

ANNUAL REPORT 2010

HAYAT INVEST

CONTENTS

Page

02	Hayat's Investments in 2010
03	Financial Highlights
04	Major Founders
04	Board of Directors
04	Executive Management
04	External Auditor
04	Shari'a Supervisory Board
06	Chairman's Statement
08	Management Report

Financial Statements & Independent Auditor's Report

20	Independent Auditor's Report
22	Report of Shari'a Supervisory Board "SSB"
23	Consolidated Statement of Financial Position
24	Consolidated Statement of Comprehensive Income
25	Consolidated Statement of Changes in Equity
26	Consolidated Statement of Cash Flows
27	Notes to the Consolidated Financial Statements

Hayat Invest Company K.s.c.c
Tel: +965 22915900 - Fax: +965 22478313/5
E-mail: info@hayatinvest.com
www.hayatinvest.com
P.O. Box 29806 Safat, 13159 Kuwait

"RISK GUIDED RETURN"

HAYAT'S INVESTMENTS IN 2010



EQUITY INVESTMENTS

- USA
- UK
- EUROPE
- KSA
- JAPAN
- CHINA
- INDIA
- THAILAND
- SINGAPORE
- SOUTH KOREA

REAL-ESTATE INVESTMENTS

- KSA
- LEBANON

FINANCIAL HIGHLIGHTS

NET INCOME	2010	million KD	0,986
TOTAL OPERATING INCOME	2010	million KD	2,238
TOTAL ASSETS	2010	million KD	26,738
TOTAL LIABILITIES	2010	million KD	10,234
TOTAL EQUITY	2010	million KD	16,504
RETURN ON EQUITY	2010		5.98 %
EARNINGS PER SHARE	2010		6.58 Fils

MAJOR FOUNDERS

Dr. Nabeel Ahmed Al Mannae
Mr. Yacob Yousef Al Muzaini
Al Rajhi Bank
Kuwait Finance Bank
National Bank of Kuwait

BOARD OF DIRECTORS

Dr. Nabeel Ahmed Al Mannae	Chairman & Managing Director
Mr. Yacob Yousef Al Muzaini	Vice Chairman & Managing Director
Mr. Abdulnaser Abdulmohsen Al Subaih*	Board Member
Mr. Adel Abdulwahab Al Majed*	Board Member
Mr. Adnan Abdulla Al Olayan*	Board Member
* Internal Audit Committee members	

EXECUTIVE MANAGEMENT

Dr. Nabeel Ahmed Al Mannae	Managing Director
Mr. Yacob Yousef Al Muzaini	Managing Director
Mr. Aftab Alam	Chief Investment Officer

EXTERNAL AUDITOR

KPMG Safi Al Mutawa & Partners

SHARI'A SUPERVISORY BOARD

Al Mashoorah & Al Raya for Islamic Financial Consultants

Dr. Abdurazzaq Al Shaiji	Chairman
Mr. Mohammed Al Jasser	Member
Dr. Abdulaziz Al Qassar	Member

CHAIRMAN'S STATEMENT
& MANAGEMENT REPORT



CHAIRMAN'S STATEMENT

Honorable Shareholders,

It is a great pleasure for me to welcome you to the 2nd meeting of the General Assembly. I am pleased to present to you Hayat Invest company annual report for the year ended 31 December 2010, which includes the report of the Fatwa & Shari'a Supervisory Board, in addition to the achievements of the past year, the latest local, regional and international developments, Hayat Invest financial results and the auditors' report.

We entered 2010 when it was trying to come to terms with a hesitant and volatile global economic and political environment. Various economic fears ranging from sovereign debt crisis and double dip recession in the developed world to the risk of overheating in key emerging markets kept the investors in a bewildered state. This economic uncertainty caused heightened volatility in various asset classes. Suffering from this avalanche of uncertainty, it was not easy for global investors to invest with conviction in any asset class or market. The problem was not the "risk" but "inability to quantify the risk".

As a corollary, we at Hayat, like in 2009, maintained a well diversified equity portfolio across various regions and sectors with the aim to spread the risk thin and wide. To add additional flavors of diversification, we also deployed different investment styles ranging from active management to enhanced passive and purely passive strategies. However, as a matter of our strategic asset allocation, we took the conscious decision to overweight emerging markets, despite some noise regarding high inflation and risk of asset bubble. Our decision to overweight emerging markets was based on the back of robust internal demand, strong government finances and intra-regional trade that, in our view, would be the crucial factor for the revival of global growth.

Thereafter, based on our investment department research, we deployed a dedicated portfolio of US stocks with large emerging market exposure. Our vigilant approach to investing delivered fruitful results and our equity portfolio fetched a return of 12.5% as compared to 8.3% return on FTSE all world Shariah Index.

Our total proprietary book investment portfolio reached KD 26.3 million at the end of 2010 which was primarily because of proceeding with some real estate opportunities. We availed of Shariah compliant financing facilities to an extent of 38% of the total proprietary book size. Return on Equity and Capital during the year works out to 5.98% and 6.58% respectively. During the first two years of operations, shareholder's equity increased by 9.97 % net of dividend @6% declared for 2009.

During the year we took exposure to real estate sector in Saudi Arabia and Lebanon. Our real estate investment in Saudi Arabia is in residential projects while in Lebanon, it is both in residential and office segments. To this end, we made partnership with a reputed real estate group in Saudi Arabia and established Hayat Real Estate Investment Company, a limited liability company equally owned by Hayat and its Saudi partner. The company was incorporated in Riyadh and is intended to be used as a gateway to our investments in Saudi real estate market.

Our project to develop a multifamily apartment complex in Beirut land, purchased in 2009, is now in the final stage of commencing the construction activities. A second land was purchased in Lebanon with plan to develop an office building in an upcoming location. This is routed through a subsidiary company of Hayat.

In the year 2010, we launched our first fund - Hayat India Equity Fund - which is one of very few existing meaningful shariah compliant funds on Indian Equity. Hayat India Equity Fund is registered in Mauritius as a collective investment scheme which facilitates us to enter Indian equity market in a tax efficient manner. This fund is expected to fill void of Shariah compliant investment in Indian equities. The fund was launched on 30th June 2010. It gave 19.2% annualized returns during the first six months period. The Fund is advised by Kotak Mahindra Group of India which is one of the largest integrated financial houses in India. As on 31 December 2010, the AUM of the first was USD 32 million. The fund

is open for subscription at monthly intervals. We are also in the process of obtaining approval from regulatory authorities to launch our second fund - Hayat World Equity Fund. Obtaining approval from them is hinged upon some regulatory issues which we are hopeful of sorting out soon. The proposed fund will be registered in a reputed jurisdiction. The portfolio management team at Hayat has already proved its credentials in managing international portfolios and delivering superior return compared to bench-mark. We hope to replicate our performance while managing Hayat World Equity Fund.

It is our endeavor to offer to our investors a fund in real estate but there are multiple relevant issues which are under our considerations. The relatively long gestation period, illiquidity during life of the fund and current uncertainty about trends of real estate prices in major markets are the issues which need close scrutiny. We hope to launch a real estate fund towards end of 2011 or beginning of 2012.

Our portfolio management service is a consultative relationship between the portfolio manager and client. The Investment Management team employs a dynamic approach to propose asset allocation to clients which is molded to the needs of the individual investor. By taking into consideration, factors such as risk tolerance, investment time horizon, overall return objective and any particular constraints, Hayat provides the optimum solution and finalizes the investment strategy in consultation with the client. Because of economic uncertainty, we have so far refrained from approaching more clients. We plan to expand the number and size of portfolios during 2011.

We attach great values to risk management. This philosophy of ours is reflected in our motto "Risk Guided Return". Monitoring market risk parameters at Hayat is regular - on daily, weekly, monthly and quarterly rests. The relevant credit risk in the context of Hayat relates to extending loan to our business partners. Towards this end, abiding with the CBK limits minimizes the risk which is further supervised by Credit Committee at Hayat. Operating risk at Hayat is addressed at systems level. Additionally Hayat has prepared procedure manuals for its critical operations and adherence with these minimizes the operating risk.

The year 2011 is likely to be a relatively better year for equity market however the possibility of developed market slipping into double dip recession is not totally ruled out which may be caused by unlikely shocks like existential threat to Euro. This will also affect emerging markets.

We keep our fingers crossed and continue working amidst uncertainty. With our careful approach and support of all our stakeholders, we will make efforts to continue delivering values to our esteemed shareholders. I would like to express my sincere appreciation to all our shareholders for their continued confidence in us. Finally, I am proud of our employees whose focus, commitment and talent has put our company in a position to continue its growth journey in future.



Dr. Nabeel A. Al Mannae
Chairman and Managing Director

MANAGEMENT REPORT

The global financial & economic environment impacts and creates opportunities for international investors. While 2010 was a relatively respectable year, it gave us sobering realization that many of the global imbalances which we thought were behind us, continued to exist but manifested differently. The concern for private debt problem did not vanish because the problem subsided only in some measure and to a large extent it merely migrated from private debt domain to government debt domain whose sustainability was sporadically put to question by the financial markets without any consensus on the future direction. There is unanimity that volatility is here to stay which is amply reflected in heightened volatility in USD and gold prices. In today's interlinked world, financial volatility seeped into political volatility. The majority in US Congress swung from Republican to Democrat and back to Republican again which rarely happened in such short intervals. The UK election produced hung verdict which led to formation of first coalition government after Second World War. The tenure of office of the Japanese Prime Minister became short. The enormity of the size of the bubble of 2008 has ensured only an anemic recovery - if and when it happened. The added dimension of economic shift from developed to emerging countries will have its own process pain which will continue to pose problems intermittently as arrival of new regime never goes unchallenged from the incumbent regime. Since the economic picture in 2010 was blurred and interpreted differently at different times by major research houses, the international investors were not confident in taking a view and deploy their resources firmly based upon these views.

Business and economic environment in 2010

Our investment activities spanned across regional and global markets whose economic and business environments were non-uniform and made only hesitant progress. The following were prevailing local, regional and global business & economic environment in 2010.

Kuwait

Despite headwinds in the key economic sectors particularly real estate, Kuwait's economy started showing signs of improvement. The credit growth in the banking was almost flat which was caused by both supply and demand factors. On the supply side, the banks became cautious and selective in the aftermath of financial crisis. The borrowing interest also suffered as companies concentrated on balance sheet cleaning and reducing the leverage. IMF forecasts for Kuwait set a growth rate of 3.1% in real terms in year 2010 and 4.8% in year 2011. The recent development plan of KD 31 billion is expected to accelerate the process towards 4 – 5% growth rate. Timely delivery on large scale projects will be crucial to meet the growth forecasts.

The consumer sector which had been steady through last year's weakness is still holding up well. The real estate sector is also showing improvement in recent months and is returning to levels of activity not seen since 2007-08, except in commercial real estate and office building, where oversupply remains a concern. The sectors of trade, industry and construction etc are also showing signs of life after a period of stagnation. These sectors were the most impacted by the financial crisis of 2008-09. The oil sector is recovering along with world demand and favorable price outlook and is expected to grow well. The non-oil sector showed a growth of around 4.0% in year 2010.

The Kuwait stock market delivered healthy gains in 2010 - reaching 25.5 per cent mark for the Weighted Index. The other index - Price Index - remained flatish with downward pressure. The investors clearly showed preferential bias towards better capitalized companies who could withstand the recent financial shocks. Liquidity position, however, remained poor throughout the year with the average daily traded value registering a decline of 42% - KD 51 million from KD 87.19 million in the year 2009. Many factors like lack of credit from the banking system, suspension of trading for many companies amid non submission of financial statements and steep erosion in the prices of many stocks contributed to depressed liquidity. Going forward, factors like better visibility on Zain's deal, cleaning up the market from financially stressed companies and the implementation of the new capital market law are likely to contribute to the stability in the stock market that has been volatile in the last two years. In addition, rebound in credit growth during 2011 would be catalyst towards better liquidity. The accelerated execution of government 5-year plan has the potential to give impetus both to the economy as well as stock market.

Global economy

The challenges before the global economies were non-uniform calling for varying approach. While US needed fiscal stimulus, the European markets needed a mix of fiscal stimulus and austerity measures. Contrary to this, the emerging markets needed to target a fine balancing between growth and inflation.

US

After having witnessed the worst financial crisis since the great depression of 1930s, the steep stimulus of 2009 put the economy on the recovery path. The year 2010 posed uncertainty over the sustainability of recovery process. Equity markets remained erratic during the 1st half of the year amid muddle of good and bad news ranging from high corporate profitability and earning upgrades to stubbornly high unemployment and debt overhang. Investors largely remained divided on the outlook of inflation. Many feared that mountains of debt piling in the west may put the economy back in to double dip recession. That view was reflected in declining treasury yields despite whopping new issuance. The slower economic growth of 2.4% in the second quarter, down from 3.7% in the first quarter further strengthened the fear of deflation. On the other hand, some investors feared high inflation because of US Fed's action of putting billions of dollars in the economy. That panic further pronounced the steady rise in gold prices to all time high. S&P 500 Index plunged 8.3% and saw its yearly lowest level of 1022 as of 2nd July 2010 before it managed to establish a relatively smooth upward trend to complete the year with a handsome 12.8% positive return. Major news headlines on US gulf coast oil spills and geo-political events in addition to macroeconomic headwinds i.e. deleveraging economy, unemployment, housing market, sovereign debt, etc. kept the markets in a depressed state. However, gradual improvement in consumer sentiment thereafter, high corporate profitability, tax cuts, increase in mergers and acquisition activity and Fed announcement for 2nd round of quantitative easing established a platform for a slow but steady upward trend that enabled Standard & Poor's 500 Index's to recover from the plunge that followed Lehman Brothers Holdings Inc.'s 2008 collapse. The better than estimated economic growth of 2.6% in the 3rd quarter also helped to boost investor's confidence. The big question which engages our mind is on the quality of recovery and degree of certainty on its migration from stimulus driven recovery to self-sustained recovery in 2011.

Europe

2010 was characterized by the euro sovereign debt crisis. In November 2009, Greek government shocked markets by doubling estimates for the country's 2009 budget deficit. The fear of contagion spread to other European states including Portugal, Ireland, Italy, and Spain. This led to a crisis of confidence as well as the widening of bond yield spreads and risk insurance on credit default swaps between these countries and other EU members, most importantly Germany. As a natural corollary, euro plunged to record lows against major currencies forcing the Eurozone countries (particularly France and Germany) and the International Monetary Fund to agree on a €110 billion loan for Greece, conditional on the implementation of austerity measures. Later on Europe's Finance Ministers approved a comprehensive rescue package worth almost a trillion dollars aimed at ensuring financial stability across Europe by creating the European Financial Stability Facility. However, despite huge bailout packages, doubts about the EU's viability remain. On the other hand, strong economies in the Euro zone like Germany and France benefitted from the weak euro making their exports attractive for rest of the world. The doubts about existential threat to Euro are still being raised, towards which a better visibility is likely to emerge in 2011.

Emerging markets

Like in 2009, emerging markets recorded strong GDP growth in 2010 and saved the global economy from going into double dip recession. Robust internal demand, strong government finances and intra-regional trade offset the weak external demand from the rich world. China and India were among the world's fastest-growing major economies during the year, with China overtaking Japan as the world's second-biggest economy halfway through the year. According to EPFR Global and Dialogic, Emerging market attracted US\$ 73 billion worth of portfolio investment in the first ten months of 2010 as compared to 2009's total of US\$ 83 billion. Fund-raising by companies in emerging markets via initial public offerings and secondary issues was at a historical high this year. However, the recent focus in the emerging markets has shifted from stimulating growth to managing inflation and asset bubbles. Concerns about economic overheating and inflation in major economies such as China, India, Brazil, Malaysia, Taiwan and most recently, South Korea, led authorities to steer toward the normalization of fiscal and monetary policies. In 2011, the balance between concern about inflation versus need and desire of higher growth in emerging markets will be interesting to watch with material implications.

Our business activities in 2010

While the year 2009 was our year of incorporation during which we grappled with teething problems, the year 2010 saw these issues addressed satisfactorily. This led us to focus on expanding the operating activities. Our proprietary book investment portfolio reached KD 26.3 million at the end of 2010 of which 38% was funded through Shariah compliant financing facilities. We maintained 50% of total investable pool in liquid listed equities strategically with a view to ensure sufficient liquidity all the time to service the financing facilities from the banks even under stress scenario.

We, as in 2009, maintained a well diversified equity portfolio across various regions and sectors. To add additional dimension of diversification, we diversified our investment style which ranged from active management to enhanced passive and purely passive strategies. Different strategies show varying performance under different investment dynamics and therefore diversification of strategies leads to better risk adjusted returns. For comparative purposes, we benchmarked our investment to FTSE series of Shariah indices.

Our investment approach resulted in our equity book portfolio delivering annualized return of 12.5% as compared to 8.3% return on FTSE all world Shariah index. We started the year with the view that emerging markets offered better return prospects during the year. Revival of global growth was primarily dependent on the emerging markets while developed counterparts struggled with bad debts leading to slower growth. This was the investment case for entry into South Korean market with sizable allocation in early 2010 and deploying a dedicated portfolio of US stocks with large emerging market exposure. Despite significant stress and volatility in global equity markets in the second quarter of 2010, we maintained our exposure in the emerging markets with medium to long term view. In the second half of the 2010, we took a more bold decision to further overweight emerging market exposure in our listed equity portfolio up to 70% of total equity book, with entry into India. Our investment into India was made through Hayat India Equity Fund, a fund launched by Hayat Invest Co for investing in Indian equities. The fund was incorporated in Mauritius to take tax advantages because of their Double Tax Avoidance Treaty with India.

We held the view that global financial crisis notwithstanding, some markets offered attractive return opportunities in real estate. We examined multiple opportunities in these countries some of which fitted well in our broad investment strategy. These opportunities are located in Saudi Arabia and Lebanon both of which are attractive destination for real estate investment. The Saudi Arabian real estate market was found attractive because of reasonable valuation, good demand from young population of the country, opening and deepening the financial market thereby attracting a sophisticated pool of high end skilled expatriates and policy focus on housing needs in the form of discussion on mortgage laws. The Lebanese market was investment-worthy because of high demand for residential properties from Lebanese expatriates and the place being attractive tourist destination. In both these markets, development projects offered better returns than income generating properties and therefore we decided to focus on development projects. Our real estate investment in Saudi Arabia is in residential projects while in Lebanon, it is both in residential and office segments. The following key considerations were adopted for these investments:

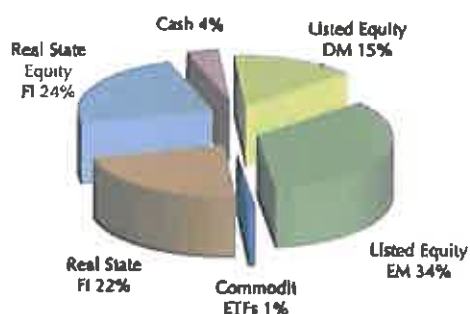
- Focus to be in medium size tickets
- Targeted leverage of 60% and equity contribution coming from Hayat or/and its partners
- Project duration to be preferably around 2 - 3 years
- The prop. book money of Hayat to be divided between liquid equity investment and real estate. The bifurcation to be such that it ensured that Hayat should not face any problem even under tight funding situations.

Towards our investment efforts in real estate market, we made partnership with a reputed real estate group in Saudi Arabia and established Hayat Real Estate Investment Company, a limited liability company equally owned by Hayat and its Saudi partner. The company was incorporated in Riyadh and is intended to be used as a gateway to our investments in Saudi real estate market. Selecting a reputed partner in Saudi Arabia and establishing a company equally owned by Hayat and our partner strategically places us well to exploit the real estate opportunities in Saudi Arabia both for ourselves and our portfolio clients. Establishing a company and exploiting real estate opportunities through it, ensures appropriate control on our investment activities there. Similar approach has been adopted in our real estate opportunities in Lebanon where all construction activities shall be carried out through subsidiary incorporated in Lebanon.

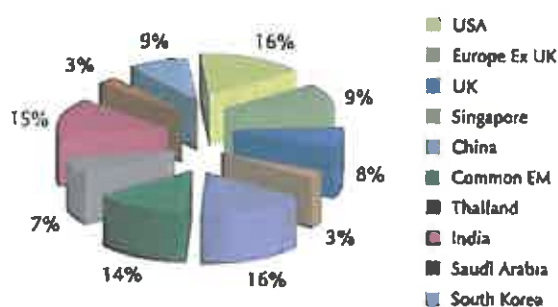
One of our Saudi real estate projects - "Hayat Villas Project" is located in Jeddah with plan to develop 93 residential villas. It is close to Read Sea mall, an iconic building in the area with easy access to many facilities in the city. Another real estate project is planned to be in Riyadh in a high end residential compound. Significant progress in the project – in terms of its planning, land acquisition efforts and availing the financing from banks – has been done which is expected to be firmed up in the first quarter of 2011.

Our project to develop a multifamily apartment complex in Beirut land, purchased in 2009, is now in the final stage of commencing the construction activities. A second land was purchased in Lebanon with plan to develop an office building in an upcoming location. The office space in Lebanon has not grown at par with the demand and therefore office prices have escalated. This has resulted in many offices planning to shift from existing prime location to upcoming location with better facilities and lower prices. Our office project intends tapping this investment opportunity. The location offers greater advantage for an office complex with easy access to main city center through a highway and being available at an affordable price. Our financial commitment to this project in the form of equity is estimated at KD 3.6 million. This is routed through a subsidiary company of Hayat.

Configuration of Prop Book Investments



Regional Distribution listed equities & commodity ETFs

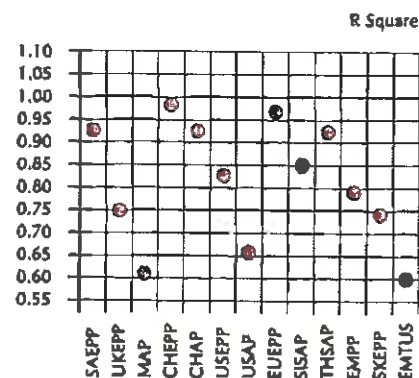
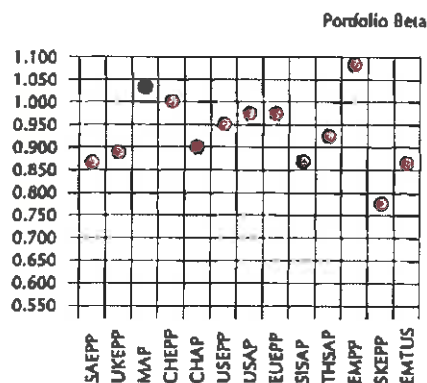


Investment configuration

Return on investment

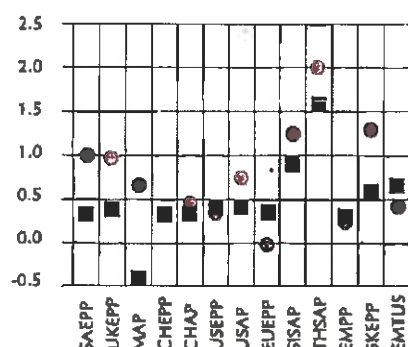
The listed equity gave a return of 12.5% as against 8.3% on FTSE all world Shariah index. This was made possible because of our over-weight in the emerging market considering their growth dynamics. The selection and weighting of countries were continuously discussed and reviewed by Investment Committee of Hayat. While a comprehensive return on real estate projects will start accruing in next 2 years, our investment in listed equity gave us better than market return both on absolute as well as risk adjusted basis. The portfolio beta was always kept under control and not allowed to go significantly beyond 1. The over-all portfolio delivered an alpha (excess return over benchmark) of 4.2%. The sharp ratio (measure of risk adjusted return over risk free rate) for all individual portfolios with the exception of couple of markets gave a positive number which implied better performance than the benchmark. Information ratio and Treynor Ratio also performed better than their respective bench-marks in general.

Portfolio beta and R square

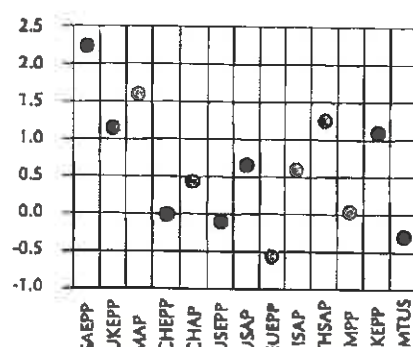


Sharp Ratio & Information Ratio

■ Sharp Ratio of benchmark ● Sharp Ratio of Portfolio

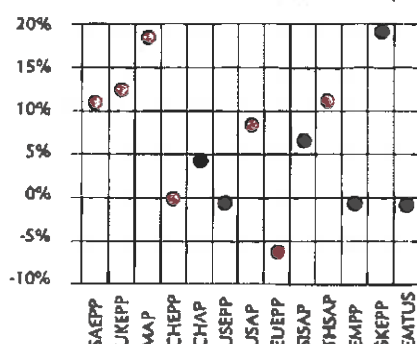


● Information ratio

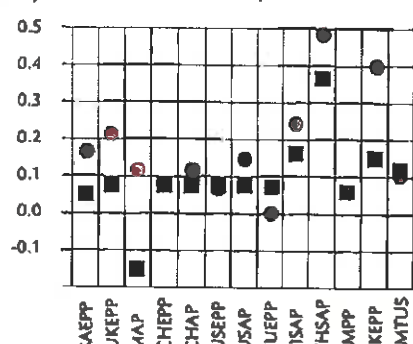


Portfolio Alpha and Treynor ratio

● Portfolio Alpha



● Treynor Ratio - Portfolio ■ Treynor Ratio - benchmark



Abbreviations

Names of Portfolio

SAEPP	Saudi Arabia Enhanced Passive Portfolio
UKEPP	UK Enhanced Passive Portfolio
JAPP -ETF	Japan Passive Portfolio - ETF
MAP	Multi Assets Portfolio
CHEPP	China Enhanced Passive Portfolio
CHAP	China Active Portfolio
USEPP	United States Enhanced Passive Portfolio

Abbreviations

Names of Portfolio

USAP	United States Active Portfolio
EUEPP	Europe Enhanced Passive Portfolio
SISAP	Singapore Semi Passive Portfolio
THSAP	Thailand Semi Passive Portfolio
EMPP -ETF	Emerging Markets ETF
SKEPP	South Korea Enhanced Passive Portfolio
EMTUS	Emerging Markets Through US Portfolio

Financial arrangements

With planned investments in a series of real estate projects, we made arrangements with Kuwaiti banks towards Shariah compliant finance facilities. We tied up with 3 local banks in order to obtain financing on competitive terms amounting to KD 9.9 million. It is our policy for leverage to cap at 50% of total assets. The present leverage is well within this limit.

While making financial arrangements, we planned our asset – liability match with due consideration. The financing by banks were negotiated for a tenor of at least 1-year. In order to ensure sufficient liquidity to service these loans, we decided to invest around 50% of our investment in highly liquid securities which could be converted into cash in 3 days. This was done taking into account stress scenario, though less probable.

Financial performance during the year

Statement of Comprehensive Income	2010	2009
Net investment income	2,097,436	2,425,815
Placement fees	-	150,000
Fee and commission income	134,031	-
Others	6,212	2,579
Operating income	2,237,679	2,578,394
Operating expenses	(1,174,485)	(1,053,568)
Operating profit before provision	1,080,141	1,524,826
Provisions	(56,742)	-
Operating profit	1,006,452	1,524,826

- The operating profit for the year was reduced by 32% mainly due to decline in gain on equity investments portfolio & increase in operating expenses. Half the money remained invested in real assets which will give return in coming years.
- Net investment income was lower due to realized gain on equity investments portfolio however over all return on equity investment portfolio remained above 12% which was more than the budgeted figure.
- Fee and commission income earned from assets under management appeared for the first time as the Company expanded its fiduciary activities during the year 2010.
- Operating expenses increased due to professional services obtained during the year 2010. These were mainly towards exploring new investment opportunities.
- Provisions for the year 2010 represents only general provision in accordance with the directions of CBK and relates to credit facilities extended by the Company during the year 2010.

Statement of Financial Position	2010	2009
Cash and bank balances	1,116,143	835,728
Investments at fair value through profit or loss	13,024,487	11,582,675
Islamic finance receivables – net of provision	5,617,496	-
Other investments (Lebanon land and equity in Hayat Real Estate)	3,163,334	1,112,916
Other assets (Advance for land acquisition, receivable & office assets)	3,817,176	3,217,532
Total assets	26,738,636	16,748,851
Islamic finance payables	9,874,450	-
Other liabilities	359,788	279,278
Shareholder's equity	16,504,398	16,469,573
Total liabilities and shareholder's equity	26,738,636	16,748,851

- Total assets of the Company increased significantly by 60% compared to the position one year back. This was because of investments and financing towards real estate projects.
- Investments at fair value through profit or loss were increased by 12.4% which is attributed to expanded investment in listed equity and its appreciation.
- Islamic finance receivables represent credit facilities extended to different customers during the year in accordance with noble Shariah principles.
- Other investments increased mainly due to investment during the year 2010 in a joint venture in Saudi Arabia
- Islamic finance payables represent financing facilities obtained from Islamic Banks to facilitate business expansion of the Company.
- Return on Equity and Capital during the year works out to 5.98% and 6.58% respectively. During the first two years of operations, shareholder's equity increased by 9.97 % net of dividend @6% declared for 2009.

Human resources (HR)

Hayat believes that HR is the one of the most important assets of any company. This aspect encompasses recruiting skilled professionals, determining appropriate compensation, developing the skills continuously, providing challenging work environment, inculcating team spirit, enriching the job and providing right incentive. While this is an ongoing process, we believe that above issues have been addressed effectively in Hayat. We have worked with a stable team through-out the year. The employees have been free to express their views through formal and informal channels which benefitted the company because of healthy interaction of competing views. The remuneration to employees was properly calibrated which were found to be proper on review. The employees were sent to various short term courses with a view to keep them abreast with latest developments.

Our employee strength of 22 comprises of bright natives and skilled expatriates. This is spanned across various functions of investments, investments operations, legal, HR, Finance and Administration, Regulatory Compliance, Shariah Compliance and Risk Management. Our employees have a credential basket of experience and qualifications such as CFA, MBA, CA, FRM and various other accredited qualifications

Shariah compliant investment

During 2009, we designed a platform of Shariah compliant investment including maintaining a universe of Shariah compliant securities and transactions in them settled in a Shariah compliant fashion. This platform was expanded in 2010 to include additional markets. With additions in 2010, we have now brokerage and settlement access to almost all developed and emerging markets. All our investments are kept with a globally renowned custodian on terms and conditions which are Shariah compliant in all aspects of operations.

Amid growing investor's demand for Shariah compliant equity investment today, almost all the major index providers like S&P, FTSE, and Dow Jones etc provide Shariah compliant equity indices covering all major markets of the world. Furthermore, Shariah compliant mutual funds and ETFs are also attracting investor's interest for their growing need in this area. It is expected that the pace of growth would accelerate in the coming years towards which our Shariah compliant platform is appropriately positioned.

Hayat's financial products and services

At Hayat, we are tuned to the needs of Shariah Compliant investors and strive to offer them financial products and services which cater to their appetite across the risk spectrum. Ensuring that all our investments are Shariah compliant, our investment platform includes maintaining a universe of Shariah compliant securities in all markets, monitoring the continued Shariah compliance of existing universe and updating the additions, executing and settling transactions and safekeeping of securities in a Shariah compliant way and finally maintaining requisite data needed for dividend purification.

Hayat funds

In the year 2010, we launched our first fund - Hayat India Equity Fund – which is the only existing meaningful Shariah compliant fund on Indian Equity. Though there is handful of such funds/ETF, their sizes and liquidity are hardly inspiring to attract institutional investors. Hayat India Equity Fund is registered in Mauritius as a collective investment scheme which facilitates us to enter Indian equity market in a tax efficient manner. This fund is expected to fill void of Shariah compliant investment in Indian equities. India still holds promises ahead despite a decade long bull run. Unlike the developed markets, India is growing at a steady rate even after the global melt down. The strong government which is good for economic reforms and developing public infrastructure are key supporting factors. The surge in the middle class, emerging consumerism, resilient rural sector which is fast integrating with modern economy is the driving forces of economic growth in India. Due to unparallel growth prospects and low correlation with developed & GCC markets, we hold the view that Indian equities are a necessary ingredient of GCC investor's portfolio – retail and institutional alike.

The fund was launched on 30th June 2010. It gave 19.2% annualized returns during the first six months period. The Fund is advised by Kotak Mahindra Group of India which is one of the largest integrated financial houses in India. As on 31 December 2010, the AUM of the first was USD 32 million. The fund is open for subscription at monthly intervals.

We are also in the process of obtaining approval from regulatory authorities to launch our second fund - Hayat World Equity Fund. Obtaining approval from them is hinged upon some regulatory issues which we are hopeful of sorting out soon. The proposed fund will be registered in a reputed international jurisdiction. The portfolio management team at Hayat has already proved its credentials in managing international portfolios and delivering superior return compared to bench-mark. We hope to replicate our performance while managing Hayat World Equity Fund.

It is our endeavor to offer to our investors a fund in real estate but there are multiple relevant issues which are under our considerations. The relatively long gestation period, illiquidity during life of the fund and current uncertainty about trends of real estate prices in major markets are the issues which need close scrutiny. We hope to launch a real estate fund towards end of 2011 or beginning of 2012.

Portfolio and wealth management at Hayat

Portfolio Management at Hayat is a consultative relationship between the portfolio manager and client. The Investment Management team employs a dynamic approach to propose asset allocation to clients which is molded to the needs of the individual investor. By taking into consideration, factors such as risk tolerance, investment time horizon, overall return objective and any particular constraints, Hayat provides the optimum solution and finalizes the investment strategy in consultation with the client. Since the volatility in equity market continued, investors demand towards listed equity remained tepid. We also did not reach to the potential clients aggressively till volatility subsided and vision became clear. The private equity scenario also was non-stable because of sharply reduced leverage opportunities in such deals which has been the mainstay of private equity business in good times. Though some private equity opportunities were examined but they did not meet our expectation. As for real estate opportunities, we devoted our attention towards creating appropriate platform which in future could be used to offer these opportunities to our clients. We made substantial progress towards this effort in Lebanon and Saudi Arabia. We are hopeful of reaching to our potential clients and expand the number and size of our portfolio at an appropriate time.

Brokerage services

Hayat's brokerage desk accesses global markets in Shariah compliant way which implies screening out the non-Shariah compliant securities and trading & settling the trades in these securities on terms and conditions which are Shariah compliant. Our reach in brokerage encompasses all important markets – both in developing and emerging countries.



Brokerage reach of Hayat

Risk management

We at Hayat are alert to the need of considering risk in all our decision making process. Any discussion on return without simultaneously assessing and addressing the embedded risks makes the investment vulnerable. This philosophy of ours is reflected in our motto "Risk Guided Return".

Since our investments are diversified across regions and asset classes, we are exposed to market risk, credit risk, operating risk apart from other various shades of risk. Our market risk arises because of volatility in factors which influence market prices. As noted earlier, 2010 has been a year of volatility which is likely to continue in near future, we need to be vigilant towards continuous monitoring based upon feed-back loop.

Monitoring market risk parameters at Hayat is regular - on daily, weekly, monthly and quarterly rests. The daily report analyzes the total position changes and its attribution. The weekly report, apart from attribution compares the performance with the benchmarks. Quarterly report goes a step further and does the above on risk adjusted basis. Weekly reports also check compliance with stated investment disciplines. These facilitate positions being brought into compliance quickly.

Credit risk at Hayat is less relevant in our investments in listed securities as transactions are settled through clearing houses which are guaranteed. OTC transactions happen rarely which are immediately settled. Our securities are kept in the custody of globally renowned custodian whose credit risk is minimal. The only relevant credit risk in the context of Hayat relates to extending loan to our business partners. Towards this end, abiding with the CBK limits minimizes the risk which is further supervised by Credit Committee at Hayat. Operating risk at Hayat is addressed at systems level. Our securities back-office is system-linked with Accounting and therefore this aspect of operating risk is controlled. Additionally Hayat has prepared procedure manuals for its critical operations and adherence with these minimizes the operating risk.

Internal Audit at Hayat is outsourced to a reputed agency whose independent reports comment on all aspects of operations with attendant risks. This serves as continuous feed-back mechanism on various risk issues. Additionally Hayat, like other finance companies, sent a report to CBK on Internal Controls. The report was prepared by independent consultant. While the report indicated scope of improvement on some aspects, no glaring gap was identified in our operations. One of the recommendations of the Internal Control report related to appointment of dedicated Risk Manager for the company. We consider this as valuable suggestion and plan to implement this in early 2011.

Corporate governance

Board of directors of Hayat Invest Company is committed and takes responsibility to maintain proper standards of corporate governance. We have designed our governance policies and practices to ensure that the company is focused on its responsibilities to its stakeholders while optimizing the gain to shareholders.

The board of Hayat comprises five directors, of which majority (three) are independent. They represent our institutional shareholders. Institutionalization of the shareholding in itself ensures that corporate governance practices, prevalent at the level of institutions concerned seep into corporate affairs of Hayat as well. The three independent directors form the audit committee of Hayat. Regular reports from the internal auditors are submitted to the audit committee. Our internal audit function is outsourced to a reputed international audit firm with expertise in internal auditing & risk management. The internal audit function carries out internal audit in multiple phases in a year focusing on selected aspects in each quarter in such a way that in one complete cycle, all aspects of operations are covered. Our audit committee plays active role in reviewing all reports of the internal audit and they also monitor the implementation of the suggestions contained in the report. The representative of internal audit is present while audit committee reviews their report.

We have well defined authority matrix delegated by the board of Hayat. While the board of Hayat is all powerful in decision making, certain decisions have been delegated to the executives of the company. While deciding any important issues, Hayat operates through in-depth discussion in its various committees namely Investment Committee, Credit Committee and Asset Management Committee. These committees are very active and meet regularly.

The Investment Management Committee is responsible for formulating policies, planning investment strategy, monitoring strategic issues linked to investments and all other matters incidental to investments function in Hayat. The Credit Committee concentrates on preparation of credit policies and controlling the approval process of credit facilities. The Assets Management Committee is responsible for pooling the views of money managers in the company, discussing the issues in the overall portfolio perspective and analyzing various scenarios to optimize the investment functions. The committee facilitates institutionalization of disciplined decision making process in the company. The committee may make recommendations, formal or informal to investment committee for final decision on relevant issues.

Hayat places significant emphasis on internal compliance procedures. The Financial Statements of the company are prepared as per International Financial Reporting Standards (IFRS) and other statutory regulations. Reports to CBK are sent on fortnightly, monthly, quarterly and yearly basis. Hayat has been prompt and diligent in sending these reports to CBK without attracting any sanction. The prescribed ratios by CBK pertaining to Leverage, solvency and foreign exposure have continuously been complied with.

Prospects for 2011

Amidst a turbulent recent financial market history, sticking neck out to predict the outlook for 2011 is hazardous. In best of times, prediction merely implies describing how severely the hypothesis had been tested in the past.

Despite economic headwinds and fears of double dip recession, 2010 turned out to be a decent year for the world economy with global output expansion of close to 5%. However, since much of this economic growth was attributable to the stimulus driven policies across the globe whose sustainability is now approaching limits and impact fading quickly. Conflicting economic policies in Europe, USA and emerging world are likely to set a new stage of economic indecision. Even after over 1 trillion USD bailout package, Euro has continued to plunge in value and governments are forced to follow austerity measures to bring the house in order. In the short term, growth in Europe will be slow. The embattled economies on the periphery such as Ireland, Greece, Portugal and Spain have a grim outlook. Sovereign-bond yields are rising not only in beleaguered economies of Europe but across the developed world amid soaring debt levels, ballooning budget deficits and lack of political will to make corrective decisions. Yields on US ten year treasures jumped more than half a percentage point to 3.5% after the announcement of tax cut plan that is likely to add some \$ 800 billion to US public debt over the next decade, and which fails to explain how the country's medium term finances are to be sorted out. According to Institute of International Finance, USA needs to raise over \$ 4 trillion in 2011 while European governments collectively need to borrow \$ 3 trillion. Japan, with the world's highest government-debt burden and short term maturities must raise funds worth more than 50% of GDP by the end of 2011. All this suggests that sovereign yields are likely to rise, which in turn could threaten the fragile recovery in the developed world.

Emerging economies, the biggest contributors to global GDP, are faced with the risk of asset bubbles and inflation amid low policy rates and risk of foreign capital flooding the economy. In 2010, a strong surge in Chinese demand helped to lift other Asian nations and commodity producers particularly Australia, Brazil and Africa. China now faces the prospects of a more abrupt tightening in monetary policy in 2011 as inflation accelerates to the fastest pace in more than two years. To avoid inflation and asset bubbles, emerging economies will need tighter policies that will put upward pressure on currencies and impacting exports. A slowdown seems probable.

However the aforesaid problems will manifest only over long term. It is expected that recovery in 2011 is likely to continue though in a lackluster way. The developed markets will grow slowly with low inflation. The emerging markets will grow faster but with hanging sword of high inflation.

The developed markets will be weighed down by lack of demand, debt problem, fiscal austerity in Europe, absence of tailwind of inventory re-stocking which has exhausted in 2009 and 2010 & unfavorable demography but propelled by extension of Bush tax cut measures and fiscal and monetary profligacy of US. Emerging markets will decelerate their blistering pace of growth towards a soft landing with inflation being the party spoiler – specifically in China, India, and Brazil. The behavior of

commodity prices particularly food items (which constitutes roughly 1/3rd of the CPI basket) will determine whether it will be the case of soft landing or crashing – the former being the most probable scenario because of inherent surge in skilled workforce and productivity.

To conclude, 2011 is likely to be a good year for equity market – developing market equity getting benefit from low inflation and emerging market equity getting benefit from GDP growth albeit at a little moderate pace. However the possibility of developed market slipping into double dip recession is not totally ruled out which may be caused by unlikely shocks like existential threat to Euro or major military conflict in Korea. This will also affect emerging markets as decoupling is still a theme which is merely into early stages of play. Global inflation – caused by monetary loosening in developed markets and capacity constraints in emerging markets – is also a possibility though a remote one.



HAYAT INVEST COMPANY K.S.C. (CLOSED)

State of Kuwait

Consolidated Financial Statements and Independent Auditor's Report
for the year ended 31 December 2010

CONTENTS

20	Independent Auditor's Report
22	Report of Shari'a Supervisory Board "SSB"
23	Consolidated Statement of Financial Position
24	Consolidated Statement of Comprehensive Income
25	Consolidated Statement of Changes in Equity
26	Consolidated Statement of Cash Flows
27	Notes to the Consolidated Financial Statements

INDEPENDENT AUDITOR'S REPORT

The Shareholders
Hayat Invest Company K.S.C. (Closed)
State of Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Hayat Invest Company K.S.C. (Closed) ("the Company") and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

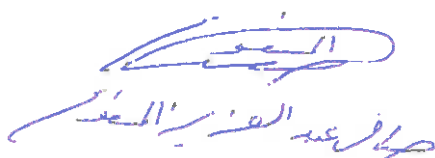
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2010, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait.

Report on other legal and regulatory requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Kuwait Commercial Companies Law of 1960, as amended, and the Company's articles and memorandum of association. In our opinion, proper books of account have been kept by the Company, an inventory count was carried out in accordance with recognized procedures and the accounting information given in the board of directors' report agrees with the books of account. We have not become aware of any contravention, during the year ended 31 December 2010, of the Kuwait Commercial Companies Law of 1960, as amended, or of the Company's articles and memorandum of association, that might have had a material effect on the Group's activities or on its consolidated financial position.

We further report that, during the course of our audit, 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 organization of banking business, and its related regulations during the year ended 31 December 2010.



Safi A. Al Mutawa
License No 138 "A"
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

Kuwait: 14 March 2011

صافي عبدالعزيز المطوع
مرخص تحت رقم (١٣٨) فئة ١

REPORT OF SHARI'A SUPERVISORY BOARD "SSB"

"Praise be to Allah Almighty, and Peace and Blessings
be upon our Prophet Muhammad, his Folk,
Companions and Followers to the Day of Judgment"

To: Shareholders of Hayat Invest Company K.S.C.

"In the Name of Allah, The Merciful, The Compassionate"

As per the engagement letter signed with us, we have audited the contracts and transactions concluded by the Company in order to express an opinion on compliance by the Company with the rules and regulations of the Islamic Shari'a, as explained under the Shari'a opinions, guidelines and resolutions issued by us during the period ended 31.12.2010.

It is the responsibility of the Company's management for execution of contracts and transactions in accordance with the rules and regulations of Islamic Shari'a, as explained by us. Our responsibility is limited to expressing an independent opinion on compliance by the Company based on our audit.

We have conducted our audit in accordance with the regulations issued by Accounting and Auditing Organization for Islamic Financial Institutions "AAOIFI". Those regulations require that we plan and perform the audit and review procedures to obtain all information, explanations and declarations that we deemed necessary to provide us with reasonable assurance that the Company is in compliance with rules and regulations of the Islamic Shari'a, as explained by us.

We conducted our audit on each type of contracts and transactions executed during the reporting period and believe that the audit conducted by us provides a proper basis to express our opinion. In our opinion and in the light of the explanations and confirmations we obtained:

1. The contracts and transactions made by the Company during the financial year ended 31.12.2010 do not contravene the rules and regulations of Islamic Shari'a, and
2. The Company is not authorized to pay the Zakat; responsibility for payment thereof lies with the shareholders.



Dr. Abdulrazzaq Al Shaiji
SSB Chairman



Dr. Abdulaziz Al Qassar
SSB Member



Mr. Mohammed Al Jasser
SSB Member


Consolidated Statement of Financial Position

as at 31 December 2010

	Note	2010 KD	2009 KD
ASSETS			
Cash and bank balances		1,116,143	835,728
Investments at fair value through profit or loss	5	13,024,487	11,582,675
Islamic finance receivables	6	5,617,496	-
Investment property under construction	7	1,598,660	1,112,916
Investment in equity-accounted investee	8	1,564,674	-
Other assets	9	3,817,176	3,217,532
Total assets		26,738,636	16,748,851
LIABILITIES AND EQUITY			
Liabilities			
Islamic finance payables	10	9,874,450	-
Other liabilities		359,788	279,278
Total liabilities		10,234,238	279,278
Equity			
Share capital	11	15,000,000	15,000,000
Statutory reserve	11	253,128	152,483
Voluntary reserve	11	253,128	152,483
Translation reserve		(51,532)	-
Retained earnings		1,049,674	1,164,607
Total equity		16,504,398	16,469,573
Total liabilities and equity		26,738,636	16,748,851



Dr. Nabeel A. Al-Mannae
Chairman & Managing Director



Yacob Y. Al-Muzaini
Vice Chairman & Managing Director

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

		2010 KD	For the period from 21 Dec. 2008 (the date of incorporation) to 31 Dec. 2009 KD
Operating income	Note		
Net investment income	13	2,097,436	2,425,815
Placement fees		-	150,000
Fee and commission income		134,031	-
Other income		6,212	2,579
Total operating income		2,237,679	2,578,394
Operating expenses and other charges			
Staff costs		(720,941)	(734,711)
Depreciation and amortisation		(41,997)	(36,860)
Finance cost		(117,437)	-
Other expenses	14	(350,852)	(281,997)
Total operating expenses and other charges		(1,231,227)	(1,053,568)
Profit before Board of Directors' remuneration, contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS") and Zakat		1,006,452	1,524,826
Board of Directors' remuneration		-	(25,000)
Contribution towards:			
KFAS		(9,058)	(13,723)
Zakat		(11,037)	(16,530)
Net profit for the year/ period		986,357	1,469,573
Other comprehensive income			
Foreign currency translation differences		(51,532)	-
Other comprehensive income for the year/ period		(51,532)	-
Total comprehensive income for the year/ period		934,825	1,469,573
Basic earnings per share (fils)	15	6.58	9.80

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2010

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Translation reserve KD	Retained earnings KD	Total KD
Issued and paid up share capital	15,000,000	-	-	-		15,000,000
Total comprehensive income for the period	-	-	-	-	1,469,573	1,469,573
Transfer to reserves	-	152,483	152,483	-	(304,966)	-
Balance at 31 December 2009	15,000,000	152,483	152,483	-	1,164,607	16,469,573
 Balance at 1 January 2010	 15,000,000	 152,483	 152,483	 -	 1,164,607	 16,469,573
Total comprehensive income for the year						
Profit for the year	-	-	-	-	986,357	986,357
Total other comprehensive income	-	-	-	(51,532)	-	(51,532)
Total comprehensive income for the year	-	-	-	(51,532)	986,357	934,825
Transfer to reserves	-	100,645	100,645	-	(201,290)	-
Transactions with owners of the Company recognized directly in equity						
Dividends paid (Note 21)	-	-	-	-	(900,000)	(900,000)
Balance at 31 December 2010	15,000,000	253,128	253,128	(51,532)	1,049,674	16,504,398

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2010

	2010 KD	For the period from 21 Dec. 2008 (the date of incorporation) to 31 Dec. 2009 KD
Cash flows from operating activities		
Net profit for the year/ period	986,357	1,469,573
Adjustments for:		
Depreciation and amortization	41,997	36,860
Unrealized gain from investments at fair value through profit or loss	(1,364,213)	(686,753)
Share of loss of equity-accounted investee	47,217	-
Change in fair value of investment property under construction	(459,367)	-
Dividend income	(253,222)	(47,795)
Finance cost	117,437	-
General provision on Islamic finance receivables	56,742	-
Provision for employees' end of service indemnity	65,987	75,459
Provision for KFAS	9,058	13,723
Provision for Zakat	11,037	16,530
Effect of foreign currency translation differences	(51,532)	-
	(792,502)	877,597
Changes in:		
Investments at fair value through profit or loss	(77,599)	(10,895,922)
Other assets	(93,076)	(37,653)
Other liabilities	(4,202)	173,566
Cash used in operating activities	(967,379)	(9,882,412)
Post employment benefits paid	(1,370)	-
Net cash used in operating activities	(968,749)	(9,882,412)
Cash flows from investing activities		
Amount advanced to acquire an investment	-	(3,055,121)
Investment in equity-accounted investee	(1,611,891)	-
Islamic finance receivables	(5,674,238)	-
Acquisition of investment property under construction	-	(1,112,916)
Additions to investment property under construction	(26,377)	-
Amount advanced to acquire a land	(3,579,354)	-
Acquisition of intangible assets	(8,698)	(19,250)
Proceeds from disposal of investment	3,050,989	-
Dividends received	249,827	42,723
Purchase of property and equipment	(8,107)	(137,296)
Net cash used in investing activities	(7,607,849)	(4,281,860)
Cash flows from financing activities		
Proceeds from issue of share capital	-	15,000,000
Islamic finance payables	9,861,534	-
Finance cost paid	(104,521)	-
Dividends paid	(900,000)	-
Net cash from financing activities	8,857,013	15,000,000
Net increase in cash and bank balances	280,415	835,728
Cash and bank balances at the beginning of the year/ period	835,728	-
Cash and bank balances at the end of the year/ period	1,116,143	835,728

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

1. Incorporation and activities

Hayat Invest Company K.S.C. (Closed) ("the Company") is a Closed Kuwaiti Shareholding Company incorporated in the State of Kuwait on 21 December 2008. The Company was registered as an investment company with the Central Bank of Kuwait ("CBK") on 17 February 2009.

The Company was registered with the commercial register on 30 December 2008 under registration number 330034.

The Company is domiciled in the State of Kuwait and its registered address is Al Jon Tower – 11th & 12th Floors, Fahad Al Salem Street, State of Kuwait.

The Company is primarily engaged in investment and real estate activities and involved in providing asset management services as per the articles and memorandum of association and guidelines of noble Islamic Shari'ah.

The preceding period is the first statutory period for the Company and covers the period from the date of incorporation on 21 December 2008 to 31 December 2009. As a result, the comparative amounts for the consolidated statements of comprehensive income, changes in equity, cash flows and related notes are not entirely comparable.

The consolidated financial statements comprise of Hayat Invest Company K.S.C. (Closed) and its subsidiaries (together referred to as "the Group" and individually as "Group entities") and the Group's interest in a jointly controlled entity.

Details of the Group entities and the jointly controlled entity as at 31 December 2010 are as follows:

Name of the Company	Country of incorporation	Ownership interest		Principal activities
		2010	2009	
Jointly controlled entity				
Hayat Real Estate Investment Company L.L.C.	Saudi Arabia	50%	-	Real Estate
Subsidiaries				
Hayat Construction SAL IMMOBILIAIRE	Lebanon	100%	-	Construction
BERYTUS SA	Panama	100%	-	Real Estate

The Group's consolidated financial statements for the year ended 31 December 2010 were authorized for issue by Board of Directors on 14 March 2011. The shareholders of the Company have the power to amend these consolidated financial statements at the annual general assembly meeting.

Notes to the Consolidated Financial Statements (Cont.)

for the year ended 31 December 2010

2. Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as adopted for use by the State of Kuwait for financial institutions regulated by the Central Bank of Kuwait ("CBK"). These regulations require adoption of all IFRSs except for the IAS 39 requirement for collective impairment provision, which has been replaced by the CBK requirement for a minimum general provision (note 3(i)).

In addition, the Company complies with the requirements of the Kuwait Commercial Companies Law of 1960, as amended, Ministerial order No. 18 of 1990 and the Company's articles and memorandum of association.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statement of financial position:

- investments at fair value through profit or loss are measured at fair value; and
- investment property under construction is measured at fair value.

c) Functional and presentation currency

These consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is the Company's functional currency. All financial information presented in KD has been rounded to the nearest KD.

d) New and amended standards adopted by the Group

Distributions of non-cash assets to owners

Effective 1 January 2010, IFRIC 17 Distributions of Non-Cash Assets to Owners requires the liability to distribute non-cash assets as a dividend to the owners of the Company to be measured at the fair value of the assets to be distributed. The carrying amount of the dividend remeasured at each reporting date and at the settlement date, with any changes recognized directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability is recognized in profit or loss.

Business combinations

Effective 1 July 2009, IFRS 3 introduces significant changes in the accounting for business combinations. Changes effect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combination achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

The change in accounting policy is applied prospectively and had no material effect on earnings of the Group.

Consolidated and separate financial statements

Effective from 1 July 2009, IAS 27 requires that a change in the ownership interest in a subsidiary (without the loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor they will give rise to gains and losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

Notes to the Consolidated Financial Statements (Cont.)

for the year ended 31 December 2010

The above changes will affect future acquisitions and loss of control of subsidiaries and transactions with non-controlling interests.

The change in accounting policy is applied prospectively and had no material effect on the earnings of the Group.

e) Use of judgments and estimates

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of critical judgments in applying accounting policies that have most significant effect on the amounts recognized in the consolidated financial statements are described below:

Classification of investments

Management has to decide on acquisition of financial instruments whether it should be classified as available-for-sale, held to maturity, investments at fair value through profit or loss or as loans and receivables. In making the judgment, the Group considers the primary purpose for which it is acquired and how it intends to manage and report performance.

Classification of properties

Determining the classification of a property depends on particular circumstances and management's intentions. Property that is held for resale in the ordinary course of business or that in the process of development for such sale is classified as inventory. Property held to earn rental income or for capital appreciation, or both is classified as investment property. Property held for use in the production or supply of goods and services or for administrative purposes is classified as property and equipment.

Determination of functional currency

Functional currency is the currency of the primary economic environment in which the Company operates. When indicators of the primary economic environment are mixed, management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The management have determined that the functional currency of the Company is KD.

Notes to the Consolidated Financial Statements (Cont.)

for the year ended 31 December 2010

f) Standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these consolidated financial statements.

• Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues	Effective for annual periods beginning on or after 1 February 2010
• IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	Effective for annual periods beginning on or after 1 July 2010
• IAS 24 Related Party Disclosures (revised 2009)	Effective for annual periods beginning on or after 1 January 2011
• Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction	Effective for annual periods beginning on or after 1 January 2011
• IFRS 9 Financial Instruments	Effective for annual periods beginning on or after 1 January 2013
• Amendment to IFRS 7- Disclosures	Effective for annual periods beginning on or after 1 July 2010

In May 2010 the IASB issued Improvements to IFRSs 2010, which comprises 11 amendments to 7 standards. Effective dates, early adoption and transitional requirements are addressed on a standard-by-standard basis. The majority of the amendments will be effective for annual periods beginning on or after 1 January 2011.

The management anticipate that the adoption of these standards, amendments to standards and interpretations once become effective in future periods will have no material financial impact on the consolidated financial statements of the Group in the period of initial application except for the adoption of IFRS 9.

IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. The new standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

Management is in the process of assessing the impact of the adoption of IFRS 9 on the Group's financial instruments.

Notes to the Consolidated Financial Statements (Cont.)

for the year ended 31 December 2010

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group entities, except as explained in note 2(d) which addresses new accounting policies adopted.

a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Investment in jointly controlled entities

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investment in a jointly controlled entity is accounted for using the equity method (equity accounted investee) and is recognized initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that the joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra group balances and transactions, and any unrealized income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with the equity accounted investee are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Cash and bank balances

Cash and bank balances represent cash on hand and at bank.

c) Investments at fair value through profit or loss

An investment is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Investments at fair value through profit or loss are measured at fair value, and changes therein recognized in profit or loss. Subsequent to initial recognition, all investments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognized in the profit or loss.

Notes to the Consolidated Financial Statements (Cont.)

for the year ended 31 December 2010

d) Islamic finance receivables

Islamic finance receivables represent wakala receivables which comprise of amounts invested with third parties under wakala arrangements for onward deals by these parties in various Islamic investment products.

Wakala receivables are recognized initially at cost and are subsequently carried at amortized cost using the effective yield method.

e) Investment property under construction

Investment property is property, held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property under construction is recognized initially at cost and remeasured subsequently at fair value. Changes in fair value are recognized in profit or loss. Changes in the carrying amount of investment property under construction in any given period will include additions recognized at cost and changes in the fair value of the property.

f) Other assets

Other assets are stated at amortized cost less impairment losses (note 3(j)) except for the following:

(i) Intangible assets

Intangible assets represent computer software licenses. Software licenses acquired by the Group are stated at cost less accumulated amortization and accumulated impairment losses (note 3(j)).

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

Amortization is recognized in the profit or loss on a straight line basis over the estimated useful life of the software from the date that it is available for use. The estimated useful life of software is three years.

(ii) Property and equipment

Recognition and measurement

Item of property and equipment is measured at cost less accumulated depreciation and impairment losses (note 3(j)). Cost includes expenditures that are directly attributable to the acquisition of the asset.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from the disposal with the carrying amount of property and equipment and are recognized in the profit or loss.

Depreciation

Depreciation is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property and equipment.

The estimated useful lives of property and equipment are as follows:

Office furniture and decorations	5 years
Office equipment	5 years
Computers	3 years

Depreciation method and useful lives are reviewed at each reporting date.

Notes to the Consolidated Financial Statements (Cont.)

for the year ended 31 December 2010

g) Islamic finance payables

(i) Murabaha

Murabaha payables represent the amount payable on a deferred settlement basis for assets purchased under murabaha agreements. Murabaha payables are stated at the net amount of the payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding. Finance cost is recognized in the profit or loss as an expense.

(ii) Wakala

Wakala payables comprise of amounts invested by third parties under wakala arrangements for onward deals by the Group in various Islamic investment products.

Wakala payables are recognized initially at cost and are subsequently carried at amortized cost using the effective yield method.

(iii) Tawarruq

Tawarruq payables are Islamic instruments involving the Group purchase of assets from a counterparty and selling the same asset to a third party for immediate delivery and payment. The Group has a deferred payment obligation for the marked up price to the counterparty. Tawarruq is stated at amortized cost. Finance cost is recognized in the profit or loss as an expense.

h) Other liabilities

Other liabilities are stated at amortized cost.

i) Revenue recognition

Islamic finance income

Income from wakala contracts are recognized on a time proportion basis, taking into account the principal amount outstanding and the applicable rates of expected profit using the effective profit rate.

Fees and commission income

Fees and commission income include asset management fees earned by the Group on fiduciary activities. Fees and commission income are recognized on an accrual basis as soon as the fees are earned.

Dividend income

Dividend income is recognized when the right to receive the income is established. Dividends are reflected as a component of net investment income.

j) Impairment

i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements (Cont.)

for the year ended 31 December 2010

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

In addition, in accordance with CBK instructions, a minimum general provision of 1% on all finance facilities net of certain categories of collateral, to which CBK instructions are applicable and not subject to specific provision, is made.

The Group's financial assets include cash and bank balances, Islamic finance receivables and investment at fair value through profit or loss.

ii) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

k) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

l) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the KD at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the KD at the exchange rate at that date.

Non monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the KD at the exchange rate at the date that the fair value was determined. Non monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated to KD at exchange rates at the reporting date. The income and expenses of foreign operations are translated to KD at exchange rates at the dates of the transactions.

Notes to the Consolidated Financial Statements (Cont.)

for the year ended 31 December 2010

Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation difference in the equity. However, if the operation is not a wholly owned subsidiary, then the relevant proportionate share of the translation difference is recognized in other comprehensive income. When a foreign operation is disposed of such that the joint control is lost, the cumulative amount in translation difference related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its investment in jointly controlled entity that includes a foreign operation while retaining joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains or losses arising from such monetary item are considered to form part of a net investment in foreign operation and are recognized in other comprehensive income, and presented in the foreign currency translation difference in the equity.

m) Employees' benefits

Kuwaiti employees

Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security (PIFSS) Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Company's share of contributions to this scheme, which is a defined contribution scheme, is charged to profit or loss in the year to which they relate.

Expatriate employees

Expatriate employees are entitled to an end of service indemnity payable under the Kuwait Labor Law and the Company's by-laws based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. Provision for this unfunded commitment which represents a defined benefit plan, has been made by calculating the notional liability had all employees left at the date of statement of financial position.

n) Provisions

A provision is recognized in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

o) Fiduciary assets

Assets held in a trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements but are disclosed in the notes to the consolidated financial statements.

p) Taxation

The Company is registered in the State of Kuwait. Under the laws of State of Kuwait, there is no income, estate, corporation, capital gains or other taxes payable by the Company.

Investment income and capital gain received by the Company may be subject to withholding tax imposed in the country of origin. Such income or gains are recorded gross of withholding taxes in profit or loss and the withholding tax is recognized as other expense in profit or loss.

q) Kuwait Foundation for the Advancement of Sciences ("KFAS")

The Company is legally required to contribute to KFAS. The Company's contributions to KFAS are recognized as an expense in the year during which the Company's contribution is legally required.

Notes to the Consolidated Financial Statements (Cont.)

for the year ended 31 December 2010

Contribution towards KFAS is computed at 1% of the net profit after deducting 10% transfer to the statutory reserve until the reserve reaches 50% of the share capital where such transfer shall be discontinued and contribution to KFAS shall then be calculated based on the entire net profit after excluding profits from Kuwaiti shareholding subsidiaries and associates.

r) Zakat

Contribution towards Zakat is computed at 1% of the net profit for the year and provided for in accordance with the requirements of Law No.46 of 2006 and charged to profit or loss.

4. Determination of fair values

A number of Group's accounting policies and disclosures require determination of fair value, for both financial and non financial assets. Fair values have been determined for measurement based on following methods.

Investment property under construction

Fair value is determined based on the valuation by an external, independent valuation company, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued and values the Group's land under development every twelve months. The fair value is based on market values, being an estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

Equity securities

The fair value of equity securities is based on their quoted bid price at the reporting date without any deduction for estimated future selling costs.

5. Investments at fair value through profit or loss

	2010 KD	2009 KD
Equity securities	<u>13,024,487</u>	<u>11,582,675</u>

6. Islamic finance receivables

	2010 KD	2009 KD
Gross wakala receivables	5,674,238	-
General provision	<u>(56,742)</u>	<u>-</u>
	<u>5,617,496</u>	<u>-</u>

The effective yield from wakala receivables ranges from 8% to 8.5% (2009: Nil) per annum.

This includes wakala receivables from related parties as disclosed in Note 12.

The maturity of the Group's receivables and risk analysis is disclosed in Note 18.

Notes to the Consolidated Financial Statements (Cont.)

for the year ended 31 December 2010

7. Investment property under construction

	2010 KD	2009 KD
Opening balance	1,112,916	-
Acquisition of investment property	-	1,112,916
Capitalized construction costs	26,377	-
Change in fair value (recognized in profit or loss)	459,367	-
Carrying amount at 31 December	<u>1,598,660</u>	<u>1,112,916</u>

8. Investment in equity-accounted investee

During the year, the Group acquired a 50% stake in a Saudi based entity, Hayat Real Estate Investment Company L.L.C. ("the jointly controlled entity").

The Group's share of loss in the jointly controlled entity for the year was KD 47,217 (2009: Nil).

Summary financial information for equity accounted investee, not adjusted for the percentage ownership held by the Group:

	Total assets KD	Total liabilities KD	Income KD	Expenses KD	Profit or (loss) KD
2010					
Hayat Real Estate Investment Company L.L.C.	<u>7,892,871</u>	<u>4,700,523</u>	<u>-</u>	<u>94,434</u>	<u>(94,434)</u>

9. Other assets

	2010 KD	2009 KD
Advances paid to acquire an investment	-	3,055,121
Advance paid for acquisition of land	3,579,354	-
Prepayments	23,789	42,725
Others	214,033	119,686
	<u>3,817,176</u>	<u>3,217,532</u>

During the period ended 31 December 2009, the Group paid an advance to acquire 51% stake in a Turkish Company. However, during the current year, the investment deal was cancelled with mutual consent of the contractual parties and accordingly the advance was refunded to the Group net of administrative expenses.

During the year, the Group paid an advance towards acquiring a land in Lebanon. The legal formalities in respect of the title deed transfer are still in progress and accordingly the payment has been classified as an advance.

Included within others are property and equipment and intangible assets carried at KD 75,635 (2009: KD 100,436) and KD 18,859 (2009: KD 19,250) respectively.

Notes to the Consolidated Financial Statements (Cont.)
for the year ended 31 December 2010

10. Islamic finance payables

	2010 KD	2009 KD
Murabaha	2,879,926	-
Wakala	1,989,506	-
Tawarruq	5,005,018	-
	<u>9,874,450</u>	<u>-</u>

The maturity of Islamic finance payables is disclosed in Note 18.

The effective profit rate on Islamic finance payables ranges from 3.7% to 5% (2009: Nil) per annum.

Tawarruq includes payables to related party as disclosed in Note 12.

11. Equity

Share capital

The Company's authorized, issued and fully paid up share capital amounts to KD 15,000,000 (2009: KD 15,000,000) comprising of 150,000,000 (2009: 150,000,000) shares of 100 fils each.

Statutory reserve

In accordance with the Kuwait Commercial Companies Law of 1960, as amended, and the Company's articles of association, 10% of profit for the year, before contribution to KFAS and directors' remuneration, is transferred to the statutory reserve until the reserve totals 50% of the paid up share capital. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

Voluntary reserve

As required by the Company's articles of association, 10% of the profit for the year is required to be transferred to the voluntary reserve. Such annual transfers can be discontinued by a resolution of shareholders in the annual general assembly meeting upon recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

12. Related party balances and transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial and operating decision.

Related parties primarily comprise the Company's major shareholders, directors, subsidiaries, associates, key management personnel and their close family members. Transactions with related parties are conducted in the normal course of business and are on terms and conditions approved by the Company's management or by Board of Directors.

Notes to the Consolidated Financial Statements (Cont.)

for the year ended 31 December 2010

Balances with related parties were as follows:

	2010 KD	2009 KD
Bank balances	923,458	136,480
Wakala receivables	2,820,968	-
Tawarruq payables	5,005,018	-
Payables and other liabilities	187,160	107,238

Compensation to 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.

Significant transactions with key management personnel during the year represent salaries, allowances and other benefits amounting to KD 331,080 (2009: KD 454,438).

13. Net investment income

	2010 KD	For the period from 21 Dec. 2008 (the date of incorporation) to 31 Dec. 2009 KD
Realized gain on investments at fair value through profit or loss	209	1,386,768
Unrealized gain on investments at fair value through profit or loss	1,364,213	686,753
Change in fair value of investment property under construction	459,367	-
Profit from Islamic finance receivables	138,561	-
Share of loss of equity-accounted investee	(47,217)	-
Profit from murabaha and wakala placements	2,342	304,430
Dividend income	253,222	47,795
Foreign exchange (loss)/ gain	(73,261)	69
	<u>2,097,436</u>	<u>2,425,815</u>

Notes to the Consolidated Financial Statements (Cont.)

for the year ended 31 December 2010

14. Other expenses

	2010 KD	For the period from 21 Dec. 2008 (the date of incorporation) to 31 Dec. 2009 KD
Direct pre-operating expenses	-	19,851
General provision on Islamic finance receivables	56,742	-
Rent	52,014	114,497
Professional fees	85,402	40,151
Travel expenses	24,168	26,479
Fees and subscription	29,965	26,370
Others	102,561	54,649
	<u>350,852</u>	<u>281,997</u>

15. Basic earnings per share

	2010 KD	2009 KD
Net profit for the year/ period (KD)	986,357	1,469,573
Weighted average number of shares outstanding	150,000,000	150,000,000
Earnings per share (fils)	6.58	9.80

16. Fiduciary assets

Fiduciary assets comprise investments managed by the Group on behalf of clients. These are not assets of the Group and accordingly are not included in the consolidated financial statements. As at the reporting date, total fiduciary assets managed by the Group amounted to KD 9,532,323 (2009: KD 401,113).

17. Fair value of financial instruments

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Financial instruments comprise financial assets and financial liabilities.

The estimated fair value of financial assets and liabilities financial instruments at the reporting date are not significantly different from their carrying value.

Fair value hierarchy

The below analyses financial instruments carried at fair value, by valuation method.

Notes to the Consolidated Financial Statements (Cont.)

for the year ended 31 December 2010

The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Investments at fair value through profit or loss are based on level 1 input.

18. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing such risks. Further quantitative disclosures are included throughout these consolidated financial statements.

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from bank balances with banks and Islamic finance receivables.

The Group limits its exposure to credit risk by only placing funds with counterparties that have high credit ratings. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Exposure to credit risk

The carrying amount of financial assets as at 31 December 2010 represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2010 KD	2009 KD
Bank balances	1,116,143	835,728
Islamic finance receivables	5,617,496	-
	<u>6,733,639</u>	<u>835,728</u>

Notes to the Consolidated Financial Statements (Cont.)

for the year ended 31 December 2010

The Group monitors concentration of credit risk by sector and by geographic location.

The maximum exposure to credit risk for bank balances and Islamic finance receivables at the reporting date by sector and geographic region is as follows:

2010

	Bank balance KD	Islamic finance receivables KD
Carrying amounts	<u>1,116,143</u>	<u>5,617,496</u>
Concentration by sector		
Government	5,000	-
Banks	1,111,143	-
Real Estate	-	5,617,496
	<u>1,116,143</u>	<u>5,617,496</u>
Concentration by location		
GCC	987,320	5,617,496
Europe	128,823	-
	<u>1,116,143</u>	<u>5,617,496</u>

2009

	Bank balance KD	Islamic finance receivables KD
Carrying amounts	<u>835,728</u>	<u>-</u>
Concentration by sector		
Government	5,000	-
Banks	829,228	-
Others	1,500	-
	<u>835,728</u>	<u>-</u>
Concentration by location		
GCC	474,456	-
Europe	361,272	-
	<u>835,728</u>	<u>-</u>

Notes to the Consolidated Financial Statements (Cont.)

for the year ended 31 December 2010

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

As at the reporting date, all financial assets and liabilities have a maturity of less than one year.

Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market.

To manage the equity price risk arising from investments in securities, the Group diversifies its portfolio. Diversification is done by investing in different markets such as US market, European markets, GCC markets and Asian markets, by industry such as technology, real estate, telecommunications and manufacturing.

The effect as at 31 December 2010 due to reasonable possible change in the equity indices, with all variables held as constant, is as follows:

31 December 2010

Market indices	Changes in equity price %	Effect on equity KD	Effect on profit or loss KD
Stock Exchange of Thailand	5	45,236	45,236
Hong Kong Stock Exchange	5	96,575	96,575
Riyadh Stock Exchange	5	16,239	16,239
Singapore Exchange	5	21,906	21,906
London Stock Exchange	5	13,621	13,621
South Korea Stock Exchange	5	62,378	62,378
New York Stock Exchange	5	240,307	240,307
India Stock Exchange	5	98,408	98,408
European Stock Exchanges	5	56,105	56,105

31 December 2009

Market indices	Changes in equity price %	Effect on equity KD	Effect on profit or loss KD
Australian Securities Exchange	5	84,746	84,746
Stock Exchange of Thailand	5	75,353	75,353
Hong Kong Stock Exchange	5	84,034	84,034
Riyadh Stock Exchange	5	196,576	196,576
Singapore Exchange	5	60,405	60,405
London Stock Exchange	5	71,659	71,659
Tokyo Stock Exchange	5	11,082	11,082
New York Stock Exchange	5	432,571	432,571
European Stock Exchanges	5	318,699	318,699

Notes to the Consolidated Financial Statements (Cont.)

for the year ended 31 December 2010

An equal change in the opposite direction would have had an equal but opposite effect.

Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of Group's financial instrument will fluctuate because of changes in market profit rates.

Financial instruments which potentially subject the Group to profit rate risk consist principally of bank balances and Islamic finance receivables and payables.

The Group's bank balances and Islamic finance receivables and payables are for a short term nature and hence, any fluctuation in the profit rate would not have any significant impact.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign exchange risk arising from various currency exposures.

Currency exposure arising from this managed primarily through purchasing in the relevant currency and maintaining bank accounts in the relevant currency.

The Group is exposed to currency risk on investments at fair value through profit or loss, bank accounts and Islamic finance receivables and payables denominated in currencies other than Kuwaiti Dinar.

Exposure to currency risk

As at reporting date, the Group has the following significant net assets exposures determined in foreign currencies:

2010	KD	Change in	Effect on
		currency rate in	profit or loss
		%	KD
US\$	6,523,749	10	652,375
Euro	(426,524)	10	(42,652)
SAR	4,934,874	10	493,487
HK\$	1,933,489	10	193,349
THB	904,712	10	90,471
SG\$	439,687	10	43,969
GBP	273,033	10	27,303
KRW	1,253,368	10	125,337
2009	KD	Change in	Effect on
		currency rate in	profit or loss
		%	KD
US\$	3,922,304	10	392,230
Euro	1,359,505	10	135,951
SAR	1,709,004	10	170,900
HK\$	1,681,572	10	168,157
THB	623,979	10	62,398
SG\$	605,185	10	60,519
GBP	1,683,801	10	168,380
AU\$	399,544	10	39,954

Notes to the Consolidated Financial Statements (Cont.)

for the year ended 31 December 2010

A 10% weakening of KD against the above currencies at 31 December would have an equal but opposite effect, on the basis that all variables remain constant.

19. Capital management

The management's policy is to maintain a strong capital base to sustain future development of the business. The management monitors the return on capital through operating cash flow management. The management seeks to maintain a balance between higher returns and the advantages and security offered by a sound capital position. The Group is not subject to externally imposed capital requirements, except the minimum capital requirements of the Kuwait Commercial Companies Law of 1960, as amended.

20. Commitments

	2010 KD	2009 KD
Capital commitments for the acquisition of an investment	-	972,252
Other commitments	-	8,250

21. Annual General Assembly

The Shareholders' Annual General Assembly held on 17 February 2010 approved the annual audited financial statements as at and for the period ended 31 December 2009 and the payment of a cash dividend of 6 fils per share for the period then ended.

22. Comparatives

Certain prior period numbers have been reclassified to conform to current year's presentation. Such reclassifications did not affect previously reported equity or profit or loss.

