

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

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

31 MARCH 2023





Ernst & Young
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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 2023, and the related interim condensed consolidated income statement, 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 months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with 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 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 2023 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 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 2023 that might have had a material effect on the business of the Parent Company or on its financial position.



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

7 May 2023
Kuwait

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

(UNAUDITED)

For the period ended 31 March 2023

	Notes	Three months ended 31 March	
		2023 KD	2022 KD
INCOME			
Income from leasing operations	3	3,720,158	2,954,487
Net real estate income	4	954,951	886,093
Net income from investments and saving deposits	5	762,053	214,580
Share of results of associates	9	806,940	105,668
Advisory and management fees		63,365	55,455
Islamic finance income		2,813	4,077
Other income		30,893	529,242
		6,341,173	4,749,602
EXPENSES			
Finance costs		(146,555)	(19,374)
Net (allowance for) reversal of expected credit losses and other provisions	6	(510,672)	12,125
Staff costs		(1,723,585)	(1,450,619)
Depreciation		(95,618)	(93,934)
Net foreign exchange differences		(25,562)	(51,890)
Other expenses		(490,560)	(423,894)
		(2,992,552)	(2,027,586)
PROFIT BEFORE PROVISION FOR TAX		3,348,621	2,722,016
Taxation		(104,088)	(61,268)
Taxation from subsidiaries		(59,980)	(62,798)
PROFIT FOR THE PERIOD		3,184,553	2,597,950
Attributable to:			
Equity holders of the Parent Company		2,943,256	2,214,212
Non-controlling interests		241,297	383,738
		3,184,553	2,597,950
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		4.43 fils	3.10 fils

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

A'ayan Leasing and Investment Company K.S.C.P. and Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)
For the period ended 31 March 2023

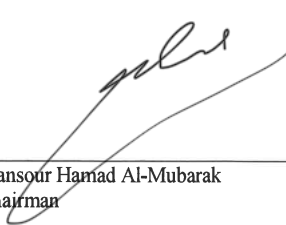
	<i>Three months ended</i>	
	<i>31 March</i>	
	2023	2022
	KD	KD
PROFIT FOR THE PERIOD	3,184,553	2,597,950
Other comprehensive loss		
<i>Other comprehensive loss to be reclassified to interim condensed consolidated income statement in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(681,223)	(660,520)
<i>Other comprehensive loss not to be reclassified to interim condensed consolidated income statement in subsequent periods:</i>		
Share of other comprehensive loss of associates	(133,358)	(27,826)
Total other comprehensive loss	(814,581)	(688,346)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,369,972	1,909,604
Attributable to:		
Equity holders of the Parent Company	2,528,553	1,909,628
Non-controlling interests	(158,581)	(24)
	2,369,972	1,909,604

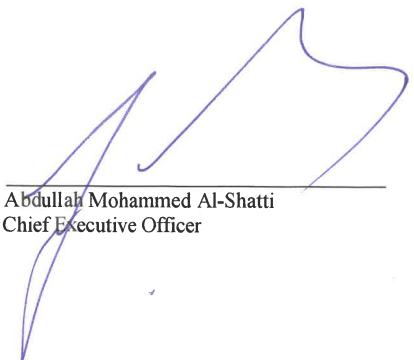
The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

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

As at 31 March 2023

		<i>(Audited)</i>	
	<i>Notes</i>	<i>31 March 2023 KD</i>	<i>31 December 2022 KD</i>
ASSETS			
Cash and cash equivalents	8	16,935,086	17,014,416
Financial assets at fair value through profit or loss	13	10,325,209	9,694,274
Investment in associates	9	23,015,453	20,091,871
Investment properties		30,701,285	31,216,201
Other assets		8,926,371	11,431,287
Property and equipment		61,691,264	61,306,585
Leasehold property		335,910	501,111
Goodwill		91,005	91,005
TOTAL ASSETS		152,021,583	151,346,750
EQUITY AND LIABILITIES			
Equity			
Share capital		66,403,882	66,403,882
Statutory reserve		1,713,799	1,713,799
Asset revaluation surplus		8,755,469	8,755,469
Foreign currency translation reserve		(1,205,863)	(924,518)
Effect of changes in reserves of associates		557,929	691,287
Retained earnings		12,546,703	14,583,738
Equity attributable to equity holders of the Parent Company		88,771,919	91,223,657
Non-controlling interests		12,003,075	12,250,888
Total equity		100,774,994	103,474,545
Liabilities			
Islamic finance payables		14,496,484	14,460,726
Other liabilities		36,750,105	33,411,479
Total liabilities		51,246,589	47,872,205
TOTAL EQUITY AND LIABILITIES		152,021,583	151,346,750


Mansour Hamad Al-Mubarak
Chairman


Abdullah Mohammed Al-Shatti
Chief Executive Officer

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2023

	<i>Attributable to equity holders of the Parent Company</i>								<i>Total equity KD</i>
	<i>Share capital KD</i>	<i>Statutory reserve KD</i>	<i>Asset revaluation surplus KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Effect of changes in reserves of associates KD</i>	<i>Retained earnings KD</i>	<i>Subtotal KD</i>	<i>Non-controlling interests KD</i>	
As at 1 January 2023	66,403,882	1,713,799	8,755,469	(924,518)	691,287	14,583,738	91,223,657	12,250,888	103,474,545
Profit for the period	-	-	-	-	-	2,943,256	2,943,256	241,297	3,184,553
Other comprehensive loss	-	-	-	(281,345)	(133,358)	-	(414,703)	(399,878)	(814,581)
Total comprehensive (loss) income for the period	-	-	-	(281,345)	(133,358)	2,943,256	2,528,553	(158,581)	2,369,972
Dividend (Note 1)	-	-	-	-	-	(4,980,291)	(4,980,291)	-	(4,980,291)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(89,232)	(89,232)
As at 31 March 2023	66,403,882	1,713,799	8,755,469	(1,205,863)	557,929	12,546,703	88,771,919	12,003,075	100,774,994
As at 1 January 2022	71,403,882	778,259	8,755,469	(229,464)	949,747	6,596,360	88,254,253	12,983,077	101,237,330
Profit for the period	-	-	-	-	-	2,214,212	2,214,212	383,738	2,597,950
Other comprehensive loss	-	-	-	(276,758)	(27,826)	-	(304,584)	(383,762)	(688,346)
Total comprehensive (loss) income for the period	-	-	-	(276,758)	(27,826)	2,214,212	1,909,628	(24)	1,909,604
Dividends to non-controlling interests	-	-	-	-	-	-	-	(124,926)	(124,926)
Net movement in non-controlling interests	-	-	-	-	-	-	-	(8,077)	(8,077)
As at 31 March 2022	71,403,882	778,259	8,755,469	(506,222)	921,921	8,810,572	90,163,881	12,850,050	103,013,931

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the period ended 31 March 2023

	<i>Three months ended</i>	
	<i>31 March</i>	
Note	2023	2022
	KD	KD
OPERATING ACTIVITIES		
Profit before provision for tax	3,348,621	2,722,016
<i>Non-cash adjustments to reconcile profit before tax to net cash flows:</i>		
Depreciation and amortisation	2,705,608	2,582,415
Net allowance for (reversal of) of expected credit losses and provisions	510,672	(12,125)
Gain on sale of investment properties	(701)	-
Gain on disposal of property and equipment	-	(330,788)
Income from investments and saving deposits	(762,053)	(214,580)
Share of results of associates	(806,940)	(105,668)
Redemption from investments in associates	-	(163,061)
Net foreign exchange differences	25,562	51,890
Provision for employees' end of service benefits	207,743	170,104
Finance costs	158,069	29,030
	5,386,581	4,729,233
<i>Changes in operating assets and liabilities:</i>		
Islamic finance receivables	12,526	18,594
Other assets	(1,760,130)	(2,870,089)
Other liabilities	(1,781,216)	(1,262,676)
Cash flows from operations	1,857,761	615,062
End of service benefits paid	(15,165)	(28,078)
Taxes paid	(101,825)	(64,365)
Net cash flows from operating activities	1,740,771	522,619
INVESTING ACTIVITIES		
Purchase of associates	(1,125,000)	-
Purchase of financial assets at fair value through profit or loss	(24,867)	-
Proceeds from sale/redemption of financial assets at fair value through profit or loss	-	31,548
Proceeds from redemption from investments in associates	-	163,061
Proceeds from sale of investment properties	18,141	-
Income received from investment and savings deposits	35,919	109,560
Dividend received	120,065	87,509
Purchase of property and equipment	(8,016)	(7,981)
Proceeds from disposal of property and equipment	-	364,980
Net cash flows (used in) from investing activities	(983,758)	748,677
FINANCING ACTIVITIES		
Payments towards capital reduction	(248,944)	(52,098)
Net repayment of Islamic finance payables	(108,199)	(202,391)
Payment of lease liabilities	(389,974)	(345,120)
Dividends paid to non-controlling interests	(89,232)	(124,926)
Net movement in non-controlling interests	-	(8,077)
Net cash flows used in financing activities	(836,349)	(732,612)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(79,336)	538,684
Cash and cash equivalents as at 1 January	16,998,405	30,889,086
CASH AND CASH EQUIVALENTS AS AT 31 MARCH	8 16,919,069	31,427,770

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

31 March 2023

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of A'ayan Leasing and Investment Company K.S.C.P. (the "Parent Company") and subsidiaries (collectively, the "Group") for the three months ended 31 March 2023 was authorised for issue in accordance with a resolution of the Board of Directors ("BOD") of the Parent Company on 7 May 2023.

The consolidated financial statements of the Group for the year ended 31 December 2022 were approved in the annual general assembly meeting ("AGM") of the shareholders of the Parent Company held on 9 March 2023 and a cash dividend of 7.5% of the paid-up capital was approved for the year ended 31 December 2022 (31 March 2022: Nil). As at 31 March 2023, the cash dividend had not been paid and is recorded under "other liabilities" in the interim condensed consolidated financial information.

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 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 2022.

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:

<i>Subsidiary's Name</i>	<i>Activity</i>	<i>Incorporation</i>	<i>% equity interest</i>		
			<i>31 March 2023</i>	<i>31 December 2022</i>	<i>31 March 2022</i>
Mubarrad Holding Company K.S.C.P. ("Mubarrad") ¹	Trading and renting heavy vehicles	Kuwait	41.3%	41.3%	41.9%
A'ayan Leasing Holding Company K.S.C. (Holding)	Leasing activities	Kuwait	100%	100%	100%
East Gate Real Estate Company S.P.C.	Real estate	Kuwait	100%	100%	100%
Jahraa Mall – JV	Real estate	Kuwait	77.1%	77.1%	77.1%

¹ As at 31 March 2023, the Group has 41.3% (31 December 2022: 41.3% and 31 March 2022: 41.9%) of ownership interest in Mubarrad. 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.

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 2023 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 by the CBK for use by the State of Kuwait").

A'ayan Leasing and Investment Company K.S.C.P. and Subsidiaries
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)

31 March 2023

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

2.1 Basis of preparation (continued)

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 2022.

Further, the results for the three months period ended 31 March 2023, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

Certain prior year/ period amounts do not correspond with the 2022 annual consolidated financial statements and interim condensed consolidated financial information and reflect adjustments to confirm to the current year presentation. Such adjustments do not affect previously reported total assets, equity and profit for the year/ period.

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 2022, except for the adoption of new standards effective as of 1 January 2023. 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 2023, but do not have an impact on the interim condensed consolidated financial information of the Group.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

These amendments had no impact on the interim condensed consolidated financial information.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Group's interim condensed consolidated financial information, but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

3 INCOME FROM LEASING OPERATIONS

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>KD</i>	<i>KD</i>
Operating lease rental income	5,063,942	4,148,085
Service and maintenance and other related income	310,964	247,354
Gain on disposal of motor vehicles	1,049,616	914,300
	6,424,522	5,309,739
Less: depreciation of motor vehicles	(2,135,625)	(1,893,510)
Less: maintenance and other expenses	(568,739)	(461,742)
	3,720,158	2,954,487

A'ayan Leasing and Investment Company K.S.C.P. and Subsidiaries
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)
 31 March 2023

4 NET REAL ESTATE INCOME

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>KD</i>	<i>KD</i>
Gain on sale of investment properties	701	-
Rental income from investment properties	900,326	822,913
Rental income from leasehold rights	704,783	803,969
Depreciation of right-of-use assets relating to leasehold rights	(309,164)	(266,592)
Amortisation of leasehold rights	(165,201)	(328,379)
Finance cost on lease liabilities	(11,514)	(9,656)
Real estate related expenses	(164,980)	(136,162)
	954,951	886,093

5 NET INCOME FROM INVESTMENTS AND SAVING DEPOSITS

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>KD</i>	<i>KD</i>
Investment deposits and savings profits	35,919	109,560
Dividend income	120,065	87,509
Changes in fair value of financial assets at FVTPL	606,069	17,511
	762,053	214,580

6 NET ALLOWANCE FOR (REVERSAL OF) EXPECTED CREDIT LOSSES AND OTHER PROVISIONS

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>KD</i>	<i>KD</i>
Reversal of allowance for impairment on Islamic finance receivables	(12,526)	(18,594)
Net charge (reversal) of allowance on other assets	25,486	(30,083)
Net charge of allowance for impairment on trade receivables	10,820	36,552
Allowance for provision for legal cases	486,892	-
	510,672	(12,125)

7 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit 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 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.

A'ayan Leasing and Investment Company K.S.C.P. and Subsidiaries
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)

31 March 2023

7 BASIC AND DILUTED EARNINGS PER SHARE (EPS) (continued)

	<i>Three months ended</i>	
	<i>31 March</i>	
	<u>2023</u>	<u>2022</u>
Profit for the period attributable to the equity holders of the Parent Company (KD)	<u>2,943,256</u>	<u>2,214,212</u>
Weighted average number of shares outstanding during the period (shares)	<u>664,038,824</u>	<u>714,038,824</u>
Basic and diluted earnings per share attributable to the equity holders of the Parent Company (fils)	<u>4.43</u>	<u>3.10</u>

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

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:

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2023</i>	<i>31 December</i>	<i>2022</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Cash and bank balances	7,339,409	7,183,061	5,102,405
Short-term placements with financial institutions	9,595,677	9,831,355	26,378,478
Cash and cash equivalents as per interim condensed consolidated statement of financial position	<u>16,935,086</u>	<u>17,014,416</u>	<u>31,480,883</u>
Less: restricted cash	<u>(16,017)</u>	<u>(16,011)</u>	<u>(53,113)</u>
Cash and cash equivalents as per interim condensed consolidated statement of cash flows	<u>16,919,069</u>	<u>16,998,405</u>	<u>31,427,770</u>

Cash and cash equivalents amounting to KD 117,191 (31 December 2022: KD 191,188 and 31 March 2022: KD 463,734) is maintained with one of the major shareholders (Note 11).

9 INVESTMENT IN ASSOCIATES

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

<i>Associate's Name</i>	<i>Country of domicile</i>	<i>% equity interest</i>			<i>Principal activities</i>
		<i>(Audited)</i>			
		<i>31 March</i>	<i>31 December</i>	<i>31 March</i>	
		<i>2023</i>	<i>2022</i>	<i>2022</i>	
Oman Integral Logistics Company O.S.C.C ¹	Oman	50%	50%	50.0%	Logistics
A'ayan Real Estate Company K.S.C.P. ("AREC") ²	Kuwait	9.8%	9.8%	15.1%	Real estate
Tawazun Holding Company K.S.C (Closed) ("Tawazun")	Kuwait	43.8%	43.8%	14.8%	Holding Company
Light Fields Catering Company W.L.L. ^{1&3}	Kuwait	30%	-	-	Food supplies

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

31 March 2023

9 INVESTMENT IN ASSOCIATES (continued)

- ¹ Included in the carrying amount of the investment in the associates is goodwill of KD 115,822 (31 December 2022: KD 112,822 and 31 March 2022: KD 112,822).
- ² As at 31 March 2023, the Group has 9.8% (31 December 2022: 9.8% and 31 March 2022: 15.1%) of ownership interest in AREC. Although the Group currently owns less than 20% of the equity of AREC, management determined that it still exerts significant influence over the investee through both its collective voting rights and its nominated directors' active participation on AREC's BOD, based on IAS 28: Investments in Associates and Joint Ventures criteria analysis, and accordingly, the Group has accounted for its interest in AREC as an investment in associate using the equity method of accounting in accordance with IAS 28: *Investments in Associates and Joint Ventures*.
- ³ During the period, the Group acquired 30% of Light Fields Catering Company W.L.L. for a consideration of KD 2,250,000, fully paid in cash.

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

	31 March 2023 KD	<i>(Audited)</i> 31 December 2022 KD	31 March 2022 KD
As at the beginning of the period/ year	20,091,871	11,141,315	11,141,315
Additions	2,250,000	10,508,067	-
Share of results	806,940	821,953	105,668
Share of other comprehensive loss	(133,358)	(280,063)	(27,826)
Dividend received from associates	-	(125,425)	-
Capital reduction from associates*	-	(738,322)	-
Redemption/ sale of associates	-	(1,265,888)	-
Foreign currency translation adjustments	-	30,234	(35,008)
As at the end of the period/ year	<u>23,015,453</u>	<u>20,091,871</u>	<u>11,184,149</u>

*The Board of Directors of Tawazun in their meeting held on 19 March 2023 proposed a partial reduction of share capital amounting to KD 7,100,000 from KD 68,032,688 to KD 60,932,688 by way of cash distribution to the shareholders. This proposal is subject to the approval of the shareholders at the annual general assembly meeting (AGM), extraordinary general assembly meeting (EGM) and all necessary regulatory approvals. The Parent Company's share in cash distribution against Tawazun's capital reduction will amount to KD 3,110,527. The capital reduction is considered a non-adjusting subsequent transaction that will be recorded only upon approval of the EGM and obtaining all regulatory approvals.

10 CONTINGENCIES

As at 31 March 2023, the Group's bankers have provided bank guarantees amounting to KD 1,037,721 (31 December 2022: KD 1,027,433 and 31 March 2022: KD 315,323) from which it is anticipated that no material liabilities will arise.

11 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.

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11 RELATED PARTY DISCLOSURES (continued)

	<i>Associates</i> <i>KD</i>	<i>Major</i> <i>shareholders</i> <i>KD</i>	<i>Other related</i> <i>parties</i> <i>KD</i>	<i>Three months ended</i> <i>31 March</i>		
				<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>	
<i>Interim condensed consolidated statement of income statement</i>						
Finance costs	-	14,500	-	14,500	13,973	
Advisory and management fees (net of property management commission)	(3,861)	-	63,983	60,122	57,068	
<i>(Audited)</i>						
	<i>Associates</i> <i>KD</i>	<i>Major</i> <i>shareholders</i> <i>KD</i>	<i>Other related</i> <i>parties</i> <i>KD</i>	<i>31 March</i> <i>2023</i> <i>KD</i>	<i>31 December</i> <i>2022</i> <i>KD</i>	<i>31 March</i> <i>2022</i> <i>KD</i>
<i>Interim condensed consolidated statement of financial position:</i>						
Cash and bank balances	-	117,191	-	117,191	191,188	463,734
Amount due from related parties (included in other assets)	91,127	64,269	87,095	242,491	171,925	326,940
Financial assets at FVTPL	-	6,991,299	-	6,991,299	6,385,634	-
Islamic finance payables	-	1,473,400	-	1,473,400	1,473,400	1,430,711
Amount due to related parties (included in other liabilities)	90,704	-	409,310	500,014	594,519	126,089

The following table provides total amount of other transactions that have been entered into/ with the related parties for the relevant financial period:

	<i>Associates</i> <i>KD</i>	<i>Major</i> <i>shareholders</i> <i>KD</i>	<i>Other related</i> <i>parties</i> <i>KD</i>	<i>Three months ended</i> <i>31 March</i>	
				<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
Purchases of inventories	-	-	567,792	567,792	-

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 2023 and 2022, the Group has not recorded any further provisions for expected credit losses relating to amounts owed by related parties. There have been no guarantees received or provided for any related party receivables or payables.

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 with key management were as follows:

	<i>Three months ended</i> <i>31 March</i>	
	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
<i>Key management personnel compensation:</i>		
Salaries and other short-term benefits	597,351	517,300
End of service benefits	128,254	33,934
	725,605	551,234

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11 RELATED PARTY DISCLOSURES (continued)

On 9 March 2023, the shareholders at the Annual General Meeting had approved directors' remuneration amounting to KD 120,000 for the year ended 31 December 2022 (31 March 2022: Nil) based on the proposal of the board of directors on 24 January 2023.

12 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>
<i>Three months period ended 31 March 2023</i>						
Revenue	2,813	3,738,829	555,454	2,044,077	-	6,341,173
Segment profit (loss)	4,579	2,152,107	311,835	1,602,652	(886,620)	3,184,553
Depreciation	-	(2,226,203)	(310,840)	(3,364)	-	(2,540,407)
Amortisation of leasehold rights	-	-	(165,201)	-	-	(165,201)
<i>31 March 2023</i>						
Total assets	-	71,430,025	20,551,424	51,794,497	8,245,637	152,021,583
Total liabilities	-	21,378,435	3,691,484	3,527,060	22,649,610	51,246,589
Goodwill	-	-	-	91,005	-	91,005
	<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>
<i>31 December 2022 (audited)</i>						
Total assets	-	70,552,070	20,794,865	48,634,012	11,365,803	151,346,750
Total liabilities	-	22,642,154	3,904,342	3,648,747	17,676,962	47,872,205
Goodwill	-	-	-	91,005	-	91,005

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12 SEGMENT INFORMATION (continued)

	<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>
<i>Three months period ended</i>						
<i>31 March 2022</i>						
Revenue	4,077	2,962,675	497,407	1,285,443	-	4,749,602
Segment profit (loss)	12,603	1,747,273	326,206	721,011	(209,143)	2,597,950
Depreciation	-	(1,984,873)	(267,457)	(1,706)	-	(2,254,036)
Amortisation of leasehold rights	-	-	(328,379)	-	-	(328,379)
	<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>
<i>31 March 2022</i>						
Total assets	-	69,104,896	21,237,745	32,915,637	15,712,479	138,970,757
Total liabilities	-	11,016,397	4,155,008	3,533,461	17,251,890	35,956,756
Goodwill	-	-	-	91,005	-	91,005

13 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.

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13 FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy (continued)

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

	<i>Fair value measurement using</i>			<i>Total</i> <i>KD</i>
	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant observable inputs (Level 2) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	
31 March 2023				
Assets measured at fair value:				
<i>Investment securities:</i>				
Financial assets at FVTPL	8,518,453	916,232	890,524	10,325,209

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 2023.

	<i>Fair value measurement using</i>			<i>Total</i> <i>KD</i>
	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant observable inputs (Level 2) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	
31 December 2022 (audited)				
Assets measured at fair value:				
<i>Investment securities:</i>				
Financial assets at FVTPL	7,885,809	917,941	890,524	9,694,274

	<i>Fair value measurement using</i>			<i>Total</i> <i>KD</i>
	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant observable inputs (Level 2) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	
31 March 2022				
<i>Investment securities:</i>				
Financial assets at FVTPL	27,680	919,629	1,011,518	1,958,827

The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the reporting period:

	<i>Financial assets at FVTPL KD</i>
As at 1 January 2023	890,524
Change in fair value	-
As at 31 March 2023	890,524

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13 FAIR VALUE MEASUREMENT (continued)

	<i>Financial assets at FVTPL KD</i>
As at 1 January 2022	1,011,518
Additions	150,000
Remeasurements recognised in interim condensed consolidated income statement	(270,994)
	<hr/>
As at 31 December 2022	890,524
	<hr/> <hr/>
	<i>Financial assets at FVTPL KD</i>
As at 1 January 2022 and 31 March 2022	1,011,518
	<hr/> <hr/>

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.

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.

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