Annual Report

Risk Guided Return

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HAYAT INVEST

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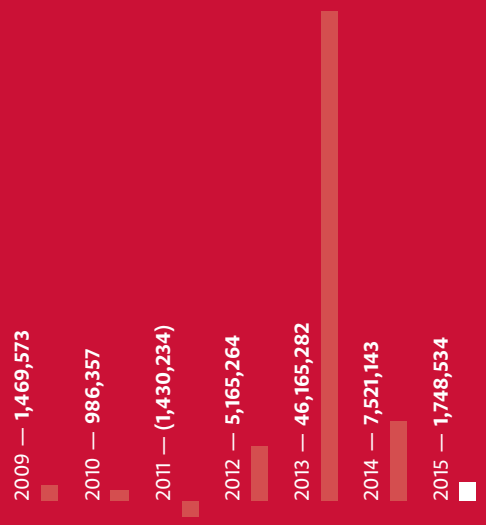
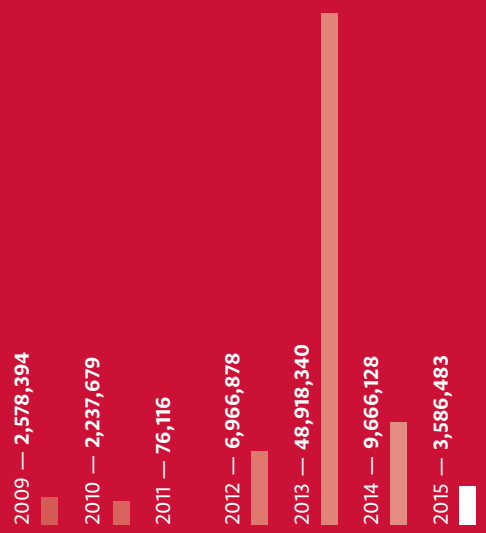
Financial Hihglights

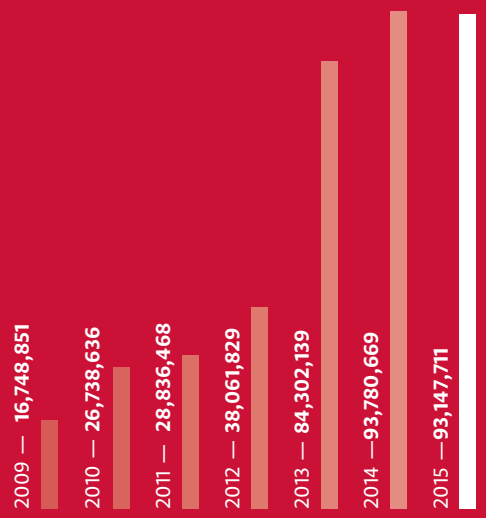
Net Profit/(Loss) (KD)



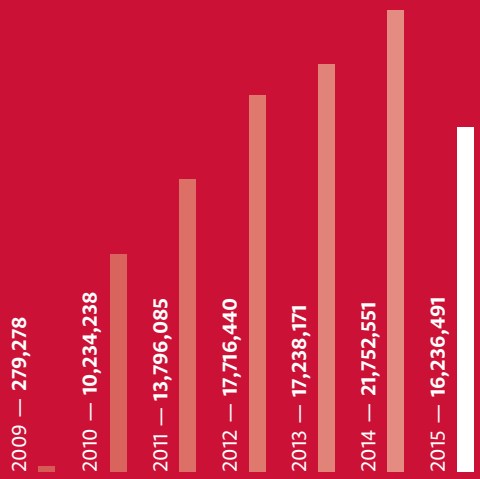
Total Operating Income (KD)



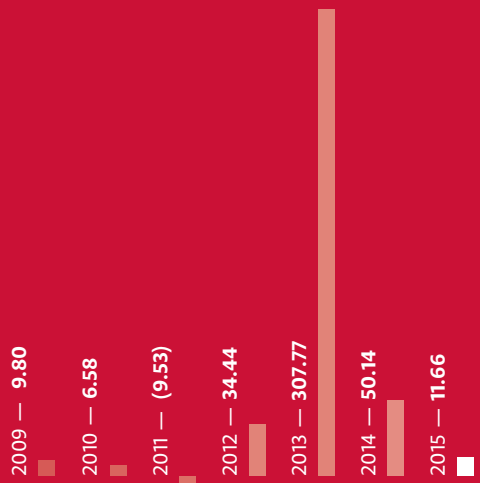
Total Assets (KD)



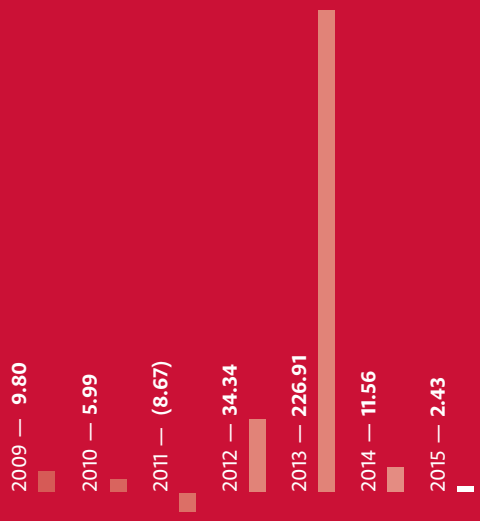
Total Liabilities (KD)



Earning/loss per Share (Fils)



Return on Equity (%)



Financial Hihglights

Net Profit
1.748
Million KD

Earning/Loss Per Share
11.66
Fils

Total Operating Income
3.586
Million KD

Return On Equity
2.43
Percent (%)

Total Assets
93.147
Million KD

Book Value Per Share
512.74
Fils

Total Liabilities
16.236
Million KD

Total Equity
76.911
Million KD

Exposure by geography of investments in 2015

Chairman's Statement

Dear Shareholders,

By the grace of Almighty Allah, I feel immense pleasure to present to you the seventh annual report of the company.

2015 was a difficult year by any measure on all counts - whether it was the steep decline in oil prices, the question of how China would manage the slowdown in its economy or how markets would react to the end of the US Fed's zero interest rate policy. Even experts were uncertain on how to best position themselves in the rapidly changing environment. With so much uncertainty pervading markets, investors showed a clear risk off bias and a preference for developed markets over emerging markets. Both the MSCI World Index (which tracks developed markets) and the MSCI Emerging Markets Index ended the year in the red. However, Developed markets (MSCI World) did substantially better, posting returns of -2.7% for the year as compared to -17% for Emerging Markets (MSCI Emerging Markets).

For Hayat, we are pleased that in such a difficult environment, we made steady progress towards the successful completion and exit of our real estate ventures in Saudi Arabia and Lebanon. With construction activity complete for both of our Saudi projects, we are now focused on sales and marketing activities for these projects. Our Al-Nakhla compound in Riyadh is now at 40 percent occupancy and has received highly positive ratings from tenants. Our expectation is that the compound will reach full occupancy by the end of 2016. Sales efforts at Hayat Luxury Villas in Jeddah were hindered by our not obtaining divided title deeds for the property's units. We expect to receive these divided title deeds by the first half of 2016 and are optimistic that sales will pick up after that. In Lebanon, both our properties are now on sale but the prevailing economic and political environment in the country is not in our favor. Despite this, we have received inquiries from buyers for Ashrafieah and have a fresh exit strategy in mind for the Babda project.

We made gains of KD 3.6 million on our composite portfolio during the year. The bulk of these gains came from the revaluation of Al-Nakhla project in Riyadh, now valued at SAR 2.681 Billion. Net profits for the year were KD 1.748 Million, primarily arising from our share in the profits of our associate company Hayat Real Estate Investment Co, Saudi Arabia.

For most of our projects, 2015 marks the end of the development phase and the start of a new phase where our focus will be on sales and marketing. The coming phase should help us harvest the fruits of our efforts made in previous years. Looking ahead, we have two main objectives for the coming year. The first, will be to focus on successfully exiting (or achieving full occupancy) for our real estate ventures in Saudi Arabia and Lebanon. The second will be to diversify away from the current concentration in our composite investment portfolio. Cash flows from existing real estate investments will be redeployed into a portfolio that is well diversified across asset classes and geographies.

Our dedicated investment team, consistent with our "Risk Guided Return" approach will continue to explore deals and structures to add value to our shareholders. Finally, I am extremely thankful to all our stakeholders including employees for their consistent efforts and sincerity that has put Hayat on the road to success.

Dr. Nabeel. A. Al Mannae
Chairman & CEO

Board of Directors

Dr. Nabeel Ahmed Al Mannae
Chairman & CEO

Mr. Yacob Yousef Al Muzaini
Vice Chairman & CEO

Mr. Ahmad Khaled Al Khudhur
Board Member

Mr. Abdullah Abdul Hameed Al Marzouq
Board Member

Mr. Adnan Abdullah Al Olayan
Board Member

Executive Management

Dr. Nabeel Ahmed Al Mannae
CEO

Mr. Yacob Yousef Al Muzaini
CEO

Mr. Aftab Alam
Chief Investment Officer

External Audior's

KPMG Safi Al Mutawa & Partners

Shari'a Supervisory Board

Dr. Abdulaziz Al Qassar
Chairman

Dr. Eesa Zaki
Member

Dr. Ali Al Rashed
Member

Management Report

Year 2015 was a challenging year for the financial markets in general with a clear divergence in investor sentiment away from emerging markets and towards the developed markets. Commodity producing countries, especially those involved in oil and mining were badly affected by declining energy and base metal prices.

Oil touched an 11 year low in 2015 to end the year below $37 per barrel. The steep decline in prices was due to a combination of increased international supplies as well as a drop in demand from key consuming nations - especially China. The oil prices look set to remain under pressure for the medium term with additional supplies of Iranian crude expected to come onto market in the first half of 2016. The IMF estimates that oil prices will increase gradually to $63 a barrel by the end of the decade but admits that there is considerable uncertainty in this forecast.

Both the MSCI World Index (which tracks developed markets) and the MSCI Emerging Markets Index ended the year in the red. However, Developed markets (MSCI World) did substantially better, posting returns of -2.7% for the year as compared to -17% for Emerging Markets (MSCI Emerging Markets). The best performing major market for the year was Japan which returned +9% thanks to stimulus measures undertaken by that country's central bank. On the flip side, the worst performing major market was Brazil where the stock market fell over 40% during the year largely due to the steep fall in commodity prices as well as the country's largest ever corruption scandal.

Looking ahead, there are concerns as well as reasons to be hopeful. The central issue for emerging markets and commodity prices will be whether China's deliberate shift away from a manufacturing and export dominated economy - towards one that is more consumption oriented can be managed without sudden disruptions to the system. On a more positive note, the economies of the United States and Europe are expected to continue building on their steady improvement seen in 2015. Perhaps the most positive aspect for the coming year is that markets generally are either cheap or reasonably valued and investor expectations are low. These conditions are usually good precursors for periods of strong equity returns.

Business and Economic Environment in 2015

Kuwait

Macro-Economic Situation

Despite a challenging outlook for oil producers in general, Kuwait is among the best positioned in the region to deal with the new reality of lower oil prices.

Kuwait's fiscal position worsened as a result of the sharp fall in oil prices, declining from a surplus of 11.7% of GDP in FY2014 to a deficit of 4.4% in FY2015. In October, the IMF revised its growth forecast slightly downward to 1.2% in 2015, but predicted that growth would recover to 2.5% by the following year.

The government has shown alertness towards these changes. During second half of the year 2015, government thought of measures to rationalize resource utilization and enhance income from non-oil sources. Simultaneously, reducing the subsidies was also on the agenda. However no decision was taken on these counts during 2015. We anticipate these measures being implemented in 2016. However to ensure that growth does not get impacted, capital expenditure will not be reduced. Implementation of these measures is likely to affect disposable income of households and aggregate demand of the economy. This can be countered if business environment improves and private sector starts playing greater role supported by business friendly policies of the government. We clearly anticipate pressure on current account surplus. IMF predicts that Kuwait's current account surplus (as a percentage of GDP) will shrink to 10.2% and 8.9% in 2015 and 2016 respectively, from 31.2% of GDP in 2014 - before recovering to around 11.3% in 2017.

The country's relatively strong financial reserves have also allowed the government to increase investment in infrastructure projects. This is a key factor that is expected to support non-oil growth in 2016 and beyond. The IMF projects that non-oil GDP growth will be roughly double that of the overall economy over the medium term as the effects of recent investments begin to flow through the economy. At least $30 bn worth of projects have been awarded year-to-date as of October 2015, according to MEED, compared to $24bn in all of 2014, for a combined $251bn worth of builds either planned or under way.

Kuwait Stock Exchange

The KSE Weighted Index declined 13% (in KWD terms) during the year, slightly less than most other GCC markets. In terms of sector performance, all sectoral indices, with the exception of the Insurance Index, declined during the year. The Oil & Gas index saw the steepest yearly decline owing to depressed fundamentals. KSE ended the year 2015 with a market capitalization of KD 24.55 billion (USD 80.89 billion), 10.07% below its market capitalization at the end of 2014.

Trading activity during the year also declined to a historical low on the back of negative investor sentiment. The total volume of shares traded declined 22% to 41.5bn shares whereas value traded declined by 35% to KWD 3.96bn - the lowest level since the financial crisis.

GCC

The need for economic diversification among GCC economies came under the spotlight in 2015. With oil prices declining 35% for the year, governments in the region were pushed to cut subsidies and issue debt to cover spending deficits. The IMF forecasts that the six-member Gulf Co-operation Council will see gross domestic product growth to slow down from 3.25 per cent in 2015, to 2.75 per cent next year. GCC Governments are expected to undertake economic reforms in order to rationalize their spending and diversify the economy away from oil. The implementation of VAT in the region is one measure that is being seriously considered. Saudi Arabia, Oman and Bahrain have issued debt to cover fiscal shortfalls and debt issuance is expected to cover 22 per cent of total GCC deficit-financing needs this year.

Management Report

For the year ended December 31, 2015 equity markets in the GCC ended in the red with Saudi Arabia reporting the sharpest decline of 17.1% closely followed by Dubai at 16.5%. There was significant volatility across GCC stock markets during the year, marked by positive performance during the first half of the year followed by a steep decline in the second half. The Tadawul All Share Index reached a peak of 9,834 before declining nearly 30% from that level by year end.

The combined market capitalization of GCC bourses declined 11.4%YoY to USD856.3bn in 2015 from USD954.2bn in 2014. The volume and value of shares traded fell 33.5%YoY and 31.5%YoY, respectively, owing to a fall in trading activity across members due to weak investor sentiment.

Global Markets

2015 was a mediocre year for the global economy. The IMF cut its global growth prediction to 3.1% for 2015, down 0.2 percentage points from its update in July. It said that growth in advanced economies is expected to pick up in 2016, but that the expansion in emerging markets and developing economies would slow in the coming year. The weakening in emerging market growth was attributed largely to slowing growth in China and steep declines in output in both Russia and Brazil. The fund left its forecast for China's growth unchanged, at 6.8% for 2015 and 6.3% for 2016.

Developed Markets

United States

The US economy continued to heal in 2015. With the exception of a surprise contraction in first quarter GDP, virtually all economic indicators showed steady improvement throughout the year. The US economy grew at an average pace of 2.2% for the first three quarters of 2015. In December, with unemployment at 5% and inflation at 1.3% (below its 2% target), the US Fed finally hiked interest rates by 25 bps.

Consumer and Business spending were robust as of the third quarter and the US labor market improved significantly from where it was at the start of the year. The unemployment rate fell 1.7 percent in 2015 to stand at 5% in November. Inflation however, remains far below the Fed's 2% target. Activity in the US housing sector was below expectations in 2015 but with inventories low and home prices showing signs of rising, conditions are ripe for a pickup in the coming year.

The US economy is generally expected to be one of the few bright spots in the world for the coming year. The primary headwinds to growth may come from a faster than expected increase in interest rates and a weak environment for exports. Exports may come under pressure from weak demand from trading partners as well as the impact of a strong dollar.

Eurozone

Concerns over the Greek debt crisis dragged on from one missed deadline to the next before waning in September after snap Greek elections were called. The election results solidified the power of the Greek Prime Minister who now has a mandate to move forward with a plan calling for austerity measures in exchange for financial aid.

Politics was also a source of uncertainty in southern Europe as first Portugal and then Spain held inconclusive general elections. In Spain, Mariano Rajoy's governing People's Party emerged once again as the largest party but lost a significant number of seats, raising the possibility that a second election could be held. The Paris terrorist attacks and the ongoing migrant crisis also dominated headlines during the fourth quarter.

The Eurozone recovery although slow, appears to be becoming broader-based and more self-sustaining into 2016. The recovery was initially led by consumer spending and is expected to receive further support from capital spending (from both governments and private firms). Growth in exports and a rebound in domestic demand mean that capacity constraints are starting to emerge in a number of sectors. Alongside better access to credit and low interest rates for the foreseeable future, this is driving increased loan demand.

Japan

Japan's economic expansion in 2015 was derailed by a sharp slowdown in demand from China and other Asian countries as well as sluggish domestic private consumption. Falling investment and deteriorating inventories drove economic activity to contract for the second consecutive quarter in Q3. As a result, Japan's economy entered into recession for the second time in the last year and a half.

The country is scheduled to raise its consumption tax again in April 2017, from 8 to 10 percent. It is expected that consumer spending will receive a boost in the second half of next year as people rush to buy ahead of the increase in the tax rate.

The overall economy is also expected to strengthen slightly going forward due to a low unemployment rate, rising wages, a still weak yen and low oil prices. The OECD forecasts that output growth is projected to pick up from around ½ per cent in 2015 to 1% in 2016, as rising real wages support consumer spending. Possible headwinds are weak demand from trading partners (especially China) as well as the longer term effects of the consumption tax hike in 2017 and beyond.

Emerging Markets

China

China remains an important source of global economic risk. The government's policy of shifting from a largely manufacturing and export driven economy to one that is based on services and consumption, has led to a slowdown in growth rates. Despite this, China is expected to expand by 6.8% in 2015 and slow to 6.5% in 2016 and 6.1% in 2017 respectively.

The Chinese market endured a pronounced slump on concerns of a slowing economy towards the end of Q2. In August, Chinese monetary authorities devalued the currency, sparking fears that a perceived slowdown in China's growth was worse than anticipated. The central bank responded to the ensuing market volatility by cutting interest rates for the fifth time since last November and lowering the bank reserve requirement ratio. Profits at Chinese industrial companies fell 8.8% in August from a year ago, adding to fears of deteriorating economic conditions in the country. Shares of raw material producers and energy companies fell significantly.

Economic data as of December suggests that the economy has slowly started to stabilize following the massive stimulus measures that Chinese authorities launched after the summer stock market crash. However, economic growth is expected to continue to decelerate in 2016. While this situation will likely reflect the gradual rebalancing of the economy to a more sustainable growth path, it is also true that mounting domestic and external headwinds will continue to exert downward pressure on the economy.

India

Overall, India fared better than most emerging market peers. However, crucial bills required to enact meaningful economic reforms remain stalled in Parliament. In December, legislation for the long-awaited Goods and Service Tax (GST)—designed to simplify India's complex tax system and boost the business climate—was held up by protesting opposition members. The government lacks a majority in the Upper House of Parliament, which has hindered its reform agenda.

India is expected to be one of the region's top performers in 2016 thanks to steady domestic demand. The central bank's GDP growth forecast for FY16 stands at 7.4%. The primary downside risk for India is slower-than-expected implementation of reforms. Inflation is also likely to stay under control on account of lower oil and agricultural commodity prices. Monetary policy for the coming year is expected to remain accommodative.

South East Asia

China's troubles weighed heavily on other markets in Asia. In Q3, Indonesia's stock market declined 25% as growth fell to its slowest pace in six years, and its currency touched its lowest point since 1998. Malaysian shares declined amid a

widening political scandal and a tumbling currency that has weakened to a 17-year low. Equities in Taiwan and South Korea also declined in double digits.

The region is expected continue to grow - but at a slower pace into 2016. The three major headwinds to growth will come from the slowdown in China, the weak backdrop for exports and a likely rise in borrowing costs. Although some of the Central Banks in the region still have room for further easing, the expected tightening cycle in the United States is likely to push up borrowing costs in both the mid and long term.

Commodities

Commodities were the worst performing asset class in 2015 by far, primarily on account of the strengthening dollar and the weakening Chinese economy.

While OPEC's market share policy drove oil prices to much lower than expected levels during the year, the weather too played an unusually important role, reducing demand for both oil and gas in the US and Europe. OPEC production increased during the year, led by Saudi Arabia and Iraq. However, going forward, it is likely that current low oil prices will cause higher cost suppliers such as US shale producers to reduce output.

The outlook for base metals is more uncertain. Gold could benefit from an increase in geopolitical or macroeconomic concerns. It likely that over the medium term gold prices will receive some support as US inflation picks up. Gold may also benefit in case there is increased pressure on major equity indices, stress in high-yield markets or a further ratcheting up of China's financial crisis. For other metals, the outlook will depend on whether Chinese demand has bottomed or supply cuts are deep enough to result in inventory drawdowns. At the moment, there is no consensus on these issues and further falls in prices are possible in the coming year.

Global Real Estate

Although masked by currency movements, investment activity in the real estate space continued to move higher during 2015. According to Jones Lang LaSalle, global transactional volumes over the first three quarters of 2015 were US$497 billion, 3% up over the equivalent period of 2014 but, significantly, 13% higher when measured in local currencies.

Generally, current conditions in global real estate markets are mirroring the health of the overall regional economy. The European real estate market has seen increased interest from institutional investors targeting quality hotel assets and increasingly - the European residential sector. Germany for example, saw a record year for transactional volumes and France benefited from prime yields at historic lows. Rents are also rising in more than half the of European office market regions. For the United States, although supply is receiving a boost from the lack of new product during the past decade, new developments are roughly keeping up with current economic growth. There are however, significant new projects underway in major US technology hubs and New York City. US rental growth for 2015 was also strong with growth seen across all major US cities. In Asia, the picture is more mixed with markets such as Australia and Tokyo seeing significant compression on office market yields over the past 12 months. Sales activity in China has strengthened on the back of a more accommodative policy stance, including a cut in interest rates. In Dubai, sales volumes are still shrinking, although falls in prices have been modest.

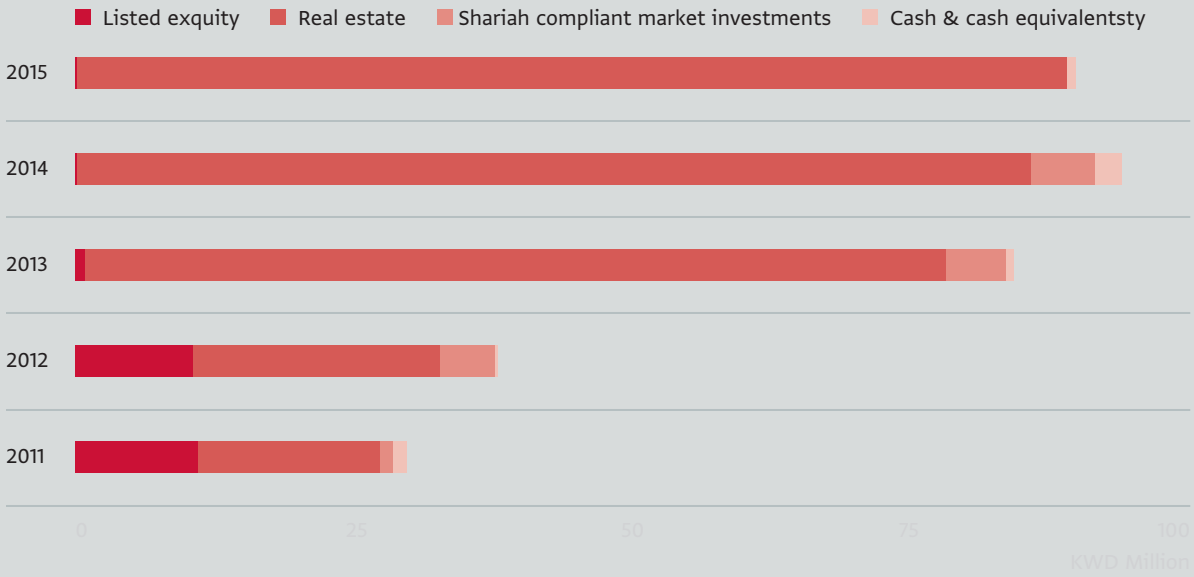
Prospects for 2016

We believe that the investor preference for developed markets will continue into 2016. However, certain emerging markets that are fundamentally sound may also be good investment candidates. Among developed market equities, European and Japanese stocks are likely to benefit from stimulus measures being undertaken by the central banks in those countries. European stocks in certain countries appear reasonably valued. US Equities on the other hand appear rea-

sonably valued to slightly rich in terms of valuation and could be adversely affected by the pace of Fed tightening. Among emerging market equities, India stands out in terms of economic fundamentals while other markets such as China (Hong Kong), Korea and Singapore might benefit from stimulus measures undertaken by central banks in those countries.

Hayat in 2015

Despite challenging market conditions during the year, we made considerable progress towards the successful completion of our real estate projects in Saudi Arabia and Lebanon. For most of our projects, 2015 marks the end of the development phase and the start of a new phase where our focus will be on sales and marketing. The coming phase should help us harvest the fruits of our efforts made in previous years.
As of December 31, 2015, our proprietary book investment portfolio was valued at KD 92.47 million with Real Estate assets comprising roughly 99% of the composite portfolio. The remainder of the composite portfolio consisted of cash and listed equity holdings.



Listed Equity

Our investments during 2015 continued to remain skewed towards real estate projects. For the coming year, we foresee cash flows arising from these real estate projects - from expected rentals or sales. These cash flows will be used to develop a balanced and diversified portfolio with the appropriate combination of different assets classes.

Real Estate Sector: Status of the Existing Projects

In the previous year, we restructured our real estate investment arm in the Kingdom of Saudi Arabia. The ownership of Al Nakhla compound was retained under Hayat Real Estate Investment Company LLC while Hayat Luxury Villas was transferred to a separate company, named Hayat Luxury Villas Company LLC. Ownership of Hayat Invest Co in both sister companies remains at 50%. These structural changes will enable the smooth execution of our future exit plans while optimizing the capital structure for each project.

Management Report

Hayat Real Estate Investment Company LLC

Al Nakhla compound spans a large block of land in excess of 259,796 square meters. The project can be viewed as an ultra-modern luxury compound complex in Riyadh; being the latest compound to enter the market. In general, residential compounds in Riyadh enjoy high levels of occupancy. The Al Nakhla compound has all the amenities and complementary facilities needed to support a luxurious life style and is compelling enough to attract premium clients. In its short period of operation, it has already built a reputation of being one of the most sought after residential compounds in Riyadh.

The project's location is on Khalid Bin Al-Waleed road next to SABIC's head office and adjacent to other high-end similar compounds such as Arizona and Qurdoba. It is situated in close proximity to Business Gate project and several leading universities and research centers such as, Al-Imam Mohammed Bin Saud University, Princess Noura Bent Abdulrahman University, Riyadh University, King Abdullah Center for Petrochemical Studies. The compound consists of 314 two-bedroom villas, 302 three-bedroom villas, 10 four-bedroom executive villas, 192 two-bedroom apartments and 256 studio apartments (a total of 1074 residential units). Being the latest compound in the market, Al Nakhla's modern architecture and stylish landscaping should be extremely appealing to tenants. Hence, better rental income and higher occupancy levels compared to existing similar compounds can be expected.

There has been satisfactory progress of Al-Nakhla residential compound in Riyadh during the year. The entire construction work has been completed and we have received highly positive ratings from tenants. By the end of 2015, the project's occupancy reached approximately 40% while our expectation is that occupancy may reach 100% by the end of 2016. The project's tenants include prestigious global companies operating in Riyadh such as Boeing, Airbus, Strukton, FCC Co, Volkswagen Group, Samsung etc. These global companies consider a multitude of factors including luxury living, location, comfort, safety and security when providing housing for their executives.

Tenant security is a key concern in this environment; hence, the compound has placed a high level of attention to the security of its residents. A number of high tech preventive measures (ballistic and bomb proof windows/doors, central gate operation) and monitoring systems (CCTV cameras, infrared detection) along with Armed Security Personal (Industrial Armed Security Force) provide security and peace of mind for the residents of the compound.

During the year, the company successfully entered into a new banking relationship with a Saudi bank. The new term finance is aimed at better matching of liabilities and assets and allowing us to utilize excess cash generated by compound rentals.

Hayat Luxury Villas Company LLC

The project site is located near the coast in the northern part of Jeddah City and occupies a total area of 32,209 square meters. It is in close vicinity to both the Red Sea Mall (one of the largest malls in Jeddah) and King Abdul Aziz International Airport.

Development activities of Hayat Luxury Villas in Jeddah moved at slower pace in 2015. In order to finalize sales, the title deed to the land - which is a single deed for the entire plot of land, needs to be split assigning separate title deeds for each villa. The company expects to receive these divided title deeds in 2016. Once received, sales could gather momentum as the transfer of titles to individual clients will be possible.

Developments in Lebanon

Construction activity of a multifamily residential apartment building in Baabda, Lebanon has earlier been completed on a core and shell basis. Considering the sentiments based upon market survey, it was felt that exit from the project would be faster if the apartments are fully completed. Steps have been taken in accordance with this strategy and we hope an easier exit. Geopolitical conflict and economic downturn in Europe has delayed exit from the project.

We have received several inquiries from buyers for Ashrafieah. One buyer has undertaken legal due diligence for the property. We expect that the exit through sale of land could be a viable option on the successful completion of due diligence which is ongoing.

Return on Investments

We made gains of KWD 3.6 million in our composite portfolio in 2015 as compared to gains of KWD 9.6 million last year. The bulk of these gains came from the revaluation of Al-Nakhla project in Riyadh, now valued at SAR 2.681 Billion. For the purpose of financial reporting, Hayat Luxury villas property continues to be treated as inventory. Hence any gains from this property will be reflecteWd in the books only on exit. On revaluation during the year, our projects in Lebanon also showed a net increase of KWD 123,455.

FINANCIAL REVIEW

Consolidated Statement of ComWprehensive Income

	2015	2014
Net investment income	313,346	(796,571)
Share of profit of equity-accounted investee	3,221,122	10,386,789
Fee and commission income	52,015	75,910
Operating income	**3,586,483**	**9,666,128**
Operating expenses	(1,893,833)	(2,142,713)
Operating profit before provision for impairment	**1,692,650**	**7,523,415**
Reversal / (Provision) for impairment	55,884	(2,272)
Net profit	**1,748,534**	**7,521,143**

- The Company's net profit for the year 2015 decreased from KD 7.521 Million to KD 1.748 Million. Key reason for decline is lower share of profit from an equity-accounted investee company which is engaged in the business of real estate development in the Kingdom of Saudi Arabia. Net investment income increased mainly due to Wakala financing profit and surplus on revaluation of real estate projects in progress in Lebanon.

- Fee and commission income declined by 31.5% compare to the last year due to decline in assets under management.

- Operating expenses decreased by 11.62%. The decline is mainly attributed to lower staff cost and provision for Zakat and KFAS in the year 2015.

- Provision for impairment reversed during the year 2015 upon collection of all outstanding Wakala financing facilities.

Consolidated Statement of Financial Position

	2015	2014
Cash and bank balances	565,116	1,930,219
Investments at fair value through profit or loss	29,641	53,281
Islamic finance receivables – net of provision	-	5,532,488
Other investments	86,027,297	79,306,669
Other assets	6,525,657	6,958,012
Total assets	**93,147,711**	**93,780,669**
Islamic finance payables	14,979,456	18,925,736
Other liabilities	1,257,035	2,826,815
Shareholder's equity	76,911,220	72,028,118
Total liabilities and shareholder's equity	**93,147,711**	**93,780,669**

- Total assets of the Company decreased nominally by 0.67%. The nominal decline is due to collection of credit facilities and lower share of profit from an equity-accounted investee Company.
- Investments at fair value through profit or loss decreased during the year due to partial disposal.
- Other investment represents investment properties, investment in associate companies and share capital investment. The increase of 8.5% is attributable towards increase in the carrying value of an equity-accounted investee company due to Company's share of profit in its net profit and foreign currency translation reserve.
- Islamic finance payables represent financing facilities obtained from the Islamic Banks to finance business expansion of the Company. The balance declined by 21% during the year due to repayment of Islamic finance payables.
- Other liabilities reduced during the year 2015 by 55.5% as compared to year 2014 mainly due to repayment of Zakat and KFAS liabilities.
- Equity increased by 6.8 % mainly due to profit for the year 2015 and increase in foreign currency translation reserve.

Hayat's Financial Product and Services

Hayat's primary objective is to serve our clients by offering Shariah compliant investment products and services that address their specific risk-return profile. In order to ensure that all our investments are Shariah compliant, we maintain a large database of Shariah compliant securities in all markets that is continuously monitored and updated at regular frequency.

Hayat India Equity Fund

Despite very challenging global macro developments, 2015 was a relatively better year for Indian markets relative to most other equity markets. For the year while the S&P BSE 500 Shariah Index was flat, the Fund delivered positive returns of around 0.43% (In USD terms).

Within India, the large cap index saw a correction while the broader market demonstrated strong momentum. Foreign Institutional Investors (FIIs) invested around $3.1bn in Indian equities in CY15 Vs. US$ 16.1 in CY14. However the highlight of the year was the strong inflows from domestic investors to the tune of US$ 10.3bn compared to withdrawal of US$ 5.1n in CY14. On back of improving macro parameters, INR too was relatively better off – depreciating only around 4.7% compared to USD.

Given the backdrop of improving macro environment and benign global liquidity, the year started with optimism with regard to earnings growth. However due to slower demand growth in rural India, slower urban recovery and sharp fall in commodity prices, the numbers fell short of expectations.

As of 31st Dec 2015, the Fund's portfolio remains fairly diversified across various sectors with cash levels of less than 5%. The top 5 sectors accounts for around 73.8% of the portfolio, with the largest position in IT sector at around 23.8% of the fund portfolio. We remain positive on the sector on back of improving economic activity in the US economy which will result in increase in IT budgets of US corporates. The second largest weight in the portfolio is of Pharmaceutical sector at around 18.8%. The companies in the sector are likely to benefit on account of expected higher approval from US FDA in coming quarters. In addition the domestic branded business continues to do well for most players in the sector.

We believe that 2016 can be a year of immense possibilities for Indian equity markets - but not without potential pitfalls. India's macro stabilization is now on a much stronger footing at a time when most of the world is still grappling with slower growth and myriad other imbalances.

With GDP growth expected to improve in FY17, we are hopeful of a volume recovery – not just a margin fillip from benign raw material prices; and any growth recovery would result in healthy operating leverage for Indian corporates. On a top-down basis, low commodity and energy prices together with global liquidity would help keep India's Balance of Payments (BoP) and fiscal deficit under check.

On the flip-side, we remain vigilant of certain issues that can potentially upset the proverbial apple cart as far as the India story goes. With the recently concluded winter session of parliament being a complete washout and no meaningful progress made on key pending legislations, we are wary that continued logjam in executive function will hurt India's prospects in the medium and long term. A souring of sentiment on EMs – driven by a slowdown in China and commodity prices-linked recessions in other EMs, will severely hurt portfolio flows into India as well, as they did in in the second half of CY2015. We are cognizant of the stress in Indian banking sector and foresee some downside risks from rise in credit costs. While a reduction in corporate tax rate in the upcoming budget may boost earnings, a shallower than expected turnaround in corporate India's earnings remains a key risk that can postpone the bull-case for India's equity markets.

For now, we expect economic activity to start picking up from the second half of the coming year and the trends in the real GDP growth point towards a slow but steady recovery in FY16/FY17. We estimate real GDP growth in FY16 to be at 7.3%, rising to 7.8%-8% in FY17.

Portfolio & Wealth Management

Hayat offers discretionary and non-discretionary portfolio management services to our clients and prospective clients. For discretionary clients, Hayat offers specific and customized wealth management services across product classes and

geographies. Our firm is especially focused on minimizing investment risk and every client's investment objectives are considered along with their risk tolerance when developing an investment plan. Our investment team attempts to minimize risk at two levels; risk is first minimized through an appropriate asset allocation and then further reduced through global diversification. Client information is updated at regular frequency and clients are provided with regular portfolio performance reviews and analysis.

In case of non-discretionary clients, though the final decision for investments remains with the client, however, our non-discretionary clients also take investment advice from Hayat for trading in different markets.
At present, Hayat has a limited number of discretionary and non-discretionary clients. However, our plan for the coming year includes expanding our clientele base for both listed equity and real estate investments. While our client real estate investment portfolio is currently focused on the Indian real estate market, we are actively considering opportunities in developed markets -especially European real estate, for our clients in the year ahead.

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 countries on terms and conditions which are Shariah compliant. Our reach in brokerage encompasses all important markets-both in developing and emerging countries.

Risk Management at Hayat

Since our company was founded in 2009, Risk Management has been the cornerstone of our investment decision making process. In 2011, we established a separate Risk Department under the supervision of a dedicated Risk Manager. At a strategic level, the Risk Department designs processes, policies and procedures to identify and manage various types of risks relevant to the company. The Risk Manager reports to the Executive Management Committee (EMC) and is re-

sponsible for identifying, assessing and suggesting control measures for both the enterprise and investment portfolio. As an investment company, Hayat is exposed to a number of diverse risks. For our investment portfolios, we monitor market risk parameters continuously with daily, weekly, monthly and quarterly reports guiding the investment managers to effectively control risks. Our quarterly reports go into more detail and measure performance on a risk adjusted basis. To control risk in our various non-listed investments (mostly real estate), the progress of every project is reviewed at every quarter. The investment risk reports review the ongoing progress of each project comparing actual percentage of completion with the planned time schedule to control delays and slippages. As a result, financial models are updated with the latest market inputs to analyze their impact on project IRR. A sensitivity analysis is also prepared in order to assess the impact on project IRR due to adverse movement in key variables. Furthermore, our projects are closely monitored through regular site visits and exchange of communication with developers and contractors.

The relevant credit risk in the context of Hayat relates to granting loans which are minimal and different from other credit facilities. Hayat extends financial facilities only to entities whose affairs are within our control - such as associate or subsidiary companies or business partners investing in these projects. The credit committee supervises Hayat's credit exposure which is further reviewed by the Risk Manager at regular frequency.

Operating risk at Hayat is addressed at systems level. Our securities back office is system-linked with the accounting function and therefore this aspect of operating risk is controlled. Additionally, Hayat has prepared procedural manuals for its critical operations and adherence with these minimizes operating risks.

Internal Audit at Hayat is outsourced to a reputed firm who conducts audit on quarterly basis and give its findings on every aspects of the business operations. This gives us an additional comfort as feedback from audit reports not only confirm the robustness of existing risk management system but also helps in further enhancing its scope.

Human Resources

Hayat realizes the quality of human resources as the basic requirement for success and believes that it's that its employees are its most valuable asset. Our team of talented and seasoned professionals contributes a pivotal role in realizing the company's strategic goals and objectives.

To maintain and further enhance our competitive advantage over peers, Hayat fully recognizes the need to keep our human resources fully abreast with the today's challenging financial environment. To this end, Hayat believes in continuously improving job skills through various short term training courses. The combination of offering right compensation package, amicable and challenging work environment, improving job skills and an opportunity for growth have created a richly experienced and dynamic team that will ensure that the company achieves its goals.

Our employee strength of 18 comprises of bright natives and skilled expatriates. This is spanned across various departments e.g. Investments, Operations, HR, legal, Finance & Administration, Compliance and Risk Management. Our employees have a credential basket of experience and qualification such as CFA, FRM, MBA and various other accredited qualifications.

Corporate Governance

Hayat's Board of directors believes that ensuring effective corporate governance is a continuous process and a critical factor in achieving business success. In 2015, the company continued to improve on its policies and procedures with a special focus on ensuring compliance with the requirements of the Capital Markets Authority (CMA).

At present, the board of Hayat comprises five directors, of which majority (three) is non-executive representing institutional shareholders. The presence of large institutional shareholders in itself ensures that corporate governance

practices, prevalent at the level of institutions also translate into corporate affairs of Hayat. The three non-executive directors form the audit committee of Hayat. The audit committee met regularly during the previous year and played an active role in reviewing all internal audit reports and implementing the suggestions therein. Our internal audit function is outsourced to an international audit firm with expertise in internal audit and risk management. When deciding on strategic and important issues, Hayat operates through in-depth discussions within various committees namely Executive Management Committee, Credit Committee and Asset Management Committee, which meet on a regular basis. Hayat places significant emphasis on internal compliance procedures. The Financial Statements of the company are prepared in compliance with the guidelines of the International Accounting Standards and other statutory regulations. Reports to CBK and CMA are sent on fortnightly, monthly, quarterly and yearly basis. Hayat has been prompt and diligent in sending these reports without attracting any sanction.

In order to ensure effective minimum standards of corporate governance for companies in Kuwait, CMA Kuwait has issued Corporate Governance Rules which are required to be fully implemented by June 30th, 2016. The Rules require corporates to implement significant structural and operational changes such as the appointment of qualified independent directors and the formation of certain board sub-committees including the Audit Committee, Risk Committee and Nomination & Remuneration Committee. In addition, new policies and procedures are to be developed to ensure fair dealing with all stakeholders.

Although Hayat already employs a strong corporate governance framework, in 2015 we employed a leading financial consulting firm in Kuwait to ensure our compliance with the new CMA Rules. We are now working to incorporate the consultant's recommendations and streamline our processes in order to ensure full compliance with CMA Rules. Over the coming year, we will induct an independent director to the board and establish two new board sub-committees - the Risk Committee and Nomination & Remuneration Committee.

Our Plan for 2016

Our primary goal for the 2016 is to finish existing projects and make them operational. Subsequently we will also look for exit from these projects. We will build on the considerable progress made during 2015. Al-Nakhla compound is now at 40% occupancy levels and has received high ratings from tenants. We also expect to receive divided title deeds for our Hayat Luxury Villas project in Jeddah in the first half of 2016, which will enable us to begin sales for the project. In Lebanon, we have identified a new strategy for the exit of our Babda project and discussions are currently ongoing with a potential buyer for the sale of Ashrafieah land.

Our second priority will be to diversify away from the current concentration in our composite investment portfolio. Cash flows from existing real estate investments will be redeployed into a portfolio that is well diversified across appropriate asset classes and geographies. Special focus will be put on rectifying the existing regional asset concentration in our portfolio.

Our investment strategy for the coming year is dependent on exit from existing projects. In such an eventuality, we will focus on three asset classes: Listed equity, private equity and real estate. Different geographies will be selected based on anticipated risk and return opportunities. Asset class weights will be subject to the availability of investment opportunities and may therefore diverge from any weights that we target for these asset classes.

Among developed market equities, European and Japanese stocks are likely to benefit from stimulus measures being undertaken by central banks in those countries. European stocks in certain countries appear reasonably valued. US Equities on the other hand appear slightly rich in terms of valuation and could be adversely affected by the pace of Fed tightening. Among emerging market equities India stands out in terms of economic fundamentals while other mar-

kets such as China (Hong Kong), Korea and Singapore might benefit from stimulus measures undertaken by central banks in those countries.

We also intend to focus on real estate in core European markets. They are liquid, relatively stable and offer mature regulatory and taxation environments. Institutional and foreign investor participation in these markets is high. Investment returns may also receive tailwinds from any upswing in the EUR vs. USD cycle that follows the current down cycle.

As of the end of FY2015, the short to medium term market outlook for most regions is uncertain. We remain cautiously optimistic but we do not rule out heightened volatility.

Financial Statements And Indepenent Auditors Report

Hayat Invest Company K.S.C. (Closed) and subsidiaries

For the year ended 31 December 2015

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 subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of profit or loss and other 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 Company'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 Company'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 presents fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015, 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 Companies Law No. 1 of 2016 and the Executive Regulations of Law No. 25 of 2012, 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 recognised 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 2015, of the Companies Law No. 1 of 2016 and the Executive Regulations of Law No. 25 of 2012, as amended, and the Company's Articles and Memorandum of Association , that might have had a material effect on the Company'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, or of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority, as amended, and its related regulations during the year ended 31 December 2015 that might have had a material effect on the Company's activities or on its financial position.

صافي عبدالعزيز المطوع
مرخص تحت رقم (١٣٨) فئة أ

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

Kuwait: 4 may 2016

FATWA AND SHARIAH SUPERVISORY BOARD

For the year ended 31 December 2015

To: The Shareholders of Hayat Investment Company

Peace, mercy and blessings of Allah be upon you.

According to the contract signed with us we at Fatwa and Shariah Supervisory Board in Al Mashora and Al Raya have audited and supervised the principles adopted and the contracts related to the transactions concluded by the Company during the period from 01/01/2015 to 31/12/2015. We have carried out the necessary supervision to give our opinion on whether or not the Company has complied with the Islamic Shariah rules and principles as well as the Fatwas, decisions and guidelines made by us. However, our liability is limited to the expression of independent opinion on the extent of the company compliance with same based on our audit.

Our supervision included examining the contracts and procedures used by the Company on the basis of examining each type of operations.

In our opinion, the contracts, operations and transactions concluded or used by the company during the period from 01/01/2015 to 31/12/2015 and which have been reviewed by us, were in compliance with the provisions and principles of the Islamic Shariah.

Moreover, The Company has to draw the attention of its shareholders to the fact that they should pay their Zakat by themselves.

We wish the Company all success and prosperity in serving our religion and our country.

Peace, mercy and blessings of Allah be upon you.

Prof/Abdul Aziz k. Al-Qassar
Chairman of the Sharia Committee

Dr. Essa Zaki Essa
Sharia Committee Member

Dr. Ali Ibrahim Al-Rashed
Chairman of the Sharia Committee

Consolidated statement of financial position
as at 31 December 2015

	Note	2015 KD	2014 KD
Assets			
Cash and bank balances		565,116	1,930,219
Investments at fair value through profit or loss	*4*	29,641	53,281
Islamic finance receivables	*5*	-	5,532,488
Available for sale investments		90,134	90,134
Investment properties	*6*	7,881,219	7,351,082
Investment in equity-accounted investees	*7*	78,055,944	71,865,453
Other assets	*8*	6,525,657	6,958,012
Total assets		93,147,711	93,780,669
Liabilities			
Islamic finance payables	*9*	14,979,456	18,925,736
Other liabilities	*10*	1,257,035	2,826,815
Total liabilities		16,236,491	21,752,551
Equity			
Share capital	*11*	15,000,000	15,000,000
Statutory reserve	*11*	6,410,651	6,227,236
Voluntary reserve	*11*	6,410,651	6,227,236
Translation reserve		5,685,301	2,550,733
Retained earnings		43,404,617	42,022,913
Total equity		76,911,220	72,028,118
Total liabilities and equity		93,147,711	93,780,669

Dr. Nabeel A. Al-Mannae
Chairman & CEO

Yacob Y. Al-Muzaini
Vice Chairman & CEO

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2015

	Note	2015 KD	2014 KD
Operating income			
Net investment income / (loss)	*13*	313,346	(796,571)
Fee and commission income	*17*	52,015	75,910
Share of profit of equity-accounted investees	*7*	3,221,122	10,386,789
Total operating income		3,586,483	9,666,128
Operating expenses and other charges			
Staff costs	*14*	(733,005)	(1,026,226)
Depreciation and amortization		(4,839)	(4,636)
Finance cost		(827,742)	(682,676)
Other expenses	*15*	(242,629)	(229,005)
Total operating expenses and other charges		(1,808,215)	(1,942,543)
Operating profit before provision for impairment		1,778,268	7,723,585
Reversal / (provision) for impairment, net	*5*	55,884	(2,272)
Profit before Board of Directors' remuneration, contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS") and Zakat		1,834,152	7,721,313
Board of Directors' remuneration		(50,000)	(50,000)
KFAS		(16,507)	(69,492)
Zakat		(19,111)	(80,678)
Net profit for the year		1,748,534	7,521,143
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		3,134,568	2,443,007
Other comprehensive income for the year		3,134,568	2,443,007
Total comprehensive income for the year		4,883,102	9,964,150
Basic and diluted earnings per share (fils)	*16*	11.66	50.14

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

Consolidated statement of changes in equity
for the year ended 31 December 2015

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Translation reserve KD	Retained earnings KD	Total KD
Balance at 1 January 2014	15,000,000	5,455,105	5,455,105	107,726	39,046,032	65,063,968
Comprehensive income for the year						
Net profit for the year	-	-	-	-	7,521,143	7,521,143
Foreign currency translation differences	-	-	-	2,443,007	-	2,443,007
Total comprehensive income for the year	-	-	-	2,443,007	7,521,143	9,964,150
Transactions with the shareholders of the company:						
Dividend paid (note 11)	-	-	-	-	(3,000,000)	(3,000,000)
Total transactions with the shareholders of the Company	-	-	-	-	(3,000,000)	(3,000,000)
Transfer to reserves (note 11)	-	772,131	772,131	-	(1,544,262)	-
Balance at 31 December 2014	15,000,000	6,227,236	6,227,236	2,550,733	42,022,913	72,028,118
Balance at 1 January 2015	15,000,000	6,227,236	6,227,236	2,550,733	42,022,913	72,028,118
Comprehensive income for the year						
Net profit for the year	-	-	-	-	1,748,534	1,748,534
Foreign currency translation differences	-	-	-	3,134,568	-	3,134,568
Total comprehensive income for the year	-	-	-	3,134,568	1,748,534	4,883,102
Transfer to reserves (note 11)	-	183,415	183,415	-	(366,830)	-
Balance at 31 December 2015	15,000,000	6,410,651	6,410,651	5,685,301	43,404,617	76,911,220

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

Consolidated statement of cash flows
for the year ended 31 December 2015

	Note	2015 KD	2014 KD
Cash flows from operating activities			
Net profit for the year		1,748,534	7,521,143
Adjustments for:			
Depreciation and amortization		4,839	4,636
Unrealized gain from investment at fair value through profit or loss	*13*	(1,167)	(16,643)
Share of profit of equity-accounted investees	*7*	(3,221,122)	(10,386,789)
Change in fair value of investment properties	*13*	(123,455)	1,168,113
Finance cost		827,742	682,676
(Reversal) / general provision on Islamic finance receivables, net	*5*	(55,884)	2,272
Provision for employees' end of service indemnity		101,520	216,884
Provision for KFAS		16,507	69,492
Provision for Zakat		19,111	80,678
		(683,375)	(657,538)
Changes in:			
Investment at fair value through profit or loss		24,807	810,246
Other assets		427,516	(421,336)
Other liabilities		(1,032,468)	(345,187)
		(1,263,520)	(613,815)
Post-employment benefits paid		(38,772)	-
Net cash used in operating activities		(1,302,292)	(613,815)
Cash flows from investing activities			
Additions in Islamic finance receivables	*5*	(506,118)	(227,148)
Available for sale investment		-	(90,134)
Repayment of Islamic finance receivables	*5*	6,094,490	-
Additions to investment properties	*6*	(234,161)	(403,259)
Dividends received		-	3,754,992
Net cash generated from investing activities		5,354,211	3,034,451
Cash flows from financing activities			
Net Islamic finance payables		(4,315,386)	1,895,721
Finance cost paid		(458,636)	(732,884)
Dividend paid		(643,000)	(2,353,000)
Net cash used in financing activities		(5,417,022)	(1,190,163)
Net change in cash and bank balances		(1,365,103)	1,230,473
Cash and bank balances at 1 January		1,930,219	699,746
Cash and bank balances at 31 December		565,116	1,930,219

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

1. Reporting entity

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 ("the CBK") on 17 February 2009 and operates under the supervision of the Capital Markets Authority ("the CMA") in accordance with the executive by-laws of law No. 7 of 2010 pertaining to the establishment of the CMA and the regulation of securities activity and subsequent amendments.

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 activities and carries its operations as per the articles and memorandum of association and guidelines of noble Islamic Shari'a. The objectives of the Company are as follows:

- Investment in the commercial, real estate, industrial, agricultural, services sectors through participation in new ventures, equities or sukuks in these companies;
- Manage assets for institutions, private and public investment authorities, individuals and invest these assets in various sectors through equities funds and real estate;
- Prepare feasibility studies, valuation and due diligence reports as well as private placement memorandums;
- Act as intermediary in Shari'a compliance transactions;
- Act as the placement manager to equity, fund and sukuk issued by investment authorities both public and private;
- Act as intermediary in foreign commercial transactions;
- Provide intermediation in finance activities whether for local or international clients, across various sectors, in accordance to rules and regulations of CBK and in accordance to Islamic Shari'a principles;
- Deal and trade in foreign exchange, commodities, industrial metals and other assets in local and international markets;
- Carry out all types of transactions relating to trade and custody of securities including sale and purchase of securities and sukuk issued by companies and institutions, public and private, locally and domestically;
- Acquire industrial property rights, patents, trademarks, trade drawings, intellectual property rights and leasing of such rights to third parties;
- Manage portfolios, investments and seek capital growth through commercial transaction for its own accounts and for its clients in accordance with the governing laws;
- Invest the Company's assets in various asset classes as approved by CBK, primarily in Islamic finance;
- Promote investment funds for itself and for other parties and offer these funds for placements as well as acting as the investment trustee or manager for these funds both locally and internationally, in accordance with the rules and regulations in place; and
- Carry out any other activity to develop and support the financial and money market in the State of Kuwait.

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

Details of the Group entities and the jointly controlled entities as at 31 December 2015 are as follows:

Name of the Company	Country of incorporation	Ownership interest		Principal activities
		2015	2014	
Jointly controlled entity				
.Hayat Real Estate Investment Company L.L.C	Saudi Arabia	50%	50%	Real Estate
.Hayat Villas Company L.L.C	Saudi Arabia	50%	-	Real Estate
Subsidiaries				
Hayat Construction SAL	Lebanon	100%	100%	Construction
IMMOBILIAIRE BERYTUS SA	Panama	100%	100%	Real Estate

The Group's consolidated financial statements for the year ended 31 December 2015 were authorized for issue by Board of Directors on 01 March 2016. The shareholders of the Company have the power to amend these consolidated financial statements at the annual general assembly meeting.

2. Basis of preparation

a) Basis of accounting

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

The impairment provision for credit facilities complies in all material respects with the specific provision requirements of the CBK and IFRS. In addition, in accordance with the CBK instructions, a minimum general provision of 1% for the cash facilities and 0.5% for the non-cash facilities, net of certain categories of collateral, to which CBK instructions are applicable and not subject to specific provision, is made (note 3(k)).

In addition, the consolidated financial statements also comply with the relevant provisions of the Companies Law No. 1 of 2016 ("the new Law") and the Executive Regulations of Law No. 25 of 2012, as amended, Ministerial Order No. 18 of 1990 and the Company's Articles and Memorandum of Association.

Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 cancelled Companies Law No. 25 of 2012, and its amendments. According to Article No. 5, the new Law will be effective retrospectively from 26 of November 2012 and the Executive Regulations of Law No. 25 of 2012, as amended, will continue until a new set of Executive Regulations are issued.

During the year 2015, CMA issued new executive Bylaws of CMA Law No. 7 of 2010, via circular number 72/2015 dated 09/11/2015. The new executive Bylaws replaced the previously issued executive Bylaws of CMA Law and amended previ-

ously issued CMA resolutions. The provisions of the new Executive Regulations will be effective in phases starting from the date of the publication in the Official Gazette i.e. 10 November 2015.

The Company is in process of compliance with relevant Regulations according to the new rules of Executive Bylaws.

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 which are measured at fair value:

- investments at fair value through profit or loss;
- available for sale investments; and
- investment properties.

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) Changes in accounting policies

The Group has adopted the following amendment effective during the year.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual improvements for 2010-2012 and 2011-2013 cycle which are effective for annual periods beginning on or after 1 July 2014 are not expected to have a material impact on the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

e) Use of judgments and estimates

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's 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 prospectively.

(i) Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements include the following:

Classification of financial instruments

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 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.

(ii) Assumptions and estimation uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2015 includes:

- impairment test: key assumptions underlying recoverable amounts, including the recoverable amounts.
- recognition and measurement of provisions: key assumptions about the likelihood and magnitude of an outflow of resources.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a investment team that has overall responsibility for overseeing all significant fair value measurements.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- **Level 1**: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2**: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- **Level 3**: inputs for the asset or liability that are not based on observable market data
- (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the method used in arriving at the fair values is included in note 6 for the investment properties.

3. Significant accounting policies

Except for changes explained in note 2(d), the Group has consistently applied the accounting policies set below to all periods presented in these consolidated financial statements.

a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Accounting policies of subsidiaries and joint ventures are consistent with the accounting policies adopted by the Group.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and other components of equity. Any resulting gain or loss is recognised in the statement of profit or loss and other comprehensive income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Investment in equity-accounted investees

The Group's interests in equity-accounted investees comprise of interests in joint ventures. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investment in a joint venture are accounted for using the equity method and is recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted investee, until the date on which joint control ceases.

Transactions eliminated on consolidation

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

b) Cash and bank balances

Cash and bank balances comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

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 the consolidated statement of profit or loss and other comprehensive income. Investments at fair value through profit or loss are measured at fair value, and changes therein are recognized in the consolidated statement of profit or loss and other comprehensive income.

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 consolidated statement of profit or loss and other comprehensive income.

d) Available for sale investment

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognized in other comprehensive income and accumulated in the fair value reserve.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment.

When these assets are derecognised, the gain or loss accumulated in equity is reclassified to the consolidated statement of profit or loss and other comprehensive income.

e) 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 fair value and are subsequently carried at amortised cost using the effective profit yield method.

f) Investment properties

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 the consolidated statement of profit or loss and other comprehensive income. 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.

g) Other assets

Other assets are stated at amortized cost less impairment losses (note 3(k)) 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 any impairment losses (note 3(k)).

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 consolidated statement of profit or loss and other comprehensive income as incurred.

Amortization is recognized in the consolidated statement of profit or loss and other comprehensive income on a straight line basis over the estimated useful lives of the software licenses from the date they are available for use. The estimated useful life of computer software licenses is three years.

(ii) Property and equipment

Recognition and measurement

Property and equipment is measured at cost less accumulated depreciation and impairment losses (note 3(k)). 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 consolidated statement profit or loss and other comprehensive income.

Depreciation

Depreciation is recognized in the consolidated statement of profit or loss and other comprehensive income 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.

h) 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 consolidated statement of profit or loss and other comprehensive income 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 amortised cost using the effective yield method.

i) Other liabilities

Other liabilities are stated at amortized cost.

j) 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 represents asset management fees earned by the Group on fiduciary activities. Fees and commission income are recognized on an accrual basis.

Dividend income

Dividend income is recognized when the right to receive the income is established.

k) 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 profit or loss and other comprehensive income.

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 cash facilities net of certain categories of collateral, to which CBK instructions are applicable and not subject to specific provision, is made.

(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 the consolidated statement of profit or loss and other comprehensive income.

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 the consolidated statement of profit or loss and other comprehensive income.

l) Foreign currency

Foreign currency translations

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in the consolidated statement of profit or loss and other comprehensive income. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign operations

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

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.
When a foreign operation is disposed of in its entirety or partially such that control, is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non controlling interest.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such item form part of the net investment in the foreign operation. Accordingly, such differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

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 Group's share of contributions to this scheme, which is a defined contribution scheme, is charged to the consolidated statement of profit or loss and other comprehensive income 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 based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. Provision for this unfunded commitment represents a defined benefit plan.

n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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 net of withholding taxes in the consolidated statement of profit and loss and other comprehensive income.

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

The Company is 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 required. 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 and provided for in accordance with the requirements of Law No. 46 of 2006 and charged to the consolidated statement of profit or loss and other comprehensive income.

s) New standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these consolidated financial statements.

IFRS 15 – Revenue from contracts with customers

IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The standard was issued in May 2014 and applies to an annual financial statements beginning on or after 1 January 2018.

IFRS 9 – Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

Management is currently assessing the impact that this standard will have on the financial position and performance of the Group.

4. Investments at fair value through profit or loss

	2015	2014
	KD	KD
Mutual fund	29,641	53,281

5. Islamic finance receivables

	2015	2014
	KD	KD
Balance at 1 January (before general provision)	5,588,372	5,361,224
Additions	506,118	227,148
Repayments	(6,094,490)	-
	-	5,588,372
General provision	-	(55,884)
Balance at 31 December	-	5,532,488

A movement in the provision for impairment is as follows:

	2015	2014
	KD	KD
Balance at 1 January	55,884	53,612
Provision for impairment	4,911	2,272
Reversal of impairment	(60,795)	-
Balance at 31 December	-	55,884

During the year, the Company collected all of its Islamic finance receivables and reversed the accumulated general provision amounting to KD 55,884.

6. Investment properties

	2015	2014
	KD	KD
Balance at 1 January	7,351,082	7,914,851
Capitalized construction costs	234,161	403,259
(Change in fair value of investment properties (note 13	123,455	(1,168,113)
Foreign exchange gain	172,521	201,085
Carrying amount at 31 December	7,881,219	7,351,082

cember 2015 by accredited independent valuators who are the industry specialists in valuing this type of investment property.

The fair value measurement for investment property has been catagorised under Level 2 based on the inputs to the valuation technique used. For the purpose of measuring fair value, the replacement principle is used which reflects the current market expectations about the future estimated replacement cost in the country in which the investment properties are located.

7. Investment in equity-accounted investees

The Group has two joint ventures, both of which are equity accounted.

	Hayat Real Estate Investment Company L.L.C.	Hayat Villas Company L.L.C
Principal activities	Real estate	Real estate
Ownership	50%	50%
Principal place of business / Country of incorporation	Saudi Arabia	Saudi Arabia

Hayat Real Estate Investment Company L.L.C and Hayat Villas Company L.L.C are structured as separate entities and the Group has 50% ownership in respective companies. Accordingly, the Group has classified its interest in both Hayat Real Estate Investment Company L.L.C. and Hayat Villas Company L.L.C as joint ventures. In accordance with the agreement under which Hayat Real Estate Investment Company L.L.C and Hayat Villas Company L.L.C are established, the Group and the other investor in the joint venture have agreed to make 50% contribution each and to undertake any decisions jointly.

During the year, the Company entered into a new joint venture agreement with its joint venture Partner in Saudi Arabia for the formation of Hayat Villas Company L.L.C. As a result of the formation of Hayat Villas Company L.L.C, the Jeddah Villas project and related liabilities was transferred from Hayat Real Estate L.L.C to Hayat Villas Company L.L.C.

The following table summarizes the financial information of Hayat Real Estate Investment Company L.L.C and Hayat Villas Company L.L.C. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in Hayat Real Estate Investment Company L.L.C and Hayat Villas Company L.L.C.

	Hayat Real Estate Investment Company L.L.C		Hayat Villas Company L.L.C	
	2015	**2014**	**2015**	**2014**
	KD	**KD**	**KD**	**KD**
Non-current assets	217,312,651	192,996,832	-	-
Current assets (including cash and cash equivalents)	20,710,552	24,908,806	17,179,945	-
Non-current liabilities (including non-current financial liabilities excluding trade and other payables and provisions)	(58,673,684)	(28,881,985)	-	-
Current liabilities (including current financial liabilities excluding trade and other payables and provisions)	(23,241,683)	(45,292,747)	(17,175,893)	-
Net assets (100%)	156,107,836	143,730,906	4,052	-
Group's share of net assets (50%)	78,053,918	71,865,453	2,026	-
Carrying amount of interest in joint venture	78,053,918	71,865,453	2,026	-
Revenue – 7.1	15,185,995	22,000,821	-	-
Operating expenses	(8,743,751)	(1,227,243)	-	-
Profit (100%)	6,442,244	20,773,578	-	-
Profit (50%)	3,221,122	10,386,789	-	-
Group's share of profit	3,221,122	10,386,789	-	-
Dividend received by the Group	-	3,754,992	-	-
Movement in Group's share of interest in nets assets of equity-accounted investees				
Carrying amount at 1 January	71,865,453	62,990,846	-	-
Additions during the year	-	-	2,026	-
Group's share of profit	3,221,122	10,386,789	-	-
Dividend received during the year	-	(3,754,992)	-	-
Foreign exchange impact	2,967,343	2,242,810	-	-
Carrying amount at 31 December	78,053,918	71,865,453	2,026	-

	2015	2014
	KD	KD
Surplus on revaluation of investment property	12,620,103	11,817,375
Rental income	2,565,892	-
Profit on sale of a real estate project	-	10,183,446
	15,185,995	22,000,821

8. Other assets

	2015	2014
	KD	KD
Advance for investment	6,415,053	6,415,053
Prepayments	49,414	89,716
Receivables	51,281	446,808
Property and equipment	9,194	3,167
Intangible assets	715	1,327
Others	-	1,941
	6,525,657	6,958,012

Advance for investment represents contribution by the Company towards increase in the share capital of Hayat Real Estate Investment Company L.L.C. This contribution will be included in the carrying value of Hayat Real Estate Investment Company L.L.C. once the relevant regulatory approvals have been obtained.

9. Islamic finance payables

	2015	2014
	KD	KD
Murabaha	12,861,506	14,787,408
Wakala	2,117,950	4,138,328
	14,979,456	18,925,736

The maturity of Islamic finance payables is disclosed in note 19.
The effective profit rate on Islamic finance payables ranges from 3.25% to 5% per annum (2014: 3.25% to 5.5% per annum).

10. Other liabilities

	2015	2014
	KD	KD
Zakat payable	100,327	553,226
KFAS payable	85,999	493,499
Dividend payable	4,000	647,000
Provision for staff employment benefits	820,816	924,169
Other payables	245,893	208,921
	1,257,035	2,826,815

11. Equity

Share capital
The Company's authorized, issued and fully paid up share capital in cash amounts to KD 15,000,000 (2014: KD 15,000,000) comprising of 150,000,000 (2014: 150,000,000) shares of 100 fils each.

Statutory reserve
In accordance with the Companies Law No. 1 of 2016 and the Executive Regulations of Law No. 25 of 2012, as amended, and the Company's Articles of Association, 10% of profit for the year, before contribution to KFAS, Zakat and Directors' remuneration, is transferred to a 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, before contribution to KFAS, Zakat and Directors' remuneration is required to be transferred to a 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.

Dividend
During the year ended 31 December 2014, the Company distributed dividend of 20 fils per share amounting to KD 3,000,000.

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 other party in making the financial and operating decisions and has joint control over the other party.

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 the Board of Directors.

Balances and transactions with related parties were as follows:

	2015	2014
	KD	KD
Shareholders		
Bank balances	546,477	760,853
Jointly controlled entity		
Wakala receivables	-	3,244,288
Wakala profit	193,783	232,588
Key management personnel		
Payables and other liabilities	696,391	768,506

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 420,000 (2014: KD 330,000).

13. Net investment income/(loss)

	2015	2014
	KD	KD
Realized (loss) / gain on investments at fair value through profit or loss	(129)	48,442
Unrealized gain on investments at fair value through profit or loss	1,167	16,643
Change in fair value of investment properties (note 6)	123,455	(1,168,113)
Profit from Islamic finance receivables	337,788	400,901
Foreign exchange loss	(148,935)	(94,444)
	313,346	(796,571)

14. Staff costs

During the year, the Company revised its policy on carry forward of accumulated leave balance by staff. As a result of this, the Company has written off excess leave balance amounting to KD 180,206 in the current year.

15. Other expenses

	2015 KD	2014 KD
Rent	50,664	50,664
Professional fees	51,098	55,763
Travel expenses	34,356	35,456
Fees and subscription	21,116	23,323
Direct investment cost	12,716	16,196
Others	72,679	47,603
	242,629	229,005

16. Basic and diluted earnings per share (fils)

	2015	2014
Profit for the year (KD)	1,748,534	7,521,143
Weighted average number of shares outstanding during the year	150,000,000	150,000,000
Basic and diluted earnings per share (fils)	11.66	50.14

17. 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 4,590,371 (2014: KD 5,956,360). The fee and commission earned on fiduciary assets amounted to KD 52,015 (2014: KD 75,910).

17. Financial instruments - Fair values

Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount					Fair value			
31 December 2015	Note	Investments at fair value through profit and loss	Available for sale investments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		KD	KD	KD	KD	KD	KD	KD	KD	KD
Financial assets measured at fair value										
Investments at fair value through profit and loss	*4*	29,641	-	-	-	29,641	-	29,641	-	29,641
		29,641	-	-	-	29,641	-	29,641	-	29,641
Financial assets not measured at fair value										
Balances with banks		-	-	564,616	-	564,616	-	-	-	-
Islamic finance receivables	*5*	-	-	-	-	-	-	-	-	-
Available for sale investments		-	90,134	-	-	90,134	-	-	-	-
		-	90,134	564,616	-	654,750	-	-	-	-
Financial liabilities not measured at fair value										
Islamic finance payables	*9*	-	-	14,979,456	-	14,979,456	-	-	-	-
		-	-	14,979,456	-	14,979,456	-	-	-	-

		Carrying amount					Fair value			
31 December 2014	Note	Investments at fair value through profit and loss	Available for sale investments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		KD	KD	KD	KD	KD	KD	KD	KD	KD
Financial assets measured at fair value										
Investments at fair value through profit and loss	*4*	53,281	-	-	-	53,281	-	53,281	-	53,281
		53,281	-	-	-	53,281	-	53,281	-	53,281
Financial assets not measured at fair value										
Balances with banks		-	-	1,929,719	-	1,929,719	-	-	-	-
Islamic finance receivables	*5*	-	-	5,532,488	-	5,532,488	-	-	-	-
Available for sale investments		-	90,134	-	-	90,134	-	-	-	-
			90,134	7,462,207	-	7,552,341	-	-	-	-
Financial liabilities not measured at fair value										
Islamic finance payables	*9*	-	-	18,925,736	-	18,925,736	-	-	-	-
		-	-	18,926,736	-	18,925,736	-	-	-	-

The Group's investment in mutual fund classified under Level 2 was fair valued using the net asset value of the mutual fund, as reported by the fund's administrator. For this investment, the management believes that the Group could have redeemed its investment at the net asset value per unit at the statement of financial position date.

There were no transfers from Level 1 to Level 2 in 2014 and 2015.

19. Financial risk management

The Group has exposure to the following risks arising from 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.

Risk management framework

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 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 2015 represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2015 KD	2014 KD
Balances with banks	564,616	1,929,719
Islamic finance receivables	-	5,532,488
	564,616	7,462,207

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

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

2015	Balances with banks KD	Islamic finance receivables KD	Total KD
Carrying amounts	564,616	-	564,616
Concentration by sector			
Government	5,000	-	5,000
Banks	559,616	-	559,616
Real estate	-	-	-
	564,616	-	564,616
Concentration by location			
GCC	556,503	-	556,503
Europe	8,113	-	8,113
	564,616	-	564,616

2014	Balances with banks KD	Islamic finance receivables KD	Total KD
Carrying amounts	1,929,719	5,532,488	7,462,207
Concentration by sector			
Government	5,000	-	5,000
Banks	1,924,719	-	1,924,719
Real estate	-	5,532,488	5,532,488
	1,929,719	5,532,488	7,462,207
Concentration by location			
GCC	1,921,980	5,532,488	7,454,468
Europe	7,739	-	7,739
	1,929,719	5,532,488	7,462,207

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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. The Islamic finance payables are of short term nature with revolving facility and thus have maturity of less than a year.

Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates, profit 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 the reporting date due to reasonable possible change in the equity indices, with all variables held as constant, is as follows:

	31 December 2015	
Market indices	**Changes in equity price**	**Effect on profit or loss**
	%	**KD**
India Stock Exchange	5	1,482

	31 December 2014	
Market indices	**Changes in equity price**	**Effect on profit or loss**
	%	**KD**
India Stock Exchange	5	2,664

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 Islamic finance receivables and payables.

The Group's 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. As at 31 December 2015, there are no Islamic finance receivable.

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 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:

	KD	Change in currency rate in %	Effect on profit or loss KD
2015			
US$	(6,779,624)	10	(677,962)

	KD	Change in currency rate in %	Effect on profit or loss KD
2015			
US$	(9,185,499)	10	(918,550)
SAR	5,308,121	10	530,812

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.

20. 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 Companies Law No. 1 of 2016 and the Executive Regulations of Law No. 25 of 2012, as amended.

21. Capital commitments

During the year, the Group entered into contracts related to investment property under construction amounted to KD 126 thousand (2014: KD 250 thousand).

In respect of its interest in joint venture, the Group' share of capital commitment is amounted to KD 4,072 thousand (2014: KD 1,974 thousand).

22. Contingent liabilities

The Company has provided guarantee to a bank with regards to the borrowing taken by its joint venture - Hayat Real Estate Investment Company L.LC. As per the guarantee, the Company will service the debt service reserve account of the bank up to maximum KD 2,270 thousand (2014: nil) (being its share of 50%) in the event the joint venture is unable to repay the Bank.