 March 2021</b>	<b>5,474,865</b>	<b>1,201,476</b>	<b>6,676,341</b>

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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### 16 FAIR VALUE MEASUREMENT (continued)

	Unquoted equity investments		
	<i>Financial assets at FVOCI KD</i>	<i>Financial assets at FVPL KD</i>	<i>Total KD</i>
As at 1 January 2020	223,551	1,092,561	1,316,112
Remeasurement recognised in OCI	14,275	-	14,275
As at 31 March 2020	<u>237,826</u>	<u>1,092,561</u>	<u>1,330,387</u>

Management assessed that the carrying value of other financial instruments at amortised cost is not significantly different from their fair values as most of these assets and liabilities are of short-term maturity or are re-priced immediately based on market movement in profit rates. The fair value of financial assets and financial liabilities with a demand feature is not less than its face value.

For assets classified as level 3, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of similar assets; or other valuation techniques. The Group has also performed a sensitivity analysis by varying these input factors by 5%. Based on such analysis, there is no material impact on the interim condensed consolidated financial information.

### 17 IMPACT OF COVID-19 OUTBREAK

The Covid-19 outbreak was first reported near the end of 2019. At that time, a cluster of cases displaying the symptoms of a 'pneumonia of unknown cause' were identified in Wuhan, the capital of China's Hubei province. On 31 December 2019, China alerted the World Health Organisation (WHO) of this new virus. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a 'Public Health Emergency of International Concern'. Since then, the virus has spread worldwide. On 11 March 2020, the WHO declared the Covid-19 outbreak to be a pandemic.

The measures to slow the spread of Covid-19 have had a significant impact on the global economy. Governments worldwide imposed travel bans and strict quarantine measures. Businesses are dealing with lost revenue and disrupted supply chains. While the country has started to ease the lockdown, the relaxation has been gradual. The Covid-19 pandemic has also resulted in significant volatility in financial markets and as a result, the government has announced measures to provide financial assistance to the private sector.

Entities should consider whether to disclose the measures they have taken, in line with the recommendations of the WHO and national health authorities, to preserve the health of their employees and support the prevention of contagion in their administrative and operational areas, such as working from home, reduced work shifts in operational areas to minimise the number of workers commuting, rigorous cleaning of workplaces, distribution of personal protective equipment, testing of suspected cases and measuring body temperature.

As a result, the Group considered the impact of Covid-19 in preparing its interim condensed consolidated financial information. While the specific areas of judgement may not change, the impact of Covid-19 resulted in the application of further judgement within those areas.

Given the evolving nature of Covid-19 and the limited recent experience of the economic and financial impacts of such a pandemic, changes to estimates may need to be made in the measurement of the Group's assets and liabilities may arise in the future.

#### ***Trade, lease and other receivables***

The Group was required to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These were primarily related to adjusting the forward-looking estimates used by the Group in the estimation of ECL as the segmentation applied in previous periods may no longer be appropriate and may need to be revised to reflect the different ways in which the COVID-19 outbreak affects different types of customers (e.g. by extending payment terms for trade receivables or by following specific guidance issued by the government in relation to the collection of lease or other payments). The Group will continue to assess impact of the pandemic as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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**17 IMPACT OF COVID-19 OUTBREAK (continued)**

*Impairment of non-financial assets*

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

The Group acknowledges that certain geographies and sectors in which these assets are located are negatively impacted, and as the situation continues to unfold, the Group will continuously monitor the market outlook and use relevant assumptions in reflecting the values of these non-financial assets as and when they occur.

**18 SUBSEQUENT EVENTS**

On 4 April 2021, the shareholders at their extraordinary general assembly meeting (EGM) approved on the proposal made by Board of Director's meeting held on 4 February 2021 for a partial reduction amounting to KD 10,000,000 in share capital from KD 81,403,882 to KD 71,403,882 by way of cash distribution to the shareholders effective on 10 May 2021 after obtaining all necessary regulatory approvals.