Annual Report

2017

Risk Guided Return

HAYAT INVEST

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Chairman's Statement

Dear Shareholders,

By the grace of Almighty Allah, I am pleased to present to you the ninth annual report of the company.

Our residential compound project, Al Nakhla Compound in Riyadh, Saudi Arabia continues to represent the bulk of our investment portfolio and is the main driver of results for Hayat. This year, the broader economy in Saudi Arabia and the Saudi real estate market in particular, came under strain from a number of factors ranging from oil prices to political tensions. The result of this market stress was a decline in the value of our compound which in turn resulted in our posting a loss for the year. This is in line with substantial losses shown in pricing of REITS in Tadawul.

We believe that the current environment, although difficult, will prove transitory as oil prices stabilize and the Saudi Arabian economy continues to reform. It is important to note that the underlying fundamentals of the project remain strong. Al Nakhla Compound is now at 65% occupancy with tenants reporting high satisfaction levels. We are also in the process of negotiating with a number of companies that are interested in renting units in the compound. Moreover, we continue to explore a range of exit routes including closed ended fund and listed funds (REITs).

I am pleased to report that we made good progress in our other projects. One third of units in our Jeddah villas project were sold as of end of 2017 and we expect steady sales to continue in the coming year. Construction of our building in Baabda, Lebanon is fully complete and marketing operations have commenced.

More generally, the global economy continued to improve during the year and this was reflected in global stock market performance. Emerging Markets (as measured by the MSCI Emerging Markets Index) returned +34.3% for the year, outperforming Developed Markets (MSCI World Index) which returned +20.1%. Unfortunately, stock markets in our region reflected the ongoing political uncertainty and underperformed their international peers significantly.

Our plan for the coming year is to continue to operationalize and opportunistically exit our projects. Any resulting cash flows will be used to build a portfolio that is diversified across geographies and asset classes.

I thank our stakeholders and employees for their continued efforts in building our company.

Dr. Nabeel Al Mannae,

Chairman & CEO

FINANCIAL HIGHLIGHTS

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net Profit/loss (KD)	1,469,573	986,357	(1,430,234)	5,165,264	46,165,282	7,521,143	1,748,534	823,128	(17,964,803)
Total Operating Income (KD)	2,578,394	2,237,679	76,116	6,966,878	48,918,340	9,666,128	3,586,483	2,562,577	(16,002,483)
Total Assets (KD)	16,748,851	26,738,636	28,836,468	38,061,829	84,302,139	93,780,669	93,147,711	96,018,695	74,971,051
Total Liabilities (KD)	279,278	10,234,238	13,796,085	17,716,440	19,213,171	21,752,551	16,236,491	17,602,700	15,664,301
Total Equity (KD)	16,469,573	16,504,398	15,040,383	20,345,389	65,063,968	72,028,118	76,911,220	78,415,995	59,306,750
Earning/loss per Share (Fils)	9.80	6.58	(9.53)	34.44	307.77	50.14	11.66	5.49	(119.77)
Book Value per Share (fils)	109.8	110.0	100.3	135.6	433.8	480.2	512.7	522.8	395.4

MANAGEMENT REPORT

INTRODUCTION

2017 was a good year for equity market investors. Most major equity indexes performed well, ending the year with double digit returns. Emerging markets outperformed their developed peers and oil prices held steady above the $60 mark towards the end of the year. As in the previous year, political events heavily influenced markets, especially in Europe with elections held in both France and Germany. In the GCC, the spat between Qatar and some of its neighbors came to a head with a severing of diplomatic relations and the closure of Qatar's land border with Saudi Arabia.

The MSCI Emerging Markets Index returned +34.3% for the year, while the MSCI World Index (which tracks developed markets) returned +20.1%. While there were country specific factors that drove returns in some cases, generally, it was the recovering global economy and improving corporate profits worldwide that explained returns. The best performing sector in the MSCI All Country World Index was Technology followed by Materials and Consumer Discretionary. The one exception to the cyclical nature of the recovery was Energy stocks which lagged the rest of the market.

Economic growth was broad based internationally with indicators such as manufacturing and trade touching recent highs. In October, the IMF revised its global growth forecast up 0.1% from July in both cases, to 3.6% and 3.7% for 2017 and 2018, respectively. The strengthening of economic activity can be seen in both advanced and emerging economies and is the result of stronger demand, growth in trade as well as supportive financial conditions. Yields on long term bonds remain low despite the upswing in the global economy and there is still little sign of inflation in advanced economies. Against this backdrop, business and consumer confidence remain healthy. A number of developed country labor markets inched closer to full employment and while wage growth has been flat so far, it is projected to increase gradually over the coming year.

Our view on the markets for 2018 is that existing trends may continue into the coming year and that central banks will gradually wind down their accommodative stance. The biggest risk to this outlook is an overheating US Economy that results in faster than expected tightening by the US Fed. Other risks include a weaker pro-growth policy in China as well as geo-political risks in the Middle East and Korean peninsula.

KUWAIT

MACRO ECONOMY

Kuwait's economy is expected to have bottomed in 2017 and is projected to see growth of 3.0% in 2018 (based on an average of IMF and World Bank projections). The economy continues to recover from corrective fiscal measures taken in previous years in response to declining oil prices.

Non-oil GDP growth is expected to reach 3.5-4% in 2018 and 2019 as capital spending remains strong and the consumer sector stabilizes. In response to declining oil prices in 2014, the government implemented spending cuts which resulted in non-oil GDP growth slowing to 0.4% in 2015. Since, then the non-oil sector has steadily recovered, growing at 2% and 3% in 2016 and 2017, respectively. A key driver of the recovery has been capital spending made by the government as part of its National Development Plan. It is estimated that over KD 28 billion worth of projects are likely to have been awarded during the last five years through the end of 2017 (NBK Research estimate). While the pace of project awards has slowed, the impact on growth is likely to be sustained in the medium term.

The consumer sector also appears to be recovering after a period of slowdown. The sector was hit in the wake of declining oil prices, when households took a more cautious view. The consumer sector continues to be well supported by steady growth in employment and salaries, particularly in the government sector and among Kuwaiti households. Employment growth among Kuwaiti nationals remains robust, with public sector employment growing by around 2% year on year as of June 2017. Expatriate employment also remains healthy at 3.6% year on year.

Real estate prices, after undergoing a correction of 15 to 20% appear to have stabilized. Recent quarters have shown signs of improvement following more than two years of weakness. Sales for all sectors during the three months through October 2017 were up 33% year on year.

Inflation for 2017 is estimated as 1.6% (NBK estimate) and is projected to increase to 2.2% in the coming year. This increase primarily stems from two sources. The first is US dollar weakness and by extension a weaker Kuwaiti dinar which puts upward pressure on prices. The second factor is higher electricity and other utility prices which are gradually expected to be absorbed into the prices of goods and services. The value added tax, which is to be introduced in 2019 is also expected to put upward pressure on prices once implemented.

Kuwait Stock Exchange

The Weighted Index saw gains of 5.6% for the year making it the second best performing market in the GCC (after Bahrain). The year started with the continuation of a rally that began in the previous year and was further supported by the enthusiasm surrounding Kuwait's inclusion in the FTSE Russell's emerging market index and Omantel's acquisitions of Zain stock. Kuwait's CMA made regulatory changes to support liquidity and qualify for the FTSE upgrade, bringing the exchange more in line with global norms. The final quarter of the year, saw some profit taking activity by investors.

As of year-end, market capitalization of the KSE increased 3.8% from the previous year to KWD 27.24 billion while total traded volumes during the year increased by 66% to 50.2 billion shares. The best performing sectors for the year were Basic materials (+33.8%) on improving fundamentals in the oil market, followed by Industrials (+24.3%) and Banking (+12%).

GCC & MENA

The GCC's fiscally challenging environment during the year was compounded by political tensions. Real GDP for the region is forecast to be flat for 2017 with -2.7% YoY decline in the oil sector and a +2% YoY increase in the non-oil sector (NBK estimates). The fiscal deficit for the region narrowed sharply in 2017 to 6.9% of GDP from 12.9% in the previous year, with most of the improvement in finances thanks to firmer oil prices. Bahrain and Oman face the greatest challenge on the fiscal front with deficits in the 10 - 12% of GDP range. The large headline deficits hide the significant deficit reduction efforts already underway by governments in the region. The political stalemate with Qatar has also added to uncertainty in the region and is likely to slow any further region wide efforts to integrate.

GCC equity markets were affected by the political tension to varying degrees and by and large underperformed their global peers. The Qatari benchmark declined -18.3% for the year and was the region's worst performer. Saudi Arabia's index ended the year almost flat after declining as low as 6% during the year due to weak oil prices. Kuwait's market received a boost from the country's inclusion in the FTSE Russell's emerging market index. The best performing market in the region was Bahrain, which was up 9.1% for the year thanks to the industrials and banking sectors. Trading activity in the GCC declined 21% to USD 303.4 billion from the previous year primarily due to lower traded values in Saudi Arabia and the UAE.

In the coming year, economic conditions in the region are expected to strengthen. Regional real GDP is expected to grow 2% in 2018 (NBK estimate) largely thanks to a better outlook for oil prices as global inventories decline. The consensus view is that the oil market will continue to rebalance gradually over the coming year, resulting in a decline in global stock levels. Demand for oil will be supported in 2018 by a recovering global economy although higher levels of US shale output may impact this view. Non-oil growth next year is also forecast to increase +2.4% next year led by the UAE (with non-oil growth projected at 3.7%) helped by rising spending ahead of Expo 2020.

Global Markets

The IMF's latest forecast (October 2017) projects that global growth will rise to 3.6 % in 2017 and 3.7 % in 2018, both 0.1% higher than its projection in July. Global growth in 2016 was 3.2%. Broad-based upward revisions in the euro area, Japan, emerging Asia, emerging Europe, and Russia more than offset downward revisions for the United States and the United Kingdom. The IMF lowered its forecast for U.S. growth to 2.1% for 2017 and 2018 from earlier projections of 2.3% and 2.5% due to the assumption that fiscal policy will be less expansionary than previously assumed. While the baseline outlook is strengthening, growth remains weak in many countries, and inflation is below target in most advanced economies. Commodity exporters, especially of fuel, are particularly hard hit as their adjustment to a sharp stepdown in foreign earnings continues.

Developed Markets

United States

The US labor market has continued to strengthen and economic activity has been rising at a solid rate despite hurricane-related disruptions in the second half of the year. GDP growth has been strong with the second and third quarters showing an annualized growth rate of 3.1% and 3.2% respectively. As of year-end, the unemployment rate stood at 4.1% and annual inflation is estimated at 2.2%. The Federal Reserve raised the target rate a total of 75bps in three equal installments during the year as part of a program of slow but steady normalization of monetary policy. In addition to the rate hikes, the Fed in

October began the process of gradually reducing its $4.5 trillion balance sheet. As of year-end, the benchmark interest stood at a target range of 1.25% to 1.5%.

The new Administration will continue to implement its policy priorities next year and in this context the fiscal stance is projected to become more expansionary as public spending and investment rise, while taxes are cut. In December 2017, the administration passed a tax bill permanently cutting the tax rate for corporates from 35% to 21%. This will provide a boost to the economy, particularly in the coming year. The external environment could be a dampener for US exports in 2018 if key trading partners like the Euro Area and China experience any slowdowns in growth. Domestic consumption and investment will act as the primary growth drivers next year. The Inflation rate is estimated to be around 1.9% in 2018 which is close to the Fed's 2.0 % target inflation rate. That gives the Fed room to raise rates several times in 2018, moves which will act to strengthen the dollar. The Fed will also continue to gradually reduce its balance sheet in 2018.

EUROZONE

The Eurozone economy advanced 0.6 – 0.7% in the fourth quarter of 2017. Real GDP growth for the year is estimated at 2.4%. The unemployment rate decreased to 8.9% in September 2017 which is the lowest rate recorded in the Euro Area since January 2009. Eurozone inflation decelerated to 1.4% y/y in December with core inflation at 0.9% y/y for the third month in a row - well below ECB's 2% inflation target. The ECB held its benchmark refinancing rate at 0 percent in its December meeting, as widely expected, and decided to reduce its quantitative easing program to a monthly pace of €30 billion from January with the option of extending it in September 2018.

GDP growth is projected at 2.3% in 2018, revised upwards from 1.8% previously. Domestic demand will continue to lead the recovery, benefiting from accommodative monetary policy and, more recently, from welcome mildly expansionary fiscal policy. Exports are projected to strengthen, but at a moderate pace, in line with global growth. The unemployment rate in 2018 will decline, but remain high at around 8.4%. Inflation will pick up on the back of higher energy prices and narrowing slack, but will remain below the ECB target. Monetary policy is expected to remain supportive until inflation is clearly and durably rising towards the ECB target. Brexit negotiations remain a significant risk: a break-up of negotiations or the prospect of an unfavorable deal could hurt confidence and trade. As growth and inflation prospects in core euro area economies improve, there is a risk that monetary policy tightens too rapidly, weighing on the recovery in countries with high unemployment, high public and private debt and large negative output gaps.

JAPAN

The Bank of Japan expects the economy to expand 1.8% in fiscal year 2017 on the back of steady improvement in domestic demand. Japan has maintained a seventh straight quarter of growth, the longest run of economic expansion since 2006. The unemployment rate came in at 2.8 % in September of 2017, the same as in the prior three months and remained at its lowest in 23 years. Inflation rose 0.7 % year-on-year in September of 2017. The Bank of Japan left its key short-term interest rate unchanged at -0.1% in its December 2017 meeting, as expected. Policymakers also kept its 10-year government bond yield target around zero percent but trimmed inflation forecast to 0.7 % for fiscal 2017 from 1.1 %.

GDP growth rate is projected at 1.8% in 2018. Weak wage growth continues to dampen private consumption, while an uncertain global outlook and a strong yen remain a concern for businesses. Prime Minister Shinzo Abe managed to uphold his two-thirds supermajority in the 22 October snap election. On the economic side, Abe will continue with the implementation of his set of policies aimed at boosting Japan's inflation and long-term growth, dubbed Abenomics. Market analysts do not expect the Bank of Japan to change its accommodative monetary policy stance in the near future. Risks to the economic outlook include policy uncertainty from the United States, developments in emerging and commodity-exporting economies, negotiations on the United Kingdom's exit from the European Union, and geopolitical risks.

UK

The British economy advanced 0.4 % quarter on quarter in the three months to September 2017. Annual GDP growth rate is estimated to be at 1.6% for the year 2017. UK unemployment rate declined to 4.3 % in the three months to August of 2017 from 4.5 % in the March to May period. It was the lowest jobless rate since 1975. Inflation rose to 3 % in the year to September 2017. The Bank of England raised its benchmark Bank Rate by 25bps to 0.5 % on November 2nd 2017, signaling the beginning of a gradual tightening process. It is the first rate increase in a decade after inflation stayed well above the 2 % target for the eighth straight month in September amid a weaker sterling and higher energy prices.

On the international front, Brexit negotiations are at an impasse. In September, Prime Minister Theresa May outlined proposals for a two-year transition period, during which time the UK would enjoy unfettered access to the single market. However, talks on such a transition deal are yet to begin, with both sides still locking horns over a financial settlement. The longer the preliminaries drag on, the thicker the fog of uncertainty becomes, with consequent risks to investment. GDP growth rate is predicted to be of between 1% - 1.4% in 2018 mainly due to the positive outlook on a stronger Eurozone economy's appetite for UK exports, modest relaxation of fiscal policy and a competitive value for the pound against the euro.

Emerging Markets

China

Chinese GDP increased by 6.9% in FY2017, beating expectations and topping the official growth target of 6.5%. This year, the unemployment rate is expected to be below 4.5 %. Inflation rose to 1.6 % year-on-year in September of 2017.

Economic growth is projected to hold up in 2018 around 6.4%, partly thanks to the impact of earlier fiscal and monetary stimulus. Infrastructure investment is picking up on the back of regional development initiatives, including the Belt and Road and the Beijing-Hebei-Tianjin Corridor. Real estate investment will remain buoyant notwithstanding measures to restrict demand. Private investment growth has bottomed out and consumption growth will remain stable, underpinned by continued strong job creation. President Xi Jinping will amass an amount of power unprecedented in China's recent history, suggesting that his economic and political agenda will remain unscathed. Xi will start his second term with an economy performing strongly due to healthy external demand and solid activity at home.

India

The Indian economy is projected to grow 6.75% in the fiscal year ending March 31, 2018 compared to 7.1% in the previous year period. The bulk of the slowdown is explained by difficulties in the implementation of reforms made during the year. India implemented a demonetization program in November of 2016, removing 86 percent of its currency in circulation in an effort to root out black money. The Reserve Bank of India kept its benchmark interest rate steady at 6 % in its last meeting in February 2018, following a 25bps cut in August 2017.

Economic growth is projected to remain strong. The increase in public wages and pensions will support consumption. Private investment will recover gradually as excess capacity diminishes, and the landmark Goods and Services Tax and other measures to improve the ease of doing business are implemented. However, large non-performing loans and high leverage of some companies are holding back investment. Monetary policy is projected to remain tight as inflation expectations have still not fully adjusted down.

Saudi Arabia

Saudi Arabia´s GDP shrank 0.7% in 2017, following a 1.6% increase in the previous period. It is the biggest contraction since 2009. Consumer prices saw deflation of -0.8% in 2017 but are expected to see a strong increase in the coming year on the back of VAT implementation and continuing subsidy reforms.

In November 2017, the world's major oil producers extended production cuts through to the end of 2018, in a bid to tackle a global glut of crude and keep prices buoyant. Rising oil prices are expected to boost economic growth in Saudi Arabia during 2018 with the improvement in oil prices also expected to be reflected positively in the prices of petrochemical products. The Kingdom continues to make progress with reforms such as the Fiscal Balance Program (that aims to achieve a budget balance by 2020, via boosting non-oil revenues, eliminating unwanted subsidies, and encouraging privatization). On the other hand, the 'National Transformation Program 2020', worth SAR296 billion intends to increase the country's non-hydrocarbon proceeds by 2020. Effective implementation of these two key programs, which are a part of 'Saudi Arabia's Vision 2030', would help increase growth of the private sector, particularly the non-oil sector, and reduce unwanted expenses - thereby helping the nation restore its fiscal and macroeconomic stability.

Commodities

Commodities, particularly industrial metals and energy, did well during the year, providing further proof of the cyclical recovery that is taking place globally. The best performing commodity during the year was Palladium which gained 54% to reach its highest level in 17 years on fears of a shortage in supply. Lumber, aluminum and copper also did well with increases of 42%, 34% and 31% respectively. The worst performing commodity sector was agriculture where record production levels in sugar, cocoa and coffee kept prices under check. Wheat and Corn ended the year slightly higher. The S&P Goldman Sachs Commodity Index, which tracks 24 commodities, ended the year up 5.8% (YoY).

Oil prices fell over 20% in the first half of 2017, despite the deal by OPEC and some non-OPEC countries in December 2016 to curb supply. However, after reaching a low in June 2017, oil prices soared by more than 40% to end the year at $66 per barrel. Output restrictions by producers are expected to stay in place until at least the end of 2018 which will help draw down global inventories and provide some support to prices. There is also the possibility of supply shocks in unstable regions such as Libya, Nigeria and Venezuela which could provide a boost to prices in the coming year.

Gold prices increased 13.5% and briefly topped $1350 an ounce in September as geopolitical tensions with North Korea intensified. Three interest rate hikes by the Fed failed to deter investors from buying the safe-haven asset as long-term US bond yields retreated from their highs set in March. The consensus view is for gold to continue to advance modestly in 2018 on a weak US dollar as well as geopolitical tensions in the Korean peninsula and in the Middle East.

A slowing Chinese economy remains the biggest risk to commodities. The Chinese government has taken steps to cool the real estate market, enforce pollution controls and rebalance from an industrial/export led model towards a consumer led economy.

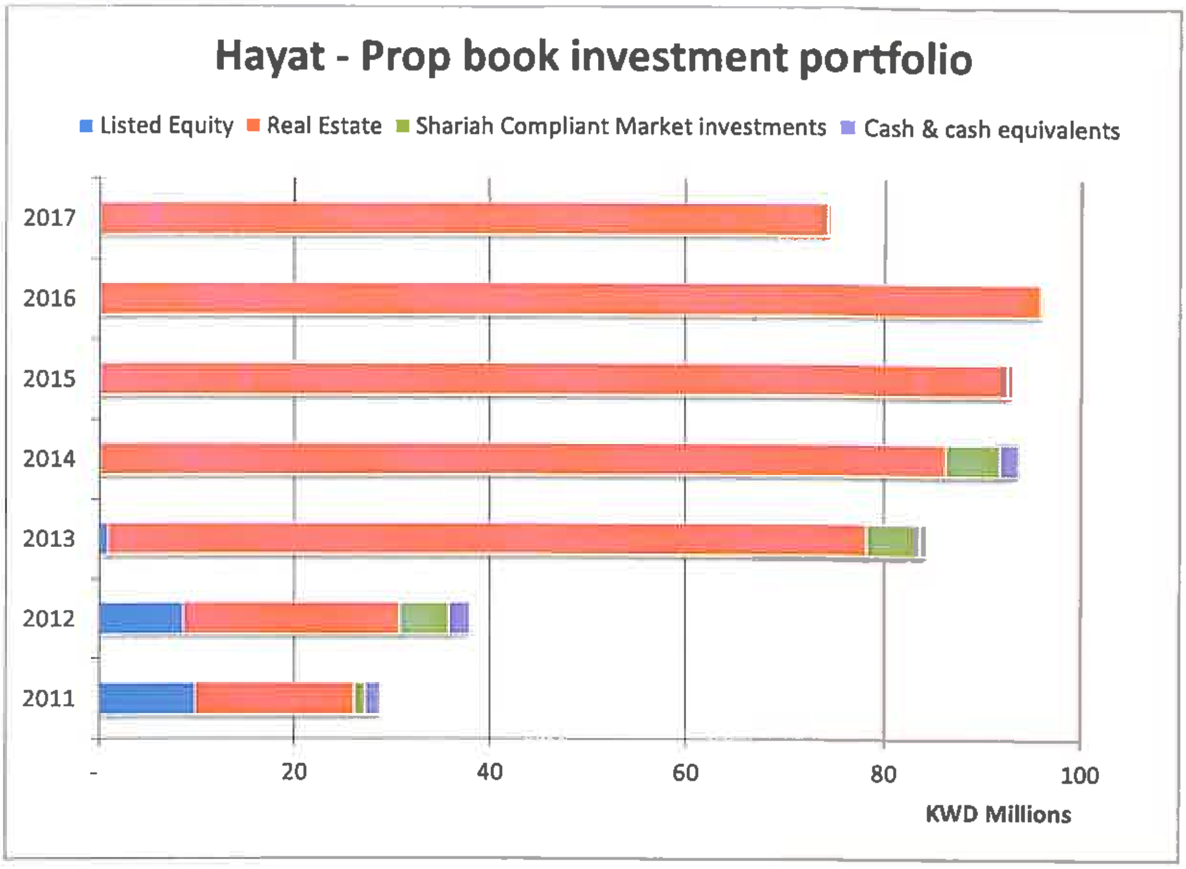
Prospects for 2018

Analysis of the global macro data & market valuation suggests that listed equity is an attractive assets class. Globally central banks remain in mostly dovish mood; and even with balance sheet normalization in the U.S. and tapering of quantitative easing in Europe, policy around the world is still loose. Rates are set to rise, but only slowly, therefore the consensus view is for better performance in equity markets next year.

In the US, earnings momentum remains strong. Policy progress, particularly related to tax reform, should provide additional support to earnings. The Federal Reserve's plans to raise interest rates and reduce its balance sheet constitute the greatest risk. Analysts have updated US equities to a neutral stance. The high-quality nature of the market makes it attractive to hold, but valuations have become richer compared to the rest of the world. Despite the strengthening in the euro, corporate earnings should be well-supported by the improvement in the macro data which has also led analysts to upgrade the Eurozone growth forecast next year. From a valuation perspective, the region still offers better value compared to other markets. For the emerging markets, economic reforms, improving corporate fundamentals and reasonable valuations support EM stocks. Risks include sharp changes in currency, trade or other policies.

Hayat in 2017

During the year we focused on improving the operational status of our projects. Early in the year we completed the sale of our land in Achrafieh, Lebanon. We increased the occupancy rate of Al Nakhla Compound from 50% at the start of the year to 65% at year end – despite considerable stress in the Saudi rental market. We are currently exploring the option of exiting Al Nakhla compound through various mechanisms, which are ongoing. We commenced sales of Hayat Villas Project and were able to sell 34% of the project - 33 villas. We completed the remaining work on our residential project in Baabda Lebanon. We will now focus on exit options.



Listed Equity

Our current investments continue 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.

Real Estate: Status of Existing Projects

Hayat Real Estate Investment Company LLC

Al Nakhla Residential Compound 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 2017:

The general environment for real estate in Saudi Arabia remained challenging during the year albeit with a small pickup in the second half thanks to a firmer oil price outlook. We converted 102 three bedroom villas into 204 two bedroom executive apartments after seeing a greater market demand for smaller sized units. The total number of residential units in the compound now stands at 1,100 units (1,164 units including hotel room units). We were able to increase the occupancy level of the compound from approximately 50% at the start of 2017 to around 65% as of year-end. We expect demand to continue to improve aided by the improvement in the general economy as well as marketing efforts for the project.

Hayat Luxury Villas Company LLC

Hayat Residential villa project is 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 2017:

We began our sales efforts in earnest this year after receiving the split title deeds for individual villas in October 2016. As of the end of 2017, we have sold 33 units and we expect to sell the remaining 63 units over 2018 and 2019. Any improvement in the general economy in the coming year should aid our sales and marketing efforts.

Achrafieh

Project Description: Parcel of undivided land in Achrafieh, Lebanon

Progress during 2017:

In 2016, leading up to the sale, the buyer completed their due diligence on the property and entered into an agreement with us to buy the land. The land was sold in January 2017.

Baabda

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

Progress during 2017:

Our multifamily residential apartment building in Baabda, Lebanon is fully constructed on a core and shell basis. In 2016, 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. Construction activity to finish the units was completed in 2017. With construction now fully complete, we have started marketing the project.

Return on Investments

- We made a loss of KWD 17.96 million during the year as compared to a gain of KWD 0.82 million in the previous year. Our loss for the year was primarily due to a lower valuation of Al Nakhla Compound in Riyadh, Saudi Arabia. The ongoing weakness in Saudi Real Estate saw cap rates increase for projects across the sector. The resulting loss of KD 17.07 million (Hayat's share of loss in Hayat Real Estate Investment Company L.L.C.) was partly offset by profit of KD 1.48 million from our Jeddah Villas project (Hayat's share of profit in Hayat Villas Company L.L.C.).

- Net investment loss (KD 447,996) was primarily because of change in fair value of Baabda project.
- Fee and commissions income remain an insignificant income source (relative to our other operations) given low levels of client assets and the closure of Hayat India Equity Fund Ltd.

Consolidated Statement of Comprehensive Income	2017	2016
Net investment income	(447,946)	915,737
Share of profit of equity-accounted investee	(15,585,387)	1,610,294
Fee and commission income	30,850	36,546
Total Operating income	(16,002,483)	2,562,577
Total operating expenses	(1,962,320)	(1,722,865)
Operating profit before provision for impairment	(17,964,803)	839,712
Reversal / (Provision) for impairment	-	-
Net profit	(17,964,803)	823,128
Foreign currency translation differences	(1,144,442)	681,647
Total comprehensive income	(19,109,245)	1,504,775

- Total assets of the Company declined 21.9% due to a decline in the value of our share of the net assets of Hayat Real Estate Investment Company L.L.C.
- Property held for sale consisted of our land in Achrafieh, Lebanon which was presented as held for sale as at 31 December 2016. The sale transaction was completed and proceeds amounting to USD 14,937,000 (equivalent to KD 4,571,469) were received in January 2017.
- Islamic finance payables represent financing facilities obtained from the Islamic Banks to finance business expansion of the Company.

Consolidated Statement of Financial Position	2017	2016
Assets		
Cash and bank balances	348,901	36,841

Available for sale investments	90,134	90,134
Investment properties	4,408,826	4,485,465
Investment in equity-accounted investees	63,644,091	80,309,906
Other assets	6,479,099	6,524,880
Property held for sale	-	4,571,469
Total assets	74,971,051	96,018,695
Liabilities		
Islamic finance payables	14,237,693	15,673,720
Other liabilities	1,426,608	1,928,980
Total liabilities	15,664,301	17,602,700
Total equity	59,306,750	78,415,995
Total liabilities and equity	74,971,051	96,018,695

Hayat's Financial Product and Services

Hayat provides its clients with customized, Shariah compliant investment solutions. Our offerings are tailor made to address the individual risk-return profile of our client and towards this aim, we actively seek out and pursue Shariah compliant investment opportunities across asset classes and geographies.

Hayat India Equity Fund

Hayat India Equity Fund was set up as a mutual fund to invest in Indian equities with a Shariah compliant mandate. The Fund was incorporated in Mauritius, and operated from 2010 until it was finally wound down in 2017.

Due to certain regulatory changes in Kuwait, the Fund's Board of Directors took a decision to wind down the Fund. Under the new regulations, renewing the Fund's marketing license involved considerable economic expense that was difficult to justify given its size. Moreover, continuing to run the Fund without marketing implied that assets under management would dwindle with the passage of time, resulting in high operating costs that would be borne by the remaining investors. As a result, Hayat approached investors in the Fund for their input and consent before taking a decision to wind up the Fund.

During its life time (June 2010 to 30 May 2017), Fund's performance was generally satisfactory with strong outperformance seen in bullish market conditions and slight underperformance during bearish market conditions. The worst underperformance of the Fund was seen in its first year of operation (for the half year period ended 31st December 2010) when set up costs and the portfolio build up period had a drag on performance. Annualized return (in USD) for the life of the fund was 5.31% per annum versus benchmark return of 4.64% per annum

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/or non-discretionary clients. However, our plan for the coming year(s) 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 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 Shariah compliant way which implies screening out the non-shariah compliant securities and trading & settling the trades in these countries on terms and conditions which are Shariah compliant. Our reach in brokerage encompasses all important markets- both in developing and emerging countries. The brokerage service presently is inactive which we intend activating after our diversification in asset base fructifies in coming years.

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 procedure 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 aspect 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 recognizes the need to keep our human resources 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 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 five directors, of which the majority (four) is non-executive (including one independent director) and represents institutional shareholders. The presence of large institutional shareholders in itself ensures that corporate governance practices, prevalent at the level of institutions also translate into corporate affairs of Hayat.

The board has three sub-committees: The Audit Committee, The Nomination & Remuneration Committee and the Risk Committee. These committees are constituted in line with CMA corporate governance guidelines and include independent members. 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 discussions within various committees namely Executive Management Committee, Credit Committee and Asset Management Committee.

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 2018

Our plan for 2018 builds on the previous year's strategy. We intend to focus on exit strategy. Al-Nakhla compound now has an occupancy level of 65% and we are actively exploring various mechanisms (including a closed ended fund route) for partial exit of the project. Sales are underway for our Hayat Luxury Villas project in Jeddah and we expect to see significant progress on this front next year. Our building in Baabda, Lebanon is fully constructed and we expect apartment sales to commence in the year ahead. Given the state of the real estate market in Lebanon, our expectation is that sales will take place gradually throughout 2018, before picking up the following year.

Cash flows received in the coming year will be partially utilized towards reducing debt and the balance will be redeployed towards a portfolio that is diversified across class and geography. One of our major goals is to rectify the existing regional and asset concentration in our portfolio. We plan to 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.

On the surface, as of the end of FY2017, the global economy is picking up steam and stock markets across the globe are scaling new highs. Below the surface, potential risks exist – valuations in equity markets are not cheap and central banks are starting to taper stimulus measures. Our team at Hayat is cognizant of these opportunities and risks and will navigate these waters.

MANDR
Date:20/03/2018

000524

The Sharia Report of HAYAT INVESTMENT CO.
Fatwa and Shariah Supervisory Board
<u>For the period from 01/01/2017 to 31/12/2017</u>

To: The Shareholders of Hayat Investment Company.

Peace, mercy and blessings of Allah be upon you.

According to the contract signed with us we at Fatwa and Shariah Supervisory Board in Al Mashora and Al Raya have audited and supervised the principles adopted and the contracts related to the transactions concluded by the Company during the period from 01/01/2017 to 31/12/2017. We have carried out the necessary supervision to give our opinion on whether or not the Company has complied with the Islamic Shariah rules and principles as well as the Fatwas, decisions and guidelines made by us.

However, our liability is limited to the expression of independent opinion on the extent of the company compliance with same based on our audit.

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

In our opinion, the contracts, operations and transactions concluded or used by the Company during the period from 01/01/2017 to 31/12/2017 and which have been reviewed by us, were in compliance with the provisions and principles of the Islamic Shariah.

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

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

Peace, mercy and blessings of Allah be upon you.

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

Dr. Essa Zaki Essa
Sharia Committee Member

Dr. Ali Ibrahim Al-Rashed
Sharia Committee Member

Date: 17/09/2018

External Sharia Auditor's Report for the Financial Period from (01/01/2017 – 31/12/2017)

To: The General Assembly: Hayat Investment Company

May Allah's Peace, Mercy and Blessings be upon you

Scope of Work:

In accordance with the relationship contract signed with you, the scope of work is determined by the extent to which Hayat Investment Company is committed to the execution of contracts and transactions in accordance with the decisions of the Sharia Board as stated in the resolutions, opinions and guidelines.

Responsibility of the Company:

The Company's Executive Management shall be responsible for the compliance with the implementation of contracts and transactions in accordance with the Principles of Islamic Sharia, as stated by the Company's Sharia Board.

The External Sharia Audit Company's Responsibility for the Financial Statements:

Our responsibility is limited to expressing an independent opinion on the extent to which the company's transactions and activities are in conformity with the decisions of the Sharia Board after examining and perusing contracts and operations, and coordinating with the entities responsible for conducting operations by all communication methods including field visits, correspondence etc., according to the schedule prepared in this regard.

We have perused the report of the Sharia Supervisory Board, and we have also perused everything necessary to obtain all the information, clarifications, acknowledgments and audit visits that we deem necessary and which were as follows: The annual visit to the company was made on 20/03/2018, and the visit resulted in providing us with adequate evidences to give a reasonable

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confirmation as to the extent to which the company's transactions and activities are in compliance with the decisions of the Company's Sharia Board, and its implementation of the contracts and transactions approved by the board. Hence, we believe that the audit works conducted by us provide an appropriate basis for expressing our opinion.

Opinion:

All the contracts and operations that have been examined and perused, and the rules of reference for those contracts and operations are in accordance with the decisions of the Company's Sharia Board, and we have not found any Sharia violations according to the rules of reference by the Company's Sharia Board.

Prof. Dhari Laith Al-Atiqi
Head of Sharia Sector

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State of Kuwait

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

HAYAT INVEST

Consolidated financial statements and independent auditor's report
for the year ended 31 December 2017

Contents

KPMG

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Fax: +965 2228 7444

Independent auditor's report

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

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 2017, 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 2017, 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.

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.

KPMG

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.

Auditors' 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.

KPMG

- 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, as amended, 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, as amended, and its Executive Regulations, or of the Company's Memorandum of incorporation and Articles of Association during the year ended 31 December 2017 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 2017 that might have had a material effect on the business of the Company or on its consolidated financial position.

Dr. Rasheed Al-Qenae
License No. 130 "A"
KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

Kuwait:27 March 2018

Consolidated statement of financial position
as at 31 December 2017

	Note	2017 KD	2016 KD
Assets			
Cash and cash equivalents	4	348,901	36,841
Available for sale investments		90,134	90,134
Investment properties	5	4,408,826	4,485,465
Investment in equity-accounted investees	6	63,644,091	80,309,906
Other assets	7	6,479,099	6,524,880
Property held for sale	16	-	4,571,469
Total assets		74,971,051	96,018,695
Liabilities			
Islamic finance payables	8	14,237,693	15,673,720
Other liabilities	9	1,426,608	1,928,980
Total liabilities		15,664,301	17,602,700
Equity			
Share capital	10	15,000,000	15,000,000
Statutory reserve	10	6,494,622	6,494,622
Voluntary reserve	10	6,494,622	6,494,622
Translation reserve		5,222,506	6,366,948
Retained earnings		26,095,000	44,059,803
Total equity		59,306,750	78,415,995
Total liabilities and equity		74,971,051	96,018,695

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 2017

	Note	2017 KD	2016 KD
Operating income			
Net investment (loss) / income	*12*	(447,946)	915,737
Fee and commission income	*15*	30,850	36,546
Share of (loss) / profit of equity-accounted investees	*6*	(15,585,387)	1,610,294
Total operating (loss) / income		(16,002,483)	2,562,577
Operating expenses and other charges			
Staff costs		(624,762)	(896,340)
Depreciation and amortization		(4,511)	(4,842)
Finance cost		(853,625)	(634,095)
Other expenses	*13*	(479,422)	(187,588)
Total operating expenses and other charges		(1,962,320)	(1,722,865)
(Loss) / profit before Board of Directors' remuneration, contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS") and Zakat		(17,964,803)	839,712
Board of Directors' remuneration		-	-
KFAS		-	(7,557)
Zakat		-	(9,027)
Net (loss) / profit for the year		(17,964,803)	823,128
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(1,144,442)	681,647
Other comprehensive (loss) / income for the year		(1,144,442)	681,647
Total comprehensive (loss) / income for the year		(19,109,245)	1,504,775
Basic and diluted earnings per share (fils)	*14*	(119.77)	5.49

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

Consolidated statement of changes in equity
for the year ended 31 December 2017

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Translation reserve KD	Retained earnings KD	Total KD
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 10)	-	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
Balance at 1 January 2017	15,000,000	6,494,622	6,494,622	6,366,948	44,059,803	78,415,995
Comprehensive loss for the year						
Net loss for the year	-	-	-	-	(17,964,803)	(17,964,803)
Foreign currency translation differences	-	-	-	(1,144,442)	-	(1,144,442)
Total comprehensive loss for the year	-	-	-	(1,144,442)	(17,964,803)	(19,109,245)
Balance at 31 December 2017	15,000,000	6,494,622	6,494,622	5,222,506	26,095,000	59,306,750

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

Consolidated statement of cash flows
for the year ended 31 December 2017

	Note	2017 KD	2016 KD
Cash flows from operating activities			
Net (loss) / profit for the year		(17,964,803)	823,128
Adjustments for:			
Depreciation and amortization		4,511	4,842
Loss on sale of investment at fair value through profit or loss		-	1,740
Share of loss / (profit) of equity-accounted investees	6	15,585,387	(1,610,294)
Change in fair value of investment properties	12	578,785	(977,031)
Finance cost		853,625	634,095
Provision for employees' end of service indemnity		92,797	88,563
Provision for KFAS		-	7,557
Provision for Zakat		-	9,027
		(849,698)	(1,018,373)
Changes in:			
Other assets		41,270	(4,066)
Other liabilities		(636,805)	592,349
		(1,445,233)	(430,090)
Post-employment benefits paid		(22,378)	(26,323)
Net cash used in operating activities		(1,467,611)	(456,413)
Cash flows from investing activities			
Cash proceeds from sale of property held for sale		4,571,469	-
Proceeds from sale of investment at fair value through profit or loss		-	27,901
Additions to investment properties	5	(502,146)	(159,932)
Net cash generated from / (used in) investing activities		4,069,323	(132,031)
Cash flows from financing activities			
Repayment of Islamic finance payables		(2,289,652)	60,169
Net cash (used in) / generated from financing activities		(2,289,652)	60,169
Net change in cash and cash equivalents		312,060	(528,275)
Cash and cash equivalents at 1 January		36,841	565,116
Cash and cash equivalents at 31 December		348,901	36,841

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 2017 are as follows:

Name of the company	Country of incorporation	Ownership interest 2017	Ownership interest 2016	Principal activities
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 for the year ended 31 December 2017 were authorized for issue by Board of Directors on 22 March 2018. The shareholders of the Company have the power to amend these consolidated financial statements at the annual general assembly meeting.

2. Basis of preparation

a) Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted for use by 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(k)).

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 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.

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.

Annual improvements to IFRS 2012 – 2014 cycle

The annual improvements to IFRS 2012 – 2014 cycle including a number of amendments to various IFRS, which summarised below:

IFRS – 12 Disclosure of interest in other entities

The amendments to IFRS 12 provide additional guidelines to disclose requirements for interest in other entities also apply to interests that are classified as held for sale or distribution.

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 2017 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.

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 5 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 cash equivalents

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) Time deposits with banks

Time deposits with banks comprises the deposits made in banks with original maturities less than one year 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.

d) 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.

e) 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.

f) Investment properties

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

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

g) <u>Other assets</u>

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

(i) Intangible assets

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

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

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

(ii) Property and equipment

Recognition and measurement

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

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

Depreciation

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

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

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

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

h) Islamic finance payables

(i) Murabaha

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

(ii) Wakala

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

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

i) Other liabilities

Other liabilities are stated at amortized cost.

j) Revenue recognition

Islamic finance income

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

Fees and commission income

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

Dividend income

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

k) Impairment

(i) Financial assets

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

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

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

(ii) Non-financial assets

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

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

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

l) Foreign currency

Foreign currency translations

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

Foreign operations

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

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

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

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

m) Employees' benefits

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.

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.

n) Provisions

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

o) Fiduciary assets

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

p) Taxation

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

Investment income and capital gain received by the Company may be subject to withholding tax imposed in the country of origin. Such income or gains are recorded net of withholding taxes in the consolidated statement of profit and loss and other comprehensive income.

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

The Company is required to contribute to KFAS. The Company's contributions to KFAS are recognized as an expense in the year during which the Company's contribution is required. Contribution towards KFAS is computed at 1% of the net profit after deducting 10% transfer to the statutory reserve until the reserve reaches 50% of the share capital where such transfer shall be discontinued and contribution to KFAS shall then be calculated based on the entire net profit after excluding profits from Kuwaiti shareholding subsidiaries and associates.

r) Zakat

Contribution towards Zakat is computed and provided for in accordance with the requirements of Law No. 46 of 2006 and charged to the consolidated statement of profit or loss and other comprehensive income.

s) New standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning 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 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 "Revenues", IAS 11 "Construction Contract" and several revenue – related Interpretations and provides a new control-based revenue recognition model using five steps approach to all contracts with customers. The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group's management has assessed the outstanding contracts with clients and holds that there is no significant impact of IFRS 15 on Group's consolidated financial statements.

IFRS 9 Financial Instruments

The IASB published IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The main areas of expected impact are as follows:

- the classification and measurement of the financial assets based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.
- an expected credit loss-based impairment will need to be recognised on the trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless an irrevocable designation is made to present them in other comprehensive income.

- if the fair value option continues to be elected for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to own credit risk.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and Fair value through profit or loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Further, the gains and losses on subsequent measurement of debt type financial instruments measured at FVOCI will be recognised in equity and will be recycled to profit or loss on derecognition or reclassification.

However, gains or losses on subsequent measurement of equity type financial assets measured at FVOCI will be recognised in equity and not recycled to profit or loss on derecognition. Dividend income on these assets will continue to be recognised in profit or loss.

Based on the analysis of the Group's financial assets and liabilities as at 31 December 2017 and of the circumstances that existed at that date, management of the Group have determined the impact of implementation of IFRS 9 on the consolidated financial statements of the Group as follows:

Classification and measurement

Currently, the Group has investment in unlisted equities. Management holds this equity investment is to be measured at FVOCI as this qualifies for designation as FVOCI category. Fair value changes of this equity investment will be directly accounted in other comprehensive income and equity. The gains and losses on equity investment will no longer be recycled to statement of profit or loss on subsequent measurement or on derecognition. Further, these investments are no longer subject to impairment test.

The Group's debt type financial assets mainly consist of other assets, and cash and cash equivalents. These are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Management analyzed the contractual cash flow characteristics of these instruments and concluded that these, meet the criteria for amortized cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

As a result of new classifications, equity investments amounting to KD 90,134 will be reclassified from Available for Sale to FVOCI and will not have any other significant impact to the Group's consolidated financial statements.

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 Group's management has assessed the outstanding leases and hold that there is no significant impact of IFRS 16 on the Group's consolidated financial statements.

The annual improvement to IFRS 2015-2017 cycle

The amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted.

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

Clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business.

- If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.
- If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

IAS 23 Borrowing Costs

Clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

The annual improvement to IFRS 2014-2016 cycle

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted.

IAS 28 Investments in Associates and Joint Ventures

This provides guidelines in relation to following interpretations;

- A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.
- A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture.

4. Cash and cash equivalents

	2017 KD	2016 KD
Cash and bank balances	138,901	36,841
Time deposits with original maturity of three months or less	210,000	-
	348,901	36,841

The effective interest rate on time deposits held with a related party as at 31 December 2017 was 2.417% per annum.

5. Investment properties

	2017 KD	2016 KD
Balance at 1 January	4,485,465	7,881,219
Additions to investment properties	502,146	159,932
Change in fair value of investment properties (note 12)	(578,785)	977,031
Foreign exchange gain	-	38,752
Reclassification to property held for sale	-	(4,571,469)
Carrying amount at 31 December	4,408,826	4,485,465

The fair value of investment property is determined based on the lower of two valuations performed as at 31 December 2017 by accredited independent valuers, 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 techniques 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.

In 2016, 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 16).

6. 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**	
	2017	**2016**	**2017**	**2016**
	KD	**KD**	**KD**	**KD**
Non-current assets	189,615,320	227,731,315	-	-
Current assets (including cash and cash equivalents)	13,767,347	13,426,573	17,530,779	16,574,050
Non-current liabilities (including non-current financial liabilities excluding trade and other payables and provisions)	(53,435,388)	(57,351,392)	(11,932,614)	-
Current liabilities (including current financial liabilities trade and other payables and provisions)	(25,485,305)	(23,186,686)	(2,771,958)	(16,699,272)
Net assets	124,461,974	160,619,810	2,826,207	(125,222)
Group's share of net assets	62,230,987	80,309,905	1,413,104	(2,025)
Carrying amount of interest in joint venture	62,230,987	80,309,905	1,413,104	1
Revenue	(26,659,825)	11,268,584	10,754,475	-
Operating expenses	(7,481,485)	(8,043,946)	(7,783,940)	(128,770)
(Loss) / profit	(34,141,310)	3,224,638	2,970,535	(128,770)
Group's share of (loss) / profit	(17,070,655)	1,612,319	1,485,268	(2,025)
Movement in Group's share of interest in nets assets of equity-accounted investees				
Carrying amount at 1 January	80,309,905	78,053,918	1	2,026
Group's share of (loss) / profit	(17,070,655)	1,612,319	1,485,268	(1,773)
Foreign exchange impact	(1,008,263)	643,668	(72,165)	(252)
Carrying amount at 31 December	62,230,987	80,309,905	1,413,104	1

7. Other assets

	2017 KD	2016 KD
Advance for investment	6,415,053	6,415,053
Prepayments	54,713	43,364
Receivables	6,915	60,933
Property and equipment	2,418	5,530
	6,479,099	6,524,880

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.

8. Islamic finance payables

	2017 KD	2016 KD
Murabaha	11,866,792	13,433,723
Wakala	2,370,901	2,239,997
	14,237,693	15,673,720

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

The effective profit rate on Islamic finance payables ranges from 5.12% to 6.50% per annum (2016: 3.47% to 6% per annum).

9. Other liabilities

	2017 KD	2016 KD
Zakat payable	9,027	109,102
KFAS payable	7,557	93,330
Dividend payable	-	4,000
Provision for staff employment benefits	610,407	910,159
Other payables	799,617	812,389
	1,426,608	1,928,980

10. Equity

Share capital

The Company's authorized, issued and fully paid up share capital in cash amounts to KD 15,000,000 (2016: KD 15,000,000) comprising of 150,000,000 (2016: 150,000,000) shares of 100 fils each.

Statutory reserve

In accordance with the Companies Law No. 1 of 2016, as amended 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.

No transfer to statutory reserve has been made due to the net losses incurred during the year.

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.

No transfer to voluntary reserve has been made due to the net losses incurred during the year.

11. 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:

	2017 KD	2016 KD
Shareholders		
Islamic finance payables	14,208,423	15,335,085
Accrued profit on Islamic finance payables	29,270	338,635
Time deposits	210,000	-
Accrued profit on time deposits	4,267	-
Bank balances	116,547	25,061
Payables and other liabilities	382,827	-
Key management personnel		
Payables and other liabilities	415,447	1,228,384
Transactions with related parties		
Shareholders		
Profit on Islamic finance payables	853,625	634,095
Profit from time deposits	14,957	-

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 317,082 (2016: KD 420,000).

12. Net investment (loss) / income

	2017 KD	2016 KD
Realized loss on investments at fair value through profit or loss	-	(1,740)
Change in fair value of investment properties (note 5)	(578,785)	977,031
Profit from time deposits with banks	14,957	-
Foreign exchange gain / (loss)	73,231	(59,554)
Other income	42,651	-
	(447,946)	915,737

13. Other expenses

	2017 KD	2016 KD
Rent	50,664	50,664
Professional fees	58,769	53,249
Travel expenses	36,039	19,155
Fees and subscription	17,135	13,713
Direct investment cost	5,750	10,747
Fees and others	311,065	40,060
	479,422	187,588

14. Basic and diluted earnings per share (fils)

	2017	2016
Loss / profit for the year (KD)	(17,964,803)	823,128
Weighted average number of shares outstanding during the year	150,000,000	150,000,000
Basic and diluted earnings per share (fils)	(119.77)	5.49

15. 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 2,658,306 (2016: KD 4,653,697). The fee and commission earned on fiduciary assets amounted to KD 30,850 (2016: KD 36,546).

16. Property held for sale

In 2016, the Group management committed to a plan to sell a land owned by a subsidiary. Accordingly, the land was presented as held for sale as at 31 December 2016. Transaction to sell the land has been completed and proceeds amounting to USD 14,937,000 (equivalent to KD 4,571,469) were received in January 2017.

17. Financial instruments – Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. The estimated fair values of the Group's financial instruments as at reporting date are not significantly different from their carrying values due to the short to medium term nature of the financial assets and financial liabilities.

However, available for sale investments with carrying value of KD 90,134 (2016: 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 an assessment 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.

18. 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:

	2017 KD	2016 KD
Cash and cash equivalents	348,401	36,341
Other assets	6,421,968	6,475,986
	6,770,369	6,512,327

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:

2017	**Balances with banks KD**	**Balances with other parties KD**	**Total KD**
Carrying amounts	348,401	6,421,968	6,770,369
Concentration by sector			
Government	5,000	-	5,000
Banks	343,401	-	343,401
Real estate	-	6,421,968	6,421,968
	348,401	6,421,968	6,770,369
Concentration by location			
GCC	333,582	-	333,582
Europe	14,819	-	14,819
Real estate	-	6,421,968	6,421,968
	348,401	6,421,968	6,770,369

2016	**Balances with banks KD**	**Balances with other parties KD**	**Total KD**
Carrying amounts	36,341	6,475,986	6,512,327
Concentration by sector			
Government	5,000	-	5,000
Banks	31,341	-	31,341
Real estate	-	6,475,986	6,475,986
	36,341	6,475,986	6,512,327
Concentration by location			
GCC	32,115	6,475,986	6,508,101
Europe	4,226	-	4,226
	36,341	6,475,986	6,512,327

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 payables.

As at 31 December 2017, the Group's Islamic finance payables are for a short term nature and hence, any fluctuation in the profit rate would not have any significant impact.

Currency risk

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

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

The Group is exposed to currency risk on investments at fair value through profit or loss, bank accounts and 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:

2017	KD	Change in currency rate in %	Effect on profit or loss KD
US$	2,370,901	10	237,090

2016	KD	Change in currency rate in %	Effect on profit or loss KD
US$	(7,121,794)	10	(712,179)

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

19. Capital management

The management's policy is to maintain a strong capital base to sustain future development of the business. The management monitors the return on capital through operating cash flow management. The management seeks to maintain a balance between higher returns and the advantages and security offered by a sound capital position. The Group is not subject to externally imposed capital requirements, except the minimum capital requirements of the Companies Law No. 1 of 2016, as amended and its Executive Regulations.

20. Capital commitments

During the year, the Group did not enter into contracts related to investment property under construction (2016: KD 399 thousand).

In respect of its interest in joint venture, the Group does not have any capital commitment as at 31 December 2017 (2016: KD 1,022 thousand).

21. 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 2,256 thousand (2016: KD 2,288 thousand) being its share of 50%, in the event the joint venture is unable to repay the Bank.