Annual Report

2016

Risk Guided Return

HAYAT INVEST

HAYAT INVEST COMPANY K.S.C.C (CLOSED)
Tel.: +965 2291 5900 | Fax: +965 2247 8313/5
E-mail: info@hayatinvest.com
P.O Box 29806 Safat 13159 Kuwait
www.hayatinvest.com

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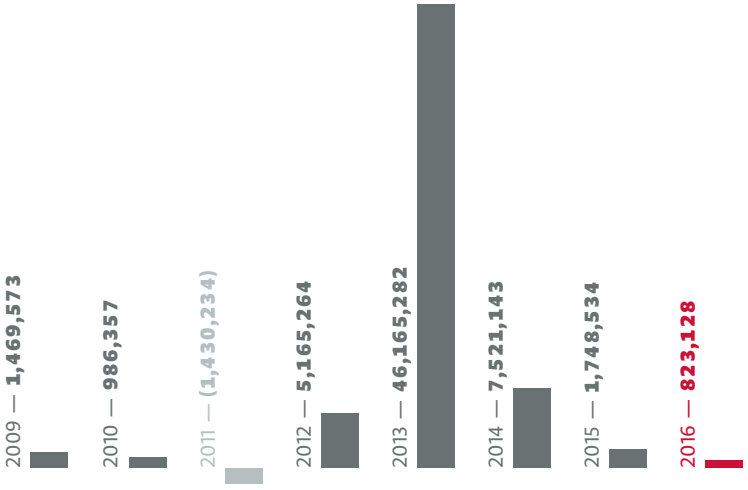
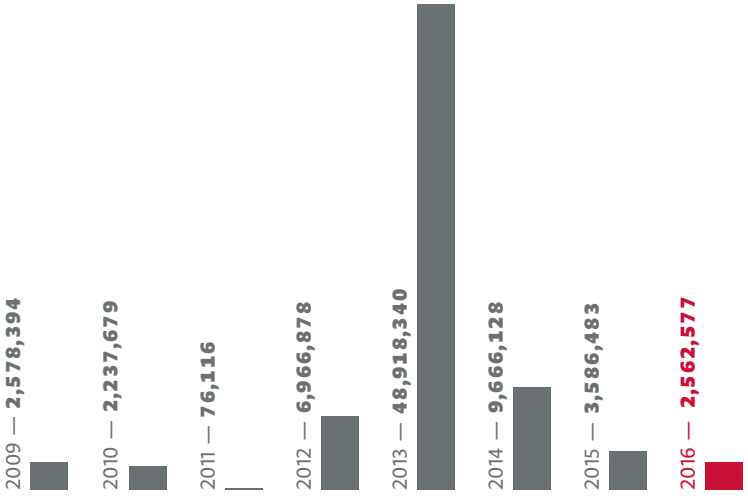
Financial Highlights

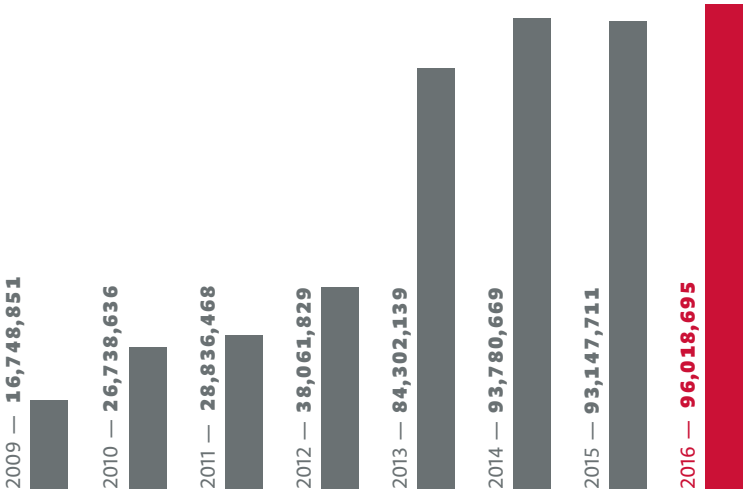
Net Profit
KD



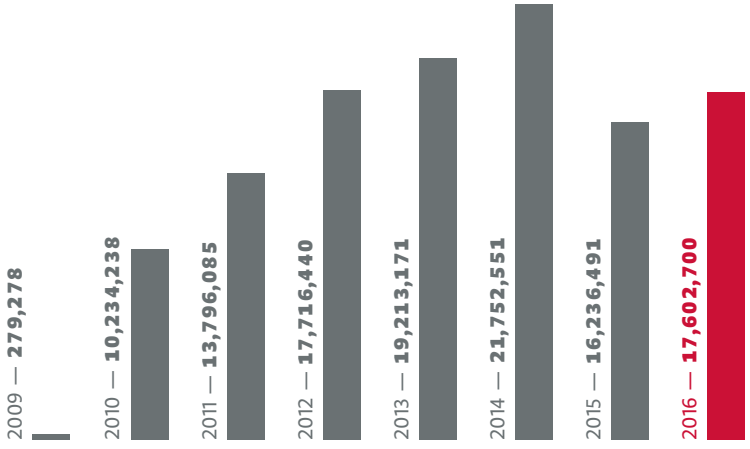
Total Operating Income
KD



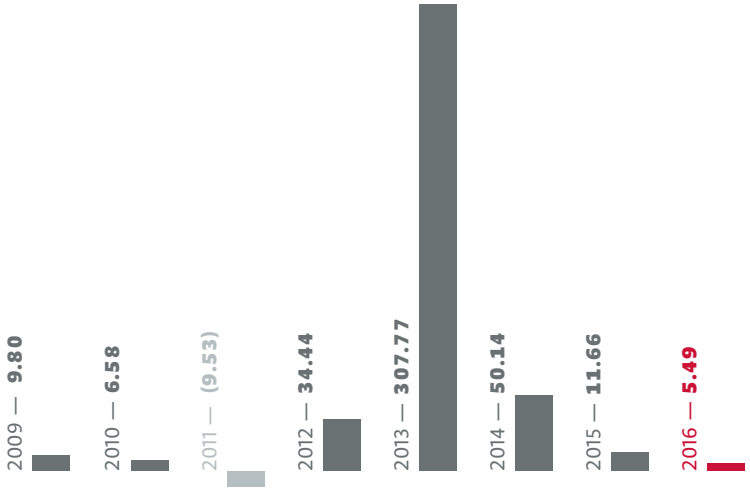
Total Assets
KD



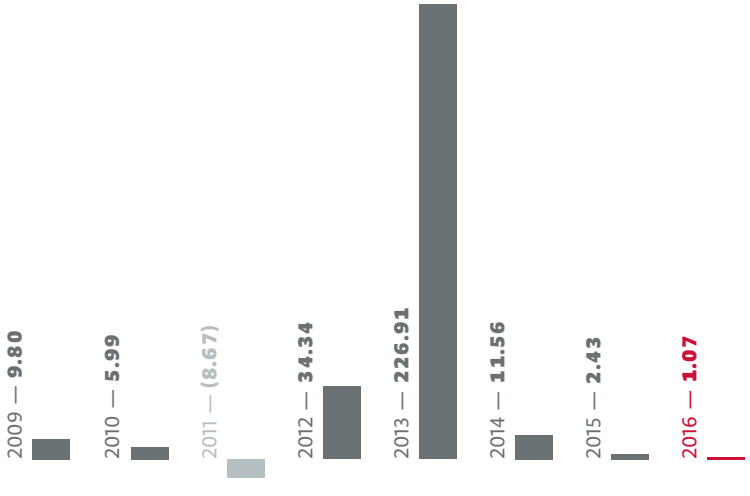
Total Liabilities
KD



Earning/loss per Share
Fils



Return on Equity
(%)*



*Equity calculated at the beginning of the year

Financial Highlights

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Net Profit

0.823 Million KD

Earning/Loss per share

5.49 Fils

Total Operating Incom

2.563 Million KD

Return on Equity

1.07 (%)

Total Assets

96.02 Million KD

Book value per share

523 Fils

Total Liabilities

17.602 Million KD

Total Equity

78.415 Million KD

Exposure by geography of investments in 2016

Chairman's Statement

Dear Shareholders,

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

This year saw tremendous political uncertainty - especially in the developed markets, with both the Brexit referendum and the US Election, rewarding populists. The public mood in these countries appears to be leaning towards anti-globalization and economic nationalism.

For most of the year we saw a continuation of the challenges faced in 2015 with one major exception – it was a better year for commodity producers. Emerging Markets (as measured by the MSCI Emerging Markets Index) returned +8.6% for the year, outperforming Developed Markets (MSCI World Index) which returned +5.3%. Towards the end of the year, OPEC members agreed to production cuts which stabilized oil prices and helped GCC markets end the year on a positive note.

Our composite portfolio made a gain of KWD 2.56 million during the year, which arose from the revaluation of our residential apartment building in Baabda, Lebanon and Al-Nakhla Residential Compound in Riyadh. The lower gain is because the residential compound in Riyadh has not reached full occupancy. Net profit for the year 2016 was KWD 0.823 million.

I am pleased to report that despite adverse market conditions, concluding arrangements were being worked out towards the end of the year to sell the land in Achrafieh. The buyer completed due diligence on the property and entered into an agreement with us to buy the land. The deal was completed during January 2017.

In our report for 2015, we stated that our goal was to first operationalize our projects and then proceed to exit them opportunistically. Last year, challenging market conditions made achieving this goal more difficult. While many of our competitors saw increased vacancy rates and greater pricing pressures, we were able to grow occupancy levels – albeit at a slower pace than we would have liked. It is gratifying that for our largest project, most tenants renewed their leases after giving positive reviews.

An important point to note is that construction activity on our projects has been completed. The one exception to this is our Baabda project in Lebanon, where due to a change in strategy, construction activity is expected to continue until mid-2017.

We plan to focus fully on the sales and marketing of our projects in the year ahead. Given the recent stabilization in oil prices and signs of a revival in investor interest in recent months, we are optimistic regarding prospects for the coming year.

While markets today are more deeply interconnected than ever, the obvious benefits of free trade need to be better balanced with the aspirations of the public. Valuations have risen faster than earnings in some markets. However, opportunities exist everywhere. We will continue to explore and analyze these opportunities and match them appropriately to the risk profiles of ours and our clients.

I am extremely thankful to our stakeholders and employees for making 2016 another year of progress in building our company.

Dr. Nabeel Al Mannae,
Chairman & CEO

Board of Directors

Dr. Nabeel Ahmed Al Mannae
Chairman & CEO

Mr. Yacob Yousef Al Muzaini
Vice Chairman & CEO

Mr. Sulaiman Barak Al Marzouq
Board Member

Mr. Abdullah Abdul Hameed Al Marzouq
Board Member

Mr. Waleed Abdulkareem
Board Member

Mr. Basel Al-Haroon
Board Member

Executive Management

Dr. Nabeel Ahmed Al Mannae
CEO

Mr. Yacob Yousef Al Muzaini
CEO

Mr. Aftab Alam
Chief Investment Officer

Shari'a Supervisory Board

Dr. Abdul Aziz k. Al-Qassar
Chairman

Dr. Essa Zaki Essa
Member

Dr. Ali Ibrahim Al-Rashed
Member

External Auditor's

KPMG Safi Al Mutawa & Partners

Management Report

The central theme of 2016 was political uncertainty. The UK referendum to leave the Eurozone, the US election and the Italian referendum produced upsets for incumbents and rewarded populists and nationalist forces in their respective countries. It remains to be seen whether this trend will continue in the coming year. Despite the political upheaval, stock markets around the world posted moderately good returns on the back of a revival in commodity prices. The best performing sectors in most markets were the Materials and Energy sectors.

The MSCI Emerging Markets Index returned +8.6% for the year, while the MSCI World Index (which tracks developed markets) returned +5.3%. The best performing markets were those of commodity exporters that had seen declines in previous years. Brazil was the year's top performer, returning +63% as fears eased over the Petrobras scandal and prices improved for major commodity exports such as iron ore and soybean. The worst performing market was Nigeria (-40%) which imposed capital controls and faced security threats to its oil pipelines. Notably, China's stock market ended the year down 18% (Shanghai Composite Index), with the declines largely attributed to market reforms that were poorly executed by the regulator.

Crude oil prices faced downward pressure from relatively high production and inventory levels for most of the year, even as demand remained robust. Towards the end of November, OPEC members agreed to production cuts that helped oil prices surge to 17 month highs. Brent crude prices averaged $44 before ending the year at almost $57 per barrel.

We remain cautiously optimistic on prospects for 2017. After years of low interest rates and weak inflation, parts of the developed world are in the early stages of normalizing interest rates. This trend is welcome since it means that going forward markets should focus more on underlying fundamentals instead of reacting to stimulus measures from central banks. However, due to heightened uncertainty, investors will need to remain alert to changes in the economic and political environment. The coming year is likely to provide opportunities to patient and long term investors. Investor discipline and a focus on risk reduction will be the keys to navigating the investment landscape.

KUWAIT

Macro Economy

Kuwait's economy largely performed well in the face of lower oil prices during the year - despite some pockets of weakness. Various estimates peg the growth ranging from 2.5% to 3.5% during 2016, with an almost even contribution to growth from the oil and non-oil sectors. The non-oil sector was supported by continued government spending on capital projects. Kuwait's development plan targets investments of KD 34 billion through 2020. Project awards for the year to date period ended September 2016 amounted to KD 3.6 billion, including the new airport terminal which has an estimated cost of KD 1.3 billion.

A significant development during the year was the government's decision to raise fuel prices in September. The move was prompted by the need to rationalize expenditures given the weak outlook for oil prices. However, it also led to consumers turning cautious as they adjusted to higher fuel prices. Consumer spending fell notably around the time of the decision and the growth in household debt has slowed in recent months.

The weak oil prices impacted public finance and led to some austerity measures. It also had an effect on the Real Estate sector. The value of real estate transactions declined 27% during the 12 month period ended November 2016. Most of the decline came from the residential and investment sectors while commercial activity saw a modest increase in sales. Part of the deterioration in the residential real estate market may be explained by expectations of an increase in the supply of housing plots and built homes from the government.

Average inflation for the year is estimated at 3.4%. Inflationary pressures were weak for most of the year, only rising around the time of the September fuel price hike. The primary source of the weakness in inflationary pressures came from the services ex-housing segment, which declined to 1.6% in October 2016 from 4% in the previous year. A fiscal deficit of 18% of GDP is estimated for the year after the mandatory allocation to the Future Generations Fund. However, the fact that the budget is prepared using a conservative oil price forecast of US$35 provides comfort.

Looking ahead, overall GDP growth in 2017 is likely to be a function of three elements: First, the oil sector is likely to see weaker growth stemming from production cuts as a result of OPEC's decision to curb output. Second, sustained government spending on investment projects should continue to support demand for services in the non-oil sector. Third, consumer spending is likely to remain weak as a result of continued reforms and subsidy removal measures. Forecasts for next year's GDP growth range from 1.7% to 2.6%.

Kuwait Stock Exchange

Large cap stocks on Boursa Kuwait were poor performers during the year causing the weighted index to end the year with a return of -0.4%. The best performing sector was Healthcare (+25.2%), followed by Industrials (+17.9%). The worst performing sectors were Oil & Gas (-15.2%) and Technology (-13.7%). Total traded value declined by 27.5% during the year to USD 9.5 billion while traded volume declined 27% to 30.3 billion shares. Market capitalization at the end of the year was KWD 24.08 billion showing a decline of 1.9% from the previous year.

GCC & MENA

Weak oil prices forced most countries across the region to accelerate reforms and increase efforts to diversify their economies away from oil. Saudi Arabia, the region's largest economy, announced its ambitious Saudi Vision 2030 plan detailing proposed measures to restructure the government, achieve fiscal balance and boost privatization efforts. Countries also looked to the international bond markets to help meet budget shortfalls. Saudi Arabia was a large foreign borrower raising USD 17.5 billion through bond sales in international markets in the fourth quarter, while Kuwait is preparing to do the same in 2017. Conventional bond issuances in the MENA region grew 10% from the previous year to USD 102 billion. Sukuk issuances slightly declined during 2016, as the market continues to account for a small portion of total fixed income issuances within the region.

Stock markets in the GCC moved in line with the direction of oil prices. Weak oil prices in the first half of the year resulted in multiple year lows for several GCC markets. In the second half of the year and particularly in the fourth quarter, OPEC's agreement to limit output significantly improved sentiment and helped most markets end the year with positive returns. Dubai was relatively less affected by the weak oil prices than its peers and was the region's best performing market for the year, returning +12%. Oman was the second best performer at +7%. Saudi Arabia (TASI) was the worst performing market in the GCC until September returning -22% before recovering in the fourth quarter to end the year at +4%. Most of the gains in Saudi Arabia came from large sectors, such as the Energy & Utilities and the Petrochemical sectors which surged 41% and 25%, respectively, reflecting the year end optimism in the oil market.

Across the region, trading activity remained weak until the third quarter before rebounding in the last two months of the year. Despite the increase, the value of shares traded in the GCC remains at a 5-year low level of USD 388.2 billion, with Saudi Arabia accounting for 79% of this value followed by 9.3% for Dubai.

Looking ahead into the coming year, the GCC economy is expected to grow 2% supported by growth in the non-oil sector and helped by public projects and government investment. Deficits are expected to halve from an average of 10% in 2016 to 5% in the coming year. Value added taxes (VAT) are expected to be introduced throughout the GCC in 2018.

GLOBAL MARKETS

According to IMF forecasts as of October 2016, the global economy will slow to 3.1 percent in 2016 before recovering to 3.4 percent in 2017. The forecasts for 2016 and 2017 were revised down by 0.1 percentage point from April and reflect a more subdued outlook for advanced economies following the U.K.'s vote in June to leave the European Union (Brexit). More recent year-end data shows that growth in the United States remains reasonably robust but an accommodative monetary policy stance looks set to continue in Europe over the coming year.

Developed Markets

UNITED STATES — The US economy strengthened throughout the year and remains a bright spot in the world economy. As of November 2016, the labor market was robust with the unemployment rate at 4.6%. The U.S. Federal Reserve raised interest rates by 25 bps for the first time during the year in its December meeting and signaled a faster pace of increases in 2017 as central bankers adapt to the incoming Trump administration's promises of tax cuts, infrastructure spending and deregulation.

Economic growth is set to strengthen in 2017 and 2018, as an assumed fiscal stimulus boosts the economy and the effects of dollar appreciation, declines in energy investment and a substantial inventory correction abate. Employment has risen steadily, although the pace is expected to ease somewhat in 2017. Policy rates are expected to gradually increase and the Fed sees three rate hikes in 2017 instead of the two foreseen as of September. As the new Administration begins implementing its policy priorities, the fiscal stance is projected to become more expansionary as public spending and investment rise, while taxes are cut. This will provide an immediate boost to the economy, particularly in 2017.

EUROZONE — The Eurozone's tepid economic recovery continued from the previous year, driven by solid domestic demand and a subdued external sector. Improvements in the labor market, low inflation and ultra-easy monetary policies have helped domestic growth, but investment is yet to fully take off. The economy shrugged off any early Brexit contagion in Q3 as GDP growth remained steady.

GDP Growth for the coming year is projected to remain subdued. Despite supportive monetary conditions, investment weakness looks likely to persist, reflecting low demand, banking sector fragilities and uncertainties about European integration. High unemployment and modest wage growth will hold back private consumption, while exports will be hampered by soft global trade and weaker growth in the United Kingdom following the Brexit referendum. Across euro area countries, major differences in growth and unemployment prospects will persist.

The Eurozone will see elections in several key member states during the coming year. Netherlands, France and Germany will go to the polls in March, May and September of the coming year. There is uncertainty as to whether the coming elections will reward nationalist forces in each of these countries and test the cohesiveness of the union.

JAPAN — The primary challenges to the Japanese economy in 2016 came from an uncertain global outlook and a strong yen. Despite these challenges, growth in the third quarter was robust at 2.2% from the previous quarter although weak wage growth continues to dampen private consumption. Donald Trump's victory in the U.S. presidential election has the potential to hit the country's all-important external sector but it could also be beneficial for Japan if the USD continues to strengthen.

Economic growth is projected to reach 1.0% in 2017 before slowing to 0.8% in 2018, boosting headline inflation to 1¼ per cent by the end of 2018. Private consumption is projected to continue rising in the context of labor shortages and the historically high level of corporate profits. The Bank of Japan should maintain monetary easing, as intended, until inflation is stable above the 2% target, while taking account of costs and risks in terms of possible financial distortions.

UK — Post the referendum, growth in the UK decelerated slightly in Q3, but the slowdown was less than markets had expected. The unemployment rate inched down in September and the manufacturing PMI remained in expansionary territory in October. The pound has had a rollercoaster ride. The currency surged at the beginning of November after the High Court decided that the government needs parliamentary approval to start negotiating with the European Union. The decision, if also upheld by the Supreme Court, could delay Brexit or force the government towards a softer exit.

The Brexit referendum vote has reduced growth prospects and increased volatility, as reflected by the large currency depreciation. Monetary policy has mitigated the immediate impact of the shock by stabilizing financial markets and shoring up consumer confidence. United Kingdom will operate with a most favored nation status after 2019, but there is considerable uncertainty about this, which will increasingly weigh on growth, and in particular private investment, including foreign direct investment.

Emerging Markets

CHINA — The economy is on track to achieve the annual growth target of between 6.5% and 7.0% backed by strong private consumption and investments. In its Q3 monetary policy report, the People's Bank of China highlighted that striking a balance between cutting asset bubbles and stabilizing growth will be the key challenge in the near future.

Economic growth is being supported by stimulus and is set to edge down further to 6.1% by 2018. At the same time, risks are rising. The economy is undergoing transitions on several fronts. Housing prices are again rising fast in the bigger cities. Consumption growth is set to hold up. Reductions in excess capacity will ease downward pressure on producer prices but consumer price inflation will remain low. Exports will be held back by weak global demand and loss of competitiveness.

INDIA — Tailwinds from a near-normal monsoon and government pay hikes are expected to have boosted household consumption, but private sector investment is lagging. Meanwhile, the government continues to make progress on reforms. In a bold announcement on 8 November, the government scrapped two high denomination notes in an effort to fight tax evasion and illegal practices. The notes account for over 80% of the tender in circulation and the decision will likely be negative for economic activity in the near-term. However, in the long-run the move should boost government finances by increasing tax compliance and improve the business environment.

With projected annual growth of 7.5% in 2017-18, India will remain the fastest growing G20 economy. Private consumption will be supported by the hike in public wages and pensions and by higher agricultural production, on the back of a return to normal rain fall. Private investment will revive gradually as excess capacity in some sectors diminishes and infrastructure projects mature, corporates deleverage, banks clean their loan portfolios, and the Goods and Services Tax (GST) is implemented. Negative surprises from demonetization however cannot be ruled out as consequences of the move will depend on the degree of behavioral adaptation towards digitized transactions.

SAUDI ARABIA — Weaknesses that plagued growth in third quarter have likely carried into the final quarter of 2016 as the PMI for the non-hydrocarbon sector tumbled to an all-time low in October. Despite stronger oil production and slightly higher oil prices, economic activity has decelerated sharply this year on the back of austerity measures that the government implemented in an attempt to mitigate the massive fall in oil revenues. Moreover, tighter liquidity conditions, mainly due to the government's financial needs, have hampered activity in the private sector. Following a successful international bond issuance in October, liquidity conditions have improved. As a result, SIBOR has edged down from mid-October to mid-December.

Economic growth is likely to remain subdued next year as fiscal adjustments persist, albeit at a slower pace. Higher oil prices and the government's willingness to diversify the economy away from oil should gradually allow growth to pick up in the years to come. In 2017, the economy is projected to grow by 1.2%. Further improvement in liquidity conditions can be expected in the coming year as OPEC's agreement pushes up oil prices. However if US continues to tighten monitory policy in 2017-18 there would be an upward pressure on SIBOR.

Commodities

Cuts in capital spending by producers have begun to choke off supplies as global demand creeps higher. The Bloomberg Commodity index (BCOM), a basket of 22 futures contracts, has risen nearly 10 per cent in 2016, on pace for its first annual rise since 2010. The performance has varied widely among BCOM members, with zinc (the best performing metal for the year) up more than 60 per cent this year, diesel fuel up about 45 per cent and wheat suffering a 12 per cent fall. Gold has slid sharply from its peak of $1,366 an ounce in July as rising US interest rates increase the opportunity cost of holding the asset. Huge price rallies are not anticipated in 2017, as global inventories are still high and will buffer price swings. Global currency movements will once again have a strong impact on the prices of agri-commodities.

OPEC has agreed to curb output by 1.16m barrels in the first half of 2017, while Russia and a handful of other producers have said they will trim output by 560,000 b/d. Even if some countries do not fully comply, the combination of firm commitments from Saudi Arabia and Gulf allies as well as natural declines in such places as Venezuela suggests that OPEC output will fall. A boost in prices is expected from the production cuts as oil inventories in OECD nations are already showing declines. Goldman Sachs has upped its oil price outlook for the second quarter of 2017 to $57.50 a barrel from $55 a barrel for U.S. West Texas Intermediate crude. It also raised its price forecast for international benchmark Brent crude to $59 a barrel from $56.50 a barrel.

Prospects For 2017

We see an expansionary fiscal stance in the United States that is likely to result in higher interest rates and a stronger dollar. For the short to medium term, this stimulus fueled growth is likely to be euphoric but could turn negative over the longer term if spending does not sufficiently boost productivity. US equities could

reflect this scenario in the coming year by doing well initially before turning bearish towards the end of the year due to higher interest rate expectations, subdued growth and a strong dollar. European shares offer the possibility of good returns due to the looser monetary policy of the ECB, the persistent low interest rates in Europe and the weak euro. However, caution is advised here too in connection with the mounting political risks. Diversification with a move to Japanese equities might therefore be advisable, although they are strongly overbought at present. As regards shares in the emerging markets, countries with USD debts should be avoided because of strengthening USD. Markets exporting commodities offer better opportunities.

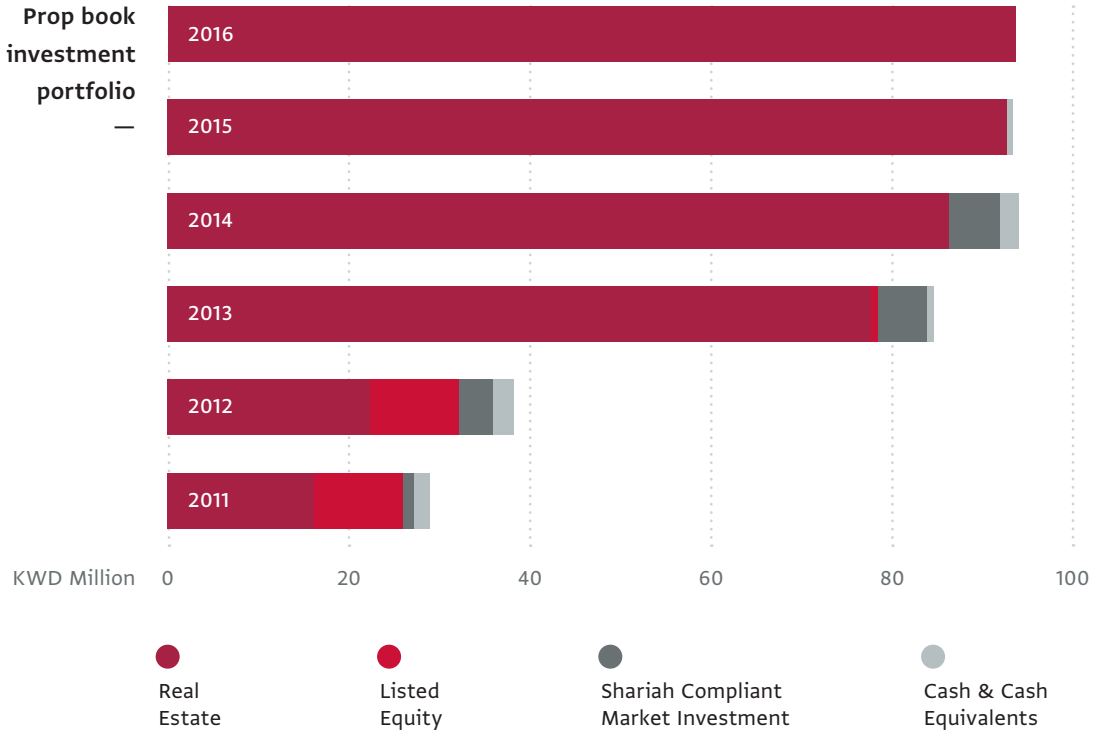
Outlook For Saudi Real Estate

According to official data released in January 2017, Saudi Arabian real estate prices declined 8.7 percent in the previous year, due to heavy pressure on the economy from government austerity measures. A planned tax on undeveloped urban land (in order to deter hoarding of land) also had the effect of pushing down prices. Residential prices declined 7.4 percent in Q4 2016 compared to a year earlier while commercial real estate prices fell 12.3 percent. About 4,000 new residential units entered the Riyadh property market in the fourth quarter of 2016 and a further 25,000 units are expected to be built this year, according to a report from JLL consultancy.

The coming year is expected to see increased activity in the Saudi real estate sector as the country continues to diversify its economy in line with Vision 2030. Increased activity is expected through the public investment fund (PIF), the listing of further REITs (Real Estate Investment Trusts), taxation reforms and a series of public private partnerships or PPPs. The government's decision to release payments totaling $10.6 billion to contractors and the SAR20 billion injected into the banking system has also boosted market sentiment.

HAYAT IN 2016

Our objective for the year was to focus on sales and marketing activities & make our existing projects operational. Continuing from the previous year, general market conditions in 2016 remained challenging due to a variety of factors including low oil prices, political risks and tightening liquidity conditions in key markets. While these headwinds slowed our rate of progress, we were able move forward on projects without giving up any of our earlier gains.



Listed Equity

Our investments during 2016 continued to remain heavily skewed towards real estate projects. 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.

Hayat Real Estate Investment Company LLC

Hayat Real Estate Company LLC (50% shares held by Hayat Invest KSCC) owns Al Nakhla Residential Compound which is an ultra-modern luxury residential compound complex in Riyadh, Saudi Arabia. The compound spans an area of 259,796 square meters and is situated on Khalid Bin Al Waleed road next to SABIC's head office. Business Gate project and several leading universities and research centers such as Riyadh University, Princess Noura Bint Abdulrahman University and King Abdullah Center for Petrochemical Studies are in close proximity to the compound. The compound is fully constructed and currently being let out to tenants.

Progress during 2016: The general environment for real estate in Saudi Arabia last year was very challenging and reflected trends in the broader economy. Competing compounds in the area saw a decline in occupancy levels and faced pricing pressures.

Al Nakhla compound began the year with an occupancy rate of approximately 40%. Thanks to the project team's sales and marketing efforts we were able to increase the compound's occupancy rate to 53% by the end of the year with the majority of tenants renewing their leases. Also gratifying is the fact that our tenants continue to report high satisfaction levels with the compound and its facilities.

During the year, we converted 51 three bedroom villas into executive 1 and 2 bedroom units. We see increased demand for the new units and expect the conversion to aid in marketing and deliver better returns for the project. The total number of units in the compound now stands at 1125 (previously 1074 units).

Hayat Luxury Villas Company LLC

Hayat Luxury Villas Company LLC (50% shares held by Hayat Invest KSCC) is a residential villa project situated near the coast of northern Jeddah, Saudi Arabia. The project occupies an area of 32,209 square meters and is in close vicinity to both the Red Sea Mall (one of the largest malls in Jeddah) and King Abdul Aziz International airport.

Progress during 2016: During the year, we were able to successfully split the original master title deed for the property into 96 individual title deeds (for each villa). We received the split title deeds in October and since then have revamped our marketing efforts. We expect the new title deeds to ease our sale efforts and expect to make substantial progress on sales during 2017.

Developments in Lebanon

ACHRAFIEH

Project Description: Parcel of undivided land in Achrafieh, Lebanon

Progress during 2016: Towards the end of the year, concluding arrangements were being worked out to sell the land in Achrafieh. The buyer completed their due diligence on the property and entered into an agreement with us to buy the land. The deal was completed during January 2017.

BAABDA

Project Description: Luxury multifamily residential apartment building in Baabda, Lebanon

Progress during 2016: Our multifamily residential apartment building in Baabda, Lebanon is fully constructed on a core and shell basis. Last year, given market conditions, we changed our exit strategy from selling the project on a core and shell basis to selling as fully fitted-out apartments. This construction work is ongoing and is expected to be completed in the first half of 2017. Marketing efforts are being carried out through the Lebanon office and a website has been created for the project. With the political and economic situation improving, we are hopeful that demand for high-end residential units will improve in Lebanon. As a result we expect to sell all 8 units within the next two years.

Return on Investments

- We made a gain of KWD 2.56 million in our composite portfolio during the year as compared to KWD 3.58 million in the previous year.
- The majority of these gains came from the revaluation of our residential apartment building in Baabda, Lebanon and Al-Nakhla Residential Compound, Riyadh.
- For the purpose of financial reporting, Hayat Luxury villas property continues to be treated as inventory. Hence any gains from this property will be reflected in the books only on exit.
- We entered into a commitment to sell our land in Achrafieh, Lebanon in November 2016. The property has been reclassified from investment property to property held for sale. Proceeds from the sale of the property were subsequently received in January 2017.

	2016	2015
Net investment income	915,737	313,346
Share of profit of equity-accounted investee	1,610,294	3,221,122
Fee and commission income	36,546	52,015
Operating income	2,562,577	3,586,483
Operating expenses	(1,722,865)	(1,808,215)
Operating profit before provision for impairment	839,712	1,778,268
Reversal of impairment	-	55,884
Net profit	**823,128**	**1,748,534**
Foreign currency translation differences	681,647	3,134,568
Total comprehensive income	**1,504,775**	**4,883,102**

- The Company's net profit for the year 2016 decreased to KWD 0.823 million from KWD 1.748 million in the previous year. 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. The lower profit is because the property has not reached full occupancy.
- Net investment income increased mainly due to a change in the fair value of investment properties.
- Fee and commission income declined by 29.7% compare to the last year due to lower assets under management.
- Operating expenses decreased by 4.7%, mainly due to reduced financing charges and other fees.

Consolidated Statement of Financial Position	2016	2015
ASSETS		
Cash and bank balances	36,841	565,116
Investments at fair value through profit or loss	-	29,641
Available for sale investments	90,134	90,134
Investment properties	4,485,465	7,881,219
Investment in equity-accounted investees	80,309,906	78,055,944
Other assets	6,524,880	6,525,657
Property held for sale	4,571,469	-
Total assets	**96,018,695**	**93,147,711**
LIABILITIES		
Islamic finance payables	15,673,720	14,979,456
Other liabilities	1,928,980	1,257,035
Shareholder's equity	**78,415,995**	**76,911,220**
Total liabilities and shareholder's equity	**96,018,695**	**93,147,711**

- Total assets of the Company increased nominally by 3.1%. The nominal increase is from revaluation gains on our residential apartment building in Baabda, Lebanon and Al-Nakhla Residential Compound, Riyadh.
- Investments at fair value through profit or loss decreased during the year due to disposals in listed equity holdings.
- Islamic finance payables represent financing facilities obtained from the Islamic Banks to finance business expansion of the Company.
- Equity increased by 1.9 % mainly due to profit for the year 2016 and increase in foreign currency translation reserve.
- During 2016, the Company changed the classification of a property in Achrafieh, Lebanon from investment property to property held for sale after committing to a plan to sell the property.

HAYAT'S FINANCIAL PRODUCTS & SERVICES

Hayat is committed to meeting the investment needs of its clients through Shariah compliant products and services. Our investment solutions are tailored to address the individual risk-return profile of our client. Towards this aim, we actively seek out and pursue Shariah compliant investment opportunities across asset classes and geographies.

Hayat India Equity Fund

2016 was a volatile year for Indian equities. Markets fell sharply in the first two months on account of global issues. This was followed by a strong recovery post Union Budget on the back of higher earnings growth expectations before finally giving up some gains towards the end of the year on account of demonetization.

The Indian Rupee was relatively stable ending the year with depreciation of around 2.60% from 66.20/USD to 67.92/USD as of 30th December 2016 thanks to an improving macroeconomic environment. The year also saw a rebound across commodity markets. Crude oil hit a multi-year low below USD28/bbl in Feb 2016 before rebounding to around 57/bbl in December 2016, as OPEC and non OPEC producers announced a production cut in December. Other commodities like steel, aluminum, zinc, copper, iron ore etc. also saw a sharp jump on back of capacity shutdown in China and expectations of demand revival in US.

On the domestic front, one of the most significant events of the year was the Modi Government's announcement of the withdrawal of legal tender status of higher denomination currency bills of Rs. 500 and Rs. 1000 from midnight of November 8, 2016, with an aim to fight corruption, black money, money laundering, terrorism and financing of terrorists through counterfeit notes. The RBI has issued new notes of Rs. 2000 and Rs. 500 as part of the currency in circulation. As of the end of August 2016, INR 16,415Bn (USD239.54Bn) of currency was in circulation as per RBI data. With the withdrawal of almost 87% of the currency in circulation from the economy, the near term impact on growth is expected to be sharp.

For 2016, the fund returned -4.32% (as opposed to S&P BSE500Shariah Index which returned -3.33%) trailing the benchmark by 99 bps. As of Dec 30, 2016, at 24.32% weight, Information Technology is our biggest sector allocation. As of the end of year 2016, the fund holds unencumbered cash of about 3.38%.

The Indian equity markets have seen some correction since Nov '16 due to uncertainty created on account of demonetization along with a global risk off trade impacting emerging markets as a whole. Despite the near term challenges thrown up by demonetization which may cause volatility, we expect India's economic growth to resume its upward trend as the cash crunch eases and businesses readjust and recalibrate. This will usher in a recovery in corporate earnings cycle in 2017. The inflow into domestic funds is likely to remain undeterred given low exposure of domestic household savings in equity funds. We believe that the current weakness in equity markets could provide a favourable opportunity to investors to further their exposure towards Indian equities from a long term perspective. Markets are currently trading at 15.3xFY18E EPS (Nifty valuations, free float basis).

Portfolio & Wealth Management

Hayat offers customized wealth management services to clients in the form of discretionary and non-discretionary portfolio management services. Our portfolio management team develops an asset allocation plan, unique to each client and tailored to that client's specific investment needs and objectives. Special emphasis is placed on managing investment risks. Risk is first minimized through 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.

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. Our current client real estate investment portfolio currently focuses on the Indian and European real estate markets. For the year ahead, we are actively considering new opportunities for our clients in developed real estate markets, particularly in European real estate.

Brokerage Services

Hayat's brokerage desk accesses global markets in a 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 developed and emerging countries.

Risk Management at Hayat

Risk reduction is a pillar of our investment decision making process. As an investment company, we are 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.

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 Risk Management Committee (RMC) and is responsible for identifying, assessing and suggesting control measures for both the enterprise and investment portfolio.

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 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 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 19 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. Hayat has a strong corporate governance framework and is fully compliant with the requirements of the Capital Markets Authority (CMA).

At present, our board comprises six directors including representatives of institutional shareholders. The majority (four) is non-executive (including one independent director). 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 sub-committees of the board were restructured in line with corporate governance requirements of Capital Market Authority. The board has three sub-committees: The Audit Committee, The Nomination & Remuneration Committee and the Risk Committee. The non-executive directors that form the audit

committee include one independent member. The committee met six times 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.

OUR PLAN FOR 2017

Our plan remains unchanged from the previous year. We intend to focus on sales and marketing efforts in order to operationalize our projects before disposals. Al-Nakhla compound is now at more than 50% occupancy levels and we have obtained split title deeds for our Hayat Luxury Villas project in Jeddah. In Lebanon, we expect to complete construction of fully fitted-out apartments in our Baabda project by mid-2017. The current state of our projects and general market conditions will require us to redouble our sales and marketing activities for the coming year.

Any cash flows from existing real estate investments will be redeployed into a portfolio that is well diversified across appropriate asset classes and geographies. This portfolio will have a special focus on rectifying the existing regional asset concentration in our portfolio.

Our investment strategy for the coming year will depend on successful exits 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. For clients, we see opportunities in real estate in core European markets.

As of the end of FY2016, the short to medium term market outlook for most regions is uncertain with heightened political risks. However, opportunities do exist for selective investors. We remain at your service for all your investment needs.

Financial Statements and Indepenent Auditor's Report

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

For the year ended 31 December 2016

Independent Auditor's Report

KPMG

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Hayat Invest Company K.S.C. (Closed) ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, 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 significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted for use by the State of Kuwait.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("the IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without qualifying our opinion we draw attention to note 1 to the consolidated financial statements that the Group had previously issued consolidated financial statements for the year ended 31 December 2016. However, as a result of certain event as explained in note 1 and note 24 to the accompanying consolidated financial statements, the previously issued consolidated financial statements and our audit report dated 28 May 2017 for the same period are replaced with these accompanying consolidated financial statements and this independent auditor's report.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is the Board of Directors report included in the Group's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit.
We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial

statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 its Executive Regulations and the Company's Memorandum of Incorporation and Articles of Association. In our opinion, proper books of account have been kept by the Company, an inventory count was carried out in accordance with recognized procedures and the accounting information given in the Board of Directors' report agrees with the books of account. We have not become aware of any violations of the provisions of the Companies Law No.1 of 2016 and its Executive Regulations, or of the Company's Memorandum of Incorporation and Articles of Association during the year ended 31 December 2016 that might have had a material effect on the business of the Company or on its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, or of Law No. 7 of 2010, as amended, concerning the Capital Markets Authority, and its related regulations during the year ended 31 December 2016 that might have had a material effect on the business of the Company or on its consolidated 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: 15/06/2017

Fatwa and Shariah Supervisory Board

For the year
ended 31 December 2016

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

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 super¬vised the principles adopted and the contracts related to the transactions concluded by the Company during the period from 01/01/2016 to 31/12/2016. We have carried out the necessary supervision to give our opinion on whether or not the Company has complied with the Islam¬ic 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 01/01/2016 to 31/12/2016 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	**Dr. Ali Ibrahim Al-Rashed**	**Dr. Essa Zaki Essa**
Sharia Committee	Sharia Committee	Sharia Committee
Chairman	Member	Member

Consolidated statement of financial position

as at 31 December 2016

	Note	2016 KD	2015 KD
Assets			
Cash and bank balances		36,841	565,116
Investments at fair value through profit or loss	*4*	-	29,641
Available for sale investments		90,134	90,134
Investment properties	*6*	4,485,465	7,881,219
Investment in equity-accounted investees	*7*	80,309,906	78,055,944
Other assets	*8*	6,524,880	6,525,657
Property held for sale	*18*	4,571,469	-
Total assets		96,018,695	93,147,711
Liabilities			
Islamic finance payables	*9*	15,673,720	14,979,456
Other liabilities	*10*	1,928,980	1,257,035
Total liabilities		17,602,700	16,236,491
Equity			
Share capital	*11*	15,000,000	15,000,000
Statutory reserve	*11*	6,494,622	6,410,651
Voluntary reserve	*11*	6,494,622	6,410,651
Translation reserve		6,366,948	5,685,301
Retained earnings		44,059,803	43,404,617
Total equity		78,415,995	76,911,220
Total liabilities and equity		96,018,695	93,147,711

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

Dr. Nabeel A. Al-Mannae
Chairman & CEO

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2016

	Note	2016 KD	2015 KD
Operating income			
Net investment income	*13*	915,737	313,346
Fee and commission income	*17*	36,546	52,015
Share of profit of equity-accounted investees	*7*	1,610,294	3,221,122
Total operating income		2,562,577	3,586,483
Operating expenses and other charges			
Staff costs	*14*	(896,340)	(733,005)
Depreciation and amortization		(4,842)	(4,839)
Finance cost		(634,095)	(827,742)
Other expenses	*15*	(187,588)	(242,629)
Total operating expenses and other charges		(1,722,865)	(1,808,215)
Operating profit before provision for impairment		839,712	1,778,268
Reversal of impairment	*5*	-	55,884
Profit before Board of Directors' remuneration, contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS") and Zakat		839,712	1,834,152
Board of Directors' remuneration		-	(50,000)
KFAS		(7,557)	(16,507)
Zakat		(9,027)	(19,111)
Net profit for the year		823,128	1,748,534
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		681,647	3,134,568
Other comprehensive income for the year		681,647	3,134,568
Total comprehensive income for the year		1,504,775	4,883,102
Basic and diluted earnings per share (fils)	*16*	4.49	11.66

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

Consolidated statement of change in equity

For the year ended 31 December 2016

	Share capital	Statutory reserve	Voluntary reserve	Translation reserve	Retained earnings	Total
	KD	KD	KD	KD	KD	KD
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
Balance at 1 January 2016	15,000,000	6,410,651	6,410,651	5,685,301	43,404,617	76,911,220
Comprehensive income for the year						
Net profit for the year	-	-	-	-	823,128	823,128
Foreign currency translation differences	-	-	-	681,647	-	681,647
Total comprehensive income for the year	-	-	-	681,647	823,128	1,504,775
Transfer to reserves (note 11)	-	83,971	83,971	-	(167,942)	-
Balance at 31 December 2016	15,000,000	6,494,622	6,494,622	6,366,948	44,059,803	78,415,995

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

Consolidated statement of cash flows

For the year ended 31 December 2016

	Note	2016 KD	2015 KD
Cash flows from operating activities			
Net profit for the year		823,128	1,748,534
Adjustments for:			
Depreciation and amortization		4,842	4,839
Unrealized gain from investment at fair value through profit or loss	*13*	-	(1,167)
Loss on sale of investment at fair value through profit or loss		1,740	-
Share of profit of equity-accounted investees	*7*	(1,610,294)	(3,221,122)
Change in fair value of investment properties	*13*	(977,031)	(123,455)
Finance cost		634,095	827,742
Reversal of impairment on Islamic finance receivables	*5*	-	(55,884)
Provision for employees' end of service indemnity		88,563	101,520
Provision for KFAS		7,557	16,507
Provision for Zakat		9,027	19,111
		(1,018,373)	(683,375)
Changes in:			
Investment at fair value through profit or loss		-	24,807
Other assets		(4,066)	427,516
Other liabilities		592,349	(1,032,468)
		(430,090)	(1,263,520)
Post-employment benefits paid		(26,323)	(38,772)
Net cash used in operating activities		(456,413)	(1,302,292)
Cash flows from investing activities			
Additions in Islamic finance receivables		-	(506,118)
Proceeds from sale of investment at fair value through profit or loss		27,901	-
Repayment of Islamic finance receivables		-	6,094,490
Additions to investment properties	*6*	(159,932)	(234,161)
Net cash (used in) / generated from investing activities		(132,031)	5,354,211
Cash flows from financing activities			
Net movement in Islamic finance payables		60,169	(4,315,386)
Finance cost paid		-	(458,636)
Dividend paid		-	(643,000)
Net cash generated from / (used in) financing activities		60,169	(5,417,022)
Net change in cash and bank balances		(528,275)	(1,365,103)
Cash and bank balances at 1 January		565,116	1,930,219
Cash and bank balances at 31 December		36,841	565,116

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 ("Regulations").

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 the 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 the 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 2016 are as follows:

Name of the company	Country of incorporation	Ownership interest		Principal activities
		2016	2015	
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%	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 were previously authorized for issuance by the Board of Directors on 28 March 2017. However, as a result of certain events (note 24), these consolidated financial statements were authorized for reissuance by the Board of Directors on 12 June 2017 and they are subject to the approval of shareholders at the next annual general 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 State of Kuwait for financial services institutions regulated by the 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 the CBK instructions are applicable and not subject to specific provision, is made (note 3(j)).

In addition, the consolidated financial statements also comply with the relevant provisions of the Companies Law No. 1 of 2016 and its Executive Regulations and the Company's Memorandum of Incorporation and Articles of Association.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statement of financial position 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 Group'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 1 Disclosure Initiative

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice.

Annual Improvements to IFRS 2012-2014 Cycle

The Annual Improvements to IFRS 2012-2014 Cycle include a number of amendments to various IFRS, which are summarised below.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The implementation of the above amendments to standards had no significant financial impact on the consolidated financial statements.

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 2016 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 value

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 an 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 is 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 of 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) 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.

f) Other assets

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

(i) Intangible assets

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

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in 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(j)). Cost includes expenditures that are directly attributable to the acquisition of the asset.

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

g) Islamic finance payables

(i) Murabaha

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

h) Other liabilities

Other liabilities are stated at amortized cost.

i) Revenue recognition

Islamic finance income

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

Fees and commission income

Fees and commission income 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 dividend is established.

j) Impairment

(i) Financial assets

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

k) 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.

l) 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.

m) 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.

n) 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 the consolidated statement of financial position but are disclosed in the notes to the consolidated financial statements.

o) 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.

p) 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.

q) 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.

r) New standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted; however, the Group has not early adopted any of the following new or amended standards in preparing these consolidated financial statements.

IFRS 9- Financial Instruments: Classification and Measurement

The IASB issued IFRS 9 - Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification and measurement of Group's financial assets but is not expected to have any impact on the classification and measurement of financial liabilities. The Group is in the process of quantifying the impact of this standard on the Group's consolidated financial statements, when adopted.

The Group is in the process of quantifying the impact of this standard on the Group's consolidated financial statements, when adopted.

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. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.The standard was issued in May 2014 and applies to annual financial statements beginning on or after 1 January 2018.

IFRS 16- Leases

IFRS 16 introduces a single, on balance lease sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. The management is currently assessing the impact that this standard will have on the consolidated financial position and performance of the Group.

Disclosure initiatives (Amendments to IAS 7)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. The Management of the Group does not anticipate that the application of this amendment will have a material effect on the Group's consolidated financial statements.

4. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 KD	2015 KD
Mutual fund	-	29,641

During the year, the Group has redeemed its mutual fund investment for a value of KD 27,901.

5. REVERSAL OF IMPAIRMENT

In 2015, the Company collected the Islamic finance receivables and reversed the accumulated impairment amounting to KD 55,884.

6. INVESTMENT PROPERTIES

	2016 KD	2015 KD
Balance at 1 January	7,881,219	7,351,082
Capitalized construction costs	159,932	234,161
Change in fair value of investment properties (note 13)	977,031	123,455
Foreign exchange gain	38,752	172,521
Reclassification to property held for sale	(4,571,469)	-
Carrying amount at 31 December	4,485,465	7,881,219

The fair value of investment property is determined based on the lower of two valuations performed as at 31 December 2016 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 has been used by the valuers which reflects the current market expectations about the future estimated replacement cost in the country in which the investment properties are located.

During the year, the Group changed the classification of a property from investment property to property held for sale after committing to a plan to sell the property (note 18).

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 or country and 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 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.

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	
	2016	2015	2016	2015
	KD	KD	KD	KD
Non-current assets	227,731,315	217,312,651	-	-
Current assets (including cash and cash equivalents)	13,426,573	20,710,552	16,574,050	17,179,945
Non-current liabilities (including non-current financial liabilities excluding trade and other payables and provisions)	(57,351,392)	(58,673,684)	-	-
Current liabilities (including current financial liabilities trade and other payables and provisions)	(23,186,686)	(23,241,683)	(16,699,272)	(17,175,893)
Net assets	160,619,810	156,107,836	(125,222)	4,052
Group's share of net assets	80,309,905	78,053,918	(2,025)	2,026
Carrying amount of interest in joint venture	80,309,905	78,053,918	1	2,026
Revenue	11,268,584	15,185,995	-	-
Operating expenses	(8,043,946)	(8,743,751)	(128,770)	-
Profit/ (loss)	3,224,638	6,442,244	(128,770)	-
Group's share of profit/(loss)*	1,612,319	3,221,122	(2,025)	-
Movement in Group's share of interest in nets assets of equity-accounted investees				
Carrying amount at 1 January	78,053,918	71,865,453	2,026	-
Additions during the year	-	-	-	2,026
Group's share of profit/ (loss)	1,612,319	3,221,122	(1,773)	-
Foreign exchange impact	643,668	2,967,343	(252)	-
Carrying amount at 31 December	80,309,905	78,053,918	1	2,026

*During the year, Hayat Villas Company L.L.C incurred a loss of KD 128,770 (Group share of KD 64,385). However, management of the Company has recognized its share of loss up to the carrying amount of the investment.

8. OTHER ASSETS

	2016 KD	2015 KD
Advance for investment	6,415,053	6,415,053
Prepayments	43,364	49,414
Receivables	60,933	51,281
Property and equipment	5,530	9,194
Intangible assets	-	715
	6,524,880	6,525,657

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

	2016 KD	2015 KD
Murabaha	13,433,723	12,861,506
Wakala	2,239,997	2,117,950
	15,673,720	14,979,456

The maturity of Islamic finance payables is disclosed in note 20.

The effective profit rate on Islamic finance payables ranges from 3.47% to 6% per annum (2015: 3.25% to 5% per annum).

10. OTHER LIABILITIES

	2016 KD	2015 KD
Zakat payable	109,102	100,327
KFAS payable	93,330	85,999
Dividend payable	4,000	4,000
Provision for staff employment benefits	910,159	820,816
Other payables	812,389	245,893
	1,928,980	1,257,035

11. EQUITY

Share capital

The Company's authorized, issued and fully paid up share capital in cash amounts to KD 15,000,000 (2015: KD 15,000,000) comprising of 150,000,000 (2015: 150,000,000) shares of 100 fils each.

Statutory reserve

In accordance with the Companies Law No. 1 of 2016 and its Executive Regulations 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.

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:

	2016 KD	2015 KD
Shareholders		
Bank balances	24,603	546,477
Jointly controlled entity		
Wakala profit	-	193,783
Key management personnel		
Payables and other liabilities	1,228,384	696,391

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 (2015: KD 420,000).

13.NET INVESTMENT INCOME / (LOSS)

	2016 KD	2015 KD
Realized loss on investments at fair value through profit or loss	(1,740)	(129)
Unrealized gain on investments at fair value through profit or loss	-	1,167
Change in fair value of investment properties (note 6)	977,031	123,455
Profit from Islamic finance receivables	-	337,788
Foreign exchange loss	(59,554)	(148,935)
	915,737	313,346

Change in fair value of investment properties includes decline in fair value amounting to KD 249,873 in respect of property held for sale (note 6).

14. STAFF COSTS

In 2015, 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 2015.

15. OTHER EXPENSES

	2016 KD	2015 KD
Rent	50,664	50,664
Professional fees	53,249	51,098
Travel expenses	19,155	34,356
Fees and subscription	13,713	21,116
Direct investment cost	10,747	12,716
Others	40,060	72,679
	187,588	242,629

16. BASIC AND DILUTED EARNINGS PER SHARE (FILS)

	2016	2015
Profit for the year (KD)	823,128	1,748,534
Weighted average number of shares outstanding during the year	150,000,000	150,000,000
Basic and diluted earnings per share (fils)	5.49	11.66

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 4,653,697 (2015: KD 4,590,371). The fee and commission earned on fiduciary assets amounted to KD 36,546 (2015: KD 52,015).

18. PROPERTY HELD FOR SALE

In November 2016, the Group management committed to a plan to sell land owned by subsidiary. Accordingly, the land has been presented as held for sale. Transaction to sell the land have been completed and proceeds amounting to USD 14,937,000 (equivalent to KD 4,571,469) have been received on 27 January 2017. The fair value less cost to sell measured by the Group is as follows:

	2016 KD
Transaction value	4,847,832
Brokerage charges	(179,651)
Group portion taxation on the transaction	(66,106)
Other expenses	(30,606)
	4,571,469
Carrying value of the property at 31 December	4,821,342
Decline in fair value	249,873

19. 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

31 December 2016	Carrying amount					Fair value			
	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 not measured at fair value									
Balances with banks	-	-	36,341	-	36,341	-	-	-	-
Available for sale investments	-	90,134	-	-	90,134	-	-	-	-
	-	90,134	36,341	-	126,475	-	-	-	-
Financial liabilities not measured at fair value		-	-	-	-	-	-	-	-
Islamic finance payables	-	-	15,673,720	-	15,673,720	-	-	-	-
	-	-	15,673,720	-	15,673,720	-	-	-	-

Available for sale investments with carrying value of KD 90,134 (2015: KD 90,134) are carried at cost less impairment due to the fact that fair value could not be reliably measured. At the reporting date, the management has carried out a detailed review of these investments to assess whether there is objective evidence that these investments are impaired. As a result, the management has measured that the fair value does not deviate from its carrying value.

	Carrying amount					Fair value			
31 December 2015	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	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	-	-	-	-
Available for sale investments	-	90,134	-	-	90,134	-	-	-	-
	-	90,134	564,616	-	654,750	-	-	-	-
Financial liabilities not measured at fair value									
Islamic finance payables	-	-	14,979,456	-	14,979,456	-	-	-	-
	-	-	14,979,456	-	14,979,456	-	-	-	-

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 2015 and 2016.

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

	2016 KD	2015 KD
Balances with banks	36,341	564,616
	36,341	564,616

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:

2016	Balances with banks KD	Total KD
Carrying amounts	36,341	36,341
Concentration by sector		
Government	5,000	5,000
Banks	31,341	31,341
	36,341	36,341
Concentration by location		
GCC	32,115	32,115
Europe	4,226	4,226
	36,341	36,341

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

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.

The Group is not exposed to equity price risk at the reporting date.

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 2016, 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
2016			
US$	(7,121,794)	10	(712,179)

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

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.

21. 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 its Executive Regulations.

22. CAPITAL COMMITMENTS

During the year, the Group entered into contracts related to investment property under construction amounted to KD 399 thousand (2015: KD 126 thousand).

In respect of its interest in joint venture, the Group' share of capital commitment is amounted to KD 1,022 thousand (2015: KD 4,072 thousand).

23. CONTINGENT LIABILITIES

The Group has provided guarantee to a bank in relation to a borrowing taken by its joint venture Hayat Real Estate Investment Company L.LC. As per the guarantee, the Group will service the debt service reserve account of the bank up to maximum KD 2,288 thousand (2015: 2,270) being its share of 50%, in the event the joint venture is unable to repay the Bank.

24. PROVISION FOR BOARD OF DIRECTORS' REMUNERATION

Subsequent to approval of the consolidated financial statements by the Board of Directors on 28 March 2017, the Company submitted the consolidated financial statements to the Ministry of Commerce and Industry ("MOCI") for regulatory approval. MOCI noted that during the year ended 31 December 2016, the Company had made provisions for Board of Directors' remuneration in excess of the limit stipulated in the Article 198 of Companies Law No 1 of 2016, as amended. As a result, MOCI instructed the Company to reverse the provision made in respect of Board of Directors' remuneration and refile the consolidated financial statements. This change resulted in increase in net profit for the year by KD 48,332.