ANNUAL REPORT 2013

HAYAT INVEST

"RISK GUIDED RETURN"

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FINANCIAL HIGHLIGHTS

NET PROFIT

46.165

MILLION KD

TOTAL EQUITY

65.063

MILLION KD

TOTAL OPERATING INCOME

48.918

MILLION KD

EARNING/LOSS PER SHARE

307.77

FILS

TOTAL ASSETS

84.302

MILLION KD

RETURN ON EQUITY

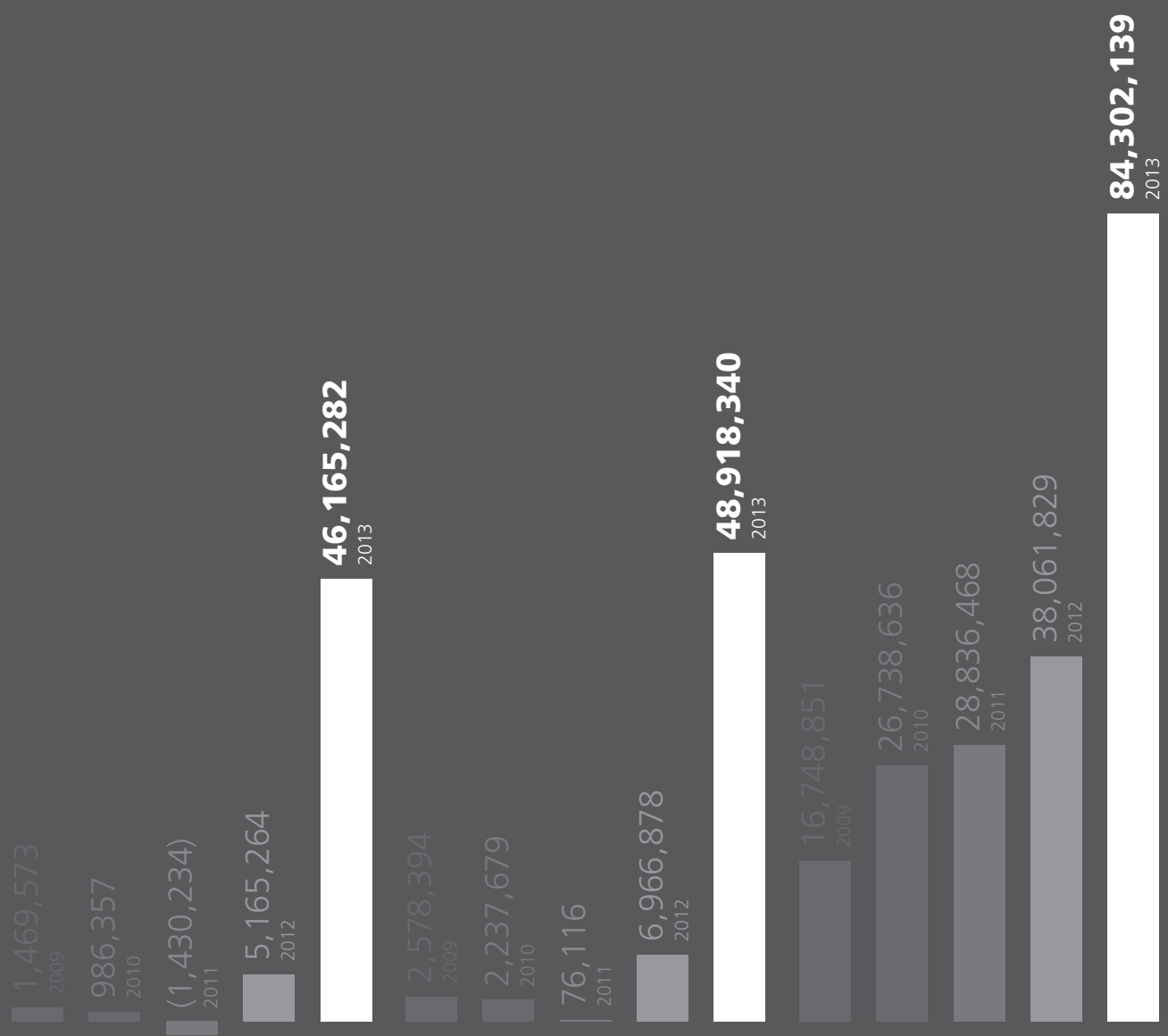
226.91 %

TOTAL LIABILITIES

19.238

MILLION KD

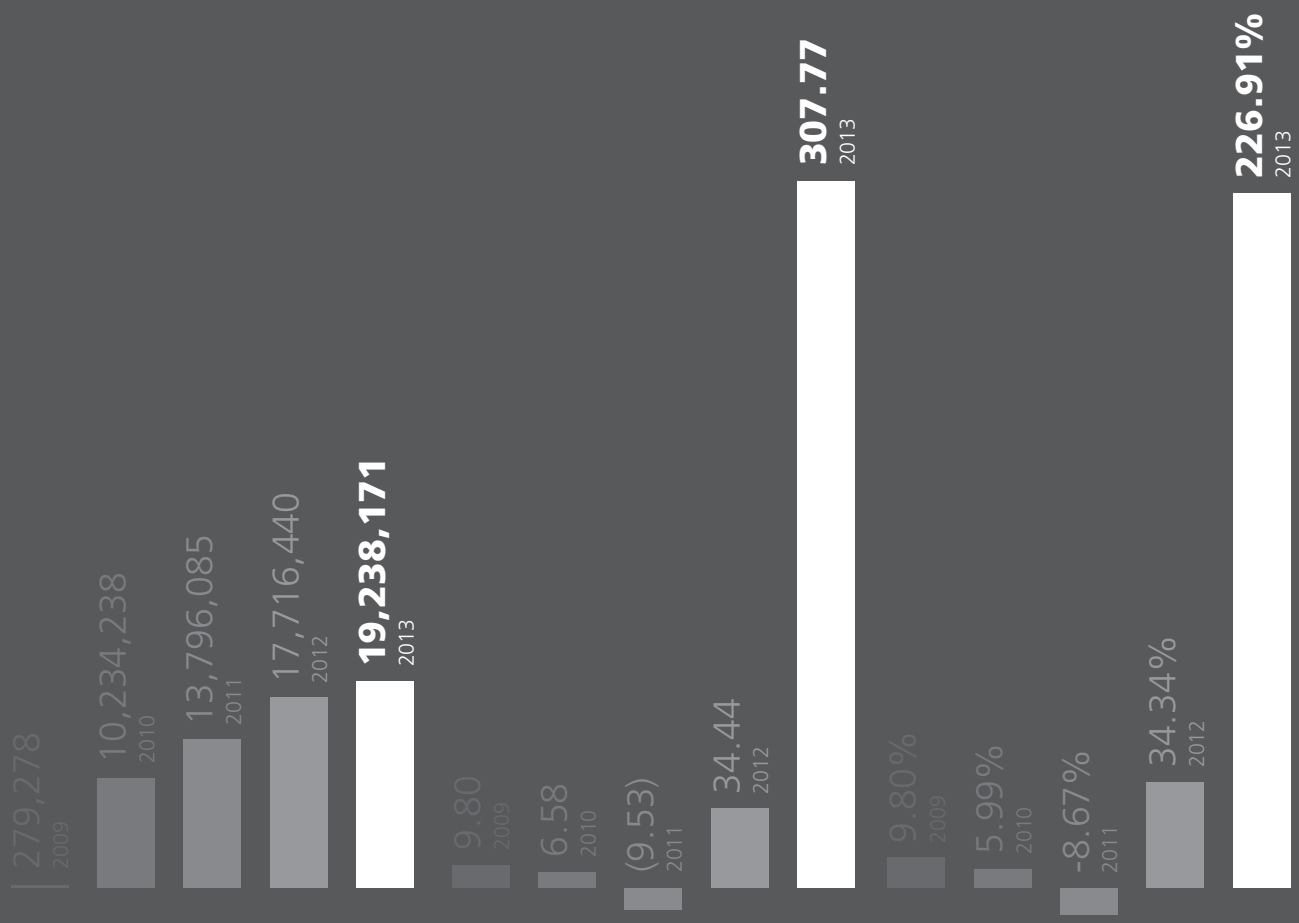
FINANCIAL HIGHLIGHTS



Net Profit/loss
(KD)

Total Operating Income
(KD)

Total Assets
(KD)



Total Liabilities
(KD)

Earning/loss per Share
(Fils)

Return on Equity
(%)*

* Equity calculated at the beginning of the year

BOARD OF DIRECTORS

Dr. Nabeel Ahmed Al Mannae
Chairman & Managing Director

Mr. Yacob Yousef Al Muzaini
Vice Chairman & Managing Director

Mr. Mazin Saad Al Nahedh
Board Member

Mr. Abdullah Abdul Hameed Al Marzouq
Board Member

Mr. Adnan Abdullah Al Olayan
Board Member

EXECUTIVE MANAGEMENT

Dr. Nabeel Ahmed Al Mannae
Managing Director

Mr. Yacob Yousef Al Muzaini
Managing Director

Mr. Aftab Alam
Chief Investment Officer

EXTERNAL AUDITOR'S

KPMG Safi Al Mutawa & Partners

SHARI'A SUPERVISORY BOARD

Dr. Abdulaziz Al Qassar
Chairman

Dr. Eesa Zaki
Member

Dr. Ali Al Rashed
Member

CHAIRMAN'S STATEMENT

Dear Shareholders,

By the grace of Almighty Allah, Hayat Invest Co has booked another successful year to its track record and I am pleased to present you the fifth annual report of the company.

Global economy continued its journey on the road to recovery in 2013. In the developed world US economy continued to show signs of improvement especially in the labor and housing market while the situation in Europe also seems to be improving albeit at a slower pace. However, growth prospects in the emerging markets remained challenging amid structural issues. In line with the improved economic scenario, the equities in the developed world delivered impressive returns while the performance of emerging market equities remained subdued.

For Hayat, 2013 proved to be an exceptional year as much of our attention remained focus on completion of our key real estate projects in Saudi Arabia. We started the year with our investments diversified into various real estate projects and listed equity portfolios in global markets. However, as we progressed further, we could not maintain this aspect of diversification up to our satisfaction later in the year. Timely availability of funds amid project quality enhancement along with controlling time slippages was a big challenge. Meeting these various liquidity calls resulted in our investments skewed towards real estate as an asset class, as a natural corollary. During this transitional phase, our listed equity investments gradually scaled down to a tiny percentage by the end of the year. Nonetheless, our strategy to always keep a sizable allocation in global listed equity beard fruits as it provided timely liquidity support to our real estate project, when needed the most.

Our partnership in Saudi Arabia through Hayat Real Estate Investment Company – equally owned by Hayat and its Saudi partner Tatweer Holding Company continued to make progress on the existing projects. Al – Nakhla residential compound in Riyadh has now almost reached its completion. Upon completion, the project will be the most modern compound complex in Riyadh with elegant design. We are all set to rent out the compound in 2104. As a result, we expect that a significant amount of cash will start flowing out of renting the compounds in various stages in 2014. The resulting cash-inflow will need diversified investment destination. The progress on Hayat Villas Jeddah project is on track also and the project is expected to be fully completed by end of Q2-2014.

In Lebanon, the construction activities on Baabda project are on track now after unexpected delays in previous years. During the year, we were able to complete concrete works overcoming some un-anticipated challenges due to tough weather and technical issues experienced in 2013. In another significant development during the year, we received construction license for our Ashrafieah land and we are in the process of obtaining the construction permit.

We made total revenue of KWD 48.91 million on our investments this year, though real estate investments attracted a disproportionally large share of this total gains while the contribution from listed equity was only a tiny percentage. As a result, the net profit of the company increased to KD 46.165 Million in 2013, compared to the last year profit of KD 5.165 Million, a rise of 793.8%.

For 2014, with key of our real estate projects ready to be either sold off or for renting out, our strategy is to diversify our investments across various asset classes i.e. listed equity, real estate and non-real estate private equity to optimize risk adjusted return.

Our dedicated investment team, consistent with our "Risk Guided Return" mantra will continue to explore deals and structures in these asset classes which may result into a positive impact on our shareholder equity.

Finally, I am extremely thankful to all our staff for their consistent efforts and sincerity that has put Hayat on the road to success.

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

MANAGEMENT REPORT

Year 2013 marked another good year for developed markets equities while the performance of emerging markets remained subdued amid varying concerns such as Fed tapering, high inflation, China slowdown and structural issues in specific cases. Continuous flow of positive news on US economy and liquidity injection by major central banks in the European markets kept the money flow towards developed market equities. The MSCI World Index delivered return of 24% as compared to MSCI Emerging Markets return of negative 5%. Within the developed markets, US market amid increased confidence in the economy, made new high and S&P 500 finished the year by delivering around 30% return. Likewise, all major European markets, despite ongoing economic woes, offered double digit returns. On the other hand, the performance of major Asian markets excluding Japan remained in negative territory. Japanese equities however delivered return of 30.5% in USD terms amid aggressive monetary easing measures adopted by bank of Japan.

Business and Economic Environment in 2013

Macro-Economic Situation

The performance of Kuwait economy remained impressive in 2013 on the back of high oil prices, increase in domestic consumption and pick-up in public investment. It is estimated that country's GDP growth rate in 2013 reached 4.5% and is expected to increase to 5% in 2014 amid further increase in oil production along with government spending. The latest data as of December 2013 depicts that the average price of Kuwaiti oil during the first nine month of the current fiscal year remained at USD 103.6 per barrel, 48% above the budgeted price of USD 70 per barrel. Assuming that the average oil price for the full fiscal year ending in March 2014 remains at the same level, this will generate total revenue of KD 32.8 billion.

Like in the last couple of years, development expenditures remained lower than budgeted. As a result, the non-oil sectors witnessed subdued performance with limited diversification benefits for the economy. Against the budgeted expenditure of KD 21 billion, the actual expenditure for the first half of the fiscal year remained much lower at KD 5.1 billion. With actual oil prices higher than budgeted price and actual expenditures lower than planned, the Kuwait is likely to report budget surplus of about KD 12 billion this fiscal year.

CPI inflation remained low with average of 2.6% for the first half of 2013 compared to 3.4% for the corresponding period last year. For the month of October 2013, CPI ticked up to 2.7% (Y/Y) down from 2.9% in September. The decline in food price inflation is the key factor for the declining trend in the CPI. For the full year, inflation is likely to remain in the vicinity of 2.7% despite robust consumer spending and some improvement in business sentiment. The consistent low inflation level enabled the Central Bank of Kuwait to keep the discount rate of 2% set in October 2012 unchanged.

In the banking sector, the latest available data as of October 2013 showed that credit facilities offered by local banks to residents grew by 7.8% (YoY) reaching to the level of KD 28.8 billion. Credit to construction sector, Oil and Gas sector and personal facilities contributed the most towards this growth while credit to non-bank financial institution continued to weigh down on total credit.

In the real estate sector, the total sales up to the month of November amounted to KD 3.307 billion registering a growth of 19% over the same period last year. Sub sector analysis shows that the three segments i.e. the residential, investment and commercial sector witnessed growth of 10.1%, 17.3% and 94.1%. However, In terms of volume of transaction, the residential sector remained at top with total of 5,858 transactions though it is down 16.8% over the same period last year. The investment sector saw total transactions of 1,566, up 6.7%over the same period last year. The commercial sector with total of 167 transactions registered the highest growth i.e. 178.3% over the same period last year.

Kuwait Stock Exchange

As against the meager return of 2.97% in 2012, the KSE price index delivered remarkable return of 27.2% in year 2013. The KSE performance remained behind Dubai and Abu Dhabi in the GCC region while it delivered superior return relative to Saudi Arabia, Qatar, Oman and Bahrain. Trading value for the year was about 11.2 billion KD with daily average trading value of about KD 45.5 million compared to KD 28.8 million in 2012 - a rise of about 58%. Corporate earnings also improved during the year 2013. As per the data available for the first nine months of 2013, earnings of 170 Kuwaiti companies listed in the Kuwait Stock Exchange (KSE) totaled to KD 1.16 billion. Profits were up by 14% from the year before. To improve transparency and boost investor confidence, The Capital Markets Authority and Kuwait Stock Exchange remained committed to the market development process through refining trading regulations, and strictly enforcing reporting and transparency requirements.

Global Market Performance

United States

US equities took the lead in developed world equities in 2013 and S&P 500 index booked a handsome gain of around 30%. Though there were uncertainties at the start of the year amid fiscal cliff and debt ceiling issues which were later on postponed until March and May. Nonetheless, continuous improvement in economic scenario fuelled investor's confidence towards US equities. The unemployment rate declined to a four-year low of 7.6% by the end of March while housing sector continued to show positive sign. The final days of the quarter, however, were affected by the Cyprus bailout situation, which led to heightened concern over the economic state of the Eurozone though it did not trigger a large selloff in the markets and the S&P index finished the first quarter with 11% return. However, the second quarter could not keep the accelerating pace seen in the previous quarter and S&P 500 Index added only 2.9% return taking the 1st half of 2013 return to 14%. The fear of the possibility of Fed starting to wind up its USD 85 billion monthly asset purchase program remained hanging all the time. The Fed's June statements implied that asset purchases could start to be rolled back before the year end leading to a spike in interest rates and an increase in equity market volatility globally, especially in the emerging markets that witnessed sharp sell off along with currency depreciation.

Though the fear of Fed tapering continued to prevail in the second half as well, the US and major global equity markets showed strong resilience on the back of continuous economic recovery. Contrary to the expectations of many investors, Fed held steady and continued purchasing $85 million a month of mortgage backed securities and treasuries. The unemployment rate further declined to 7.3% during the 3rd quarter while the manufacturing sector witnessed steady improvement and expanded in September for the fourth consecutive month. The resurgence of the manufacturing, housing and energy sectors also boosted corporate earnings to record levels. In additions, positive news from Eurozone also contributed towards investor confidence as the Eurozone economy came out of its longest ever recession by expanding 0.3% quarter on quarter during the 2nd quarter. The 3rd quarter witnessed government shutdown for the first time in nearly two decades as the US congress failed to agree on a plan to fund the government expenditures. Despite all this, S&P 500 rallied 5.25% in the third quarter. Finally, the momentum set forth in the 3rd quarter continued in the last quarter as well. The unemployment rate declined further to 7% in November. GDP grew at 4.1% at an annualized rate in the third quarter up from a previous estimate of 3.6 percent. Housing market continued to show signs of improvement. All these positive developments led the S&P 500 index to deliver 9.9% return in the final quarter and finished the year by delivering an impressive return of 30%.

MANAGEMENT REPORT (Cont.)

Europe

Economic situation in the euro zone continued to deteriorate during the 1st half of the year. However, despite economic woes the European equities delivered positive return and the STOXX Europe 600 Index went up by 17.4% for the year 2013. At the country level, with the exception of 12.4 % negative return for Spanish equities, all major markets in the Eurozone delivered double digit returns. Greece, Germany, Denmark, Finland, Belgium, Ireland and France delivered returns of 28%, 25.5%, 24%, 35%, 18%, 33.6% and 18% in their respective currencies.

The European equities started the year on positive note but the sentiment deteriorated during the end of the 1st quarter amid uncertainty over the outcome of the Italian elections and Cyprus banking crisis that ended up with euro 10 billion bailout package requiring the country to tax bank deposits and put in place capital control measures to prevent funds flooding out the country. Further addition to the gloom was news on economic data that revealed contraction of fourth-quarter euro area GDP by 0.6%, the sharpest fall since 2009 that later on led the European Central Bank (ECB) lower its 2013 GDP growth forecast for the region to between -0.9% and -0.1%.

In April, markets were supported by hopes that the European Central Bank (ECB) would act to boost the economy and the ECB in May met the market expectations by cutting rates to 0.5% from 0.75%. However, later in the period Eurozone equities were impacted by global worries, including concerns that the US Federal Reserve could soon start tapering its quantitative easing program. Fears over tighter liquidity in China also dented sentiment. Economic activity in Europe also remained disappointed, with data showing Eurozone GDP contracting by 0.2% in the first quarter of 2013 while PMI remained at the neutral level of 50. The International Monetary Fund revised down its forecast that the Eurozone economy in 2013 would contract by 0.3% versus 0.2% previously. At the end of 2nd quarter, Eurozone finance ministers agreed on new rules to force losses on creditors such as large depositors as well as bond holders and shareholders in the event of future bank failures. The move was seen another concrete step towards banking union and helped to restore investor confidence.

As against the disappointing economic situation during the 1st half of the year, the economic scenario remarkably improved during the 2nd half. The GDP figures showed that the single currency bloc emerged from recession during the second quarter, with a growth rate of 0.3%. PMI surveys continued to show improvement reaching 50.5 in July, 51.5 in August and 52.2 in September though unemployment continued to be stubbornly high at around 12%. The victory of Angela Merkel in the German election was also welcomed by the market participants. To further boost the confidence, European Central Bank (ECB) cut interest rates to a new historic low of 0.25% from 0.5%amid slowdown in GDP growth that declined to 0.1% from the 0.3% seen in the second quarter. For 2014, however, EC expects growth at 1.1%, down from its spring forecast of 1.2% and from the 1.4% projected at the start of the year.

Emerging Markets

As against the impressive equity performance in the developed markets, emerging markets remained depressed during 2013. The MSCI Emerging Markets Index remained in red and delivered negative 5% return. The material sector that includes a range of commodity related manufacturing industries contributed the most towards the negative performance of the index by delivering negative 17% return. Another important factor that contributed towards negative performance was currency depreciation of key players such as Brazil, India, Indonesia and South Africa.

However, within emerging markets the performance of different countries varied with Brazil and Indonesia faring the worst with losses exceeding -20% in USD terms. India, Philippines and China saw losses of less than -5%. South Korea, Singapore and Malaysia performed the best with either positive or flat performance.

There were several external and internal events that affected emerging markets during the year including the US Fiscal Cliff, fresh worries in the Eurozone regarding Spain and Italy, China's continuing effort to rebalance its economy and slowdown in India and other emerging markets amid lack of reforms and high inflation etc. Economy in China, world's second-biggest economy, grew by 7.8 percent in 2013 and the International Monetary Fund is predicting growth for 2014 to be 7.6 percent, which would be the weakest performance since the early 1990s, while some private sector analysts have cut their growth forecasts to below 7 percent. In India, economy grew by 4.8 percent in the third quarter narrowly beating analysts' forecasts while for the full year growth is expected to be around 5%, the weakest in a decade, as per Reserve Bank of India estimate.

However, two external events stood out during the year impacting negatively on emerging markets. The first was the possibility of the US Federal Reserve tapering its stimulus earlier than expected. The second was the massive quantitative easing program announced by the Bank of Japan in April. As a result emerging markets witnessed large fund outflows and the investors rushed to participate in US and Japanese equity.

In May, when the US Federal Reserve first hinted at the idea of tapering its stimulus measures, countries such as India, Brazil, South Africa, Indonesia and Turkey experienced a sharp sell-off due to their large current account deficits and reliance on external funding. However, other countries such as China, Korea, Taiwan and Russia were largely unaffected. The resulting currency weakness has led to an improvement in the competitive position of several emerging economies that should be well placed to benefit from a recovery in growth in the developed world.

The primary challenge in the short to medium term facing emerging markets as a group, is the reversal of pro-liquidity policies by developed nation central banks in the US, Japan and Europe. However, these concerns are balanced by the fact that any tapering by central banks will also be accompanied by growth in their respective underlying economies. The second challenge in the medium to longer term is for emerging market nations to find alternative export markets to take the place of western consumers that will continue to deleverage for the foreseeable future.

In general, emerging market economic fundamentals are very solid. In aggregate, current accounts are in surplus, debt levels are modest and external debt is low. This is in stark contrast to the developed world which is still going through a prolonged period of debt deleveraging. An expanding emerging market middle class continues to drive strong consumption and fixed capital investment. Most countries have plenty of room to grow due to the still low levels of capital stock per capita.

Currency Dynamics

USD appreciated against all major currencies during first three quarters of 2013. Gains were prompted on expectations of Fed tapering the QE3. Fear of reversal in capital flows with US scaling back on its stimulus caused major chaos in the emerging market currencies. Japanese Yen (JPY) continued to slide amid policy response from Bank of Japan and continued promises of Japanese premier to keep expansionary monetary & fiscal policy until its desired objectives are met. As analyst warned, commodity currencies (AUD, NZD) depreciated in response to slowdown in both consumption & investment demand for hard commodities (such as Iron ore & Copper).

Response of EM currencies was wider, however, in the same direction. All major EM currencies, Philippine Peso (PHP), Thai Baht (THB), Turkish Lira (TRY), Indian Rupee (INR), and Indonesian Rupiah (IDR) continued to slide during the last year. Currencies of the countries with high foreign debts, large fiscal deficit and current accounts deficits are considered vulnerable in uncertain environments. Direction of currency movement in 2014 should be determined by macro fundamental and global capital flows. EM currencies such as South Koran Won (KRW), Turkish Lira (TRY), Indian Rupee (INR), and Indonesian Rupiah (IDR) are likely to remain volatile.

MANAGEMENT REPORT (Cont.)

Commodities

Key commodities performed poorly in 2013 due to expectation that US will exit from their stimulus program i.e. QE3 which is believed to be negative for commodity price. Going forward, recovery in industrial economies should add moderate growth to industrial commodities. Winding out of QE3 should be negative for precious metal; however, Gold & Silver have already taken a large hit in expectation of such move. Agricultural commodities should remain soft while recovery in oil production outside OPEC is expected to pick up providing relief to oil consumers. Only concern in oil market is possible supply disruption in the Middle East, which could send prices high.

Real Estate Market

Jones Lang LaSalle (JLL) estimates global real estate market transactions to reach USD 500 billion in 2013 as compared to USD 400 billion in 2012.The strengthening economic growth and business sentiment bodes well for global real estate in 2014 as well. JLL estimate investment transactions in 2014 will range between USD 525-575 billion, only 25% below the 2007 peak.

Emerging markets, despite various near term growth challenges should see persistent growth in investments and demands especially in countries such as India, Turkey, Malaysia, Indonesia and MENA region amid healthy absorption rates.

Prospects for 2014

The global economy looks all set to be exiting the slowdown of the past three years and entering a new phase of modest recovery and growth amid sustainable improvement in US economy along with settling down of European debt crisis, albeit at a slow pace. The International Monetary Fund expects the growth of the global economy will accelerate to 3.6 percent in 2014 from 2.9 percent in 2013. Much of the pickup in growth is expected to be driven by advanced economies. Growth in major emerging markets, although still strong, is expected to be relatively weaker amid high inflation and structural bottlenecks.

In the developed world, growth in US is likely to rise from 1.6 percent this year to 2.6 percent in 2014 on the back of continued strength in private demand, which is supported by a recovering housing market and rising household wealth. In Europe, though the issues remain far from over, the recent policy actions have reduced major risks and stabilized financial conditions. However, growth in the periphery is still constrained by credit bottlenecks. The region is expected to gradually pull out of recession, with growth reaching 1 percent in 2014.

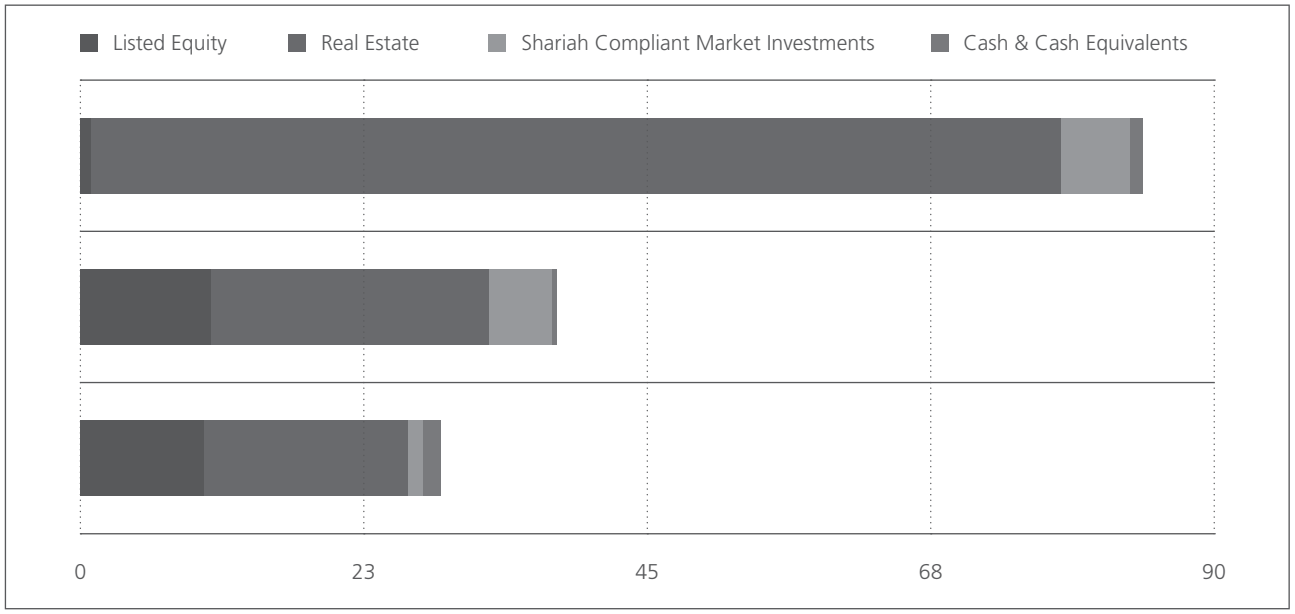
Despite these positive expectations in the developed world, downside risks to the global economy still remains due to risk emanating from US exit strategy and challenging growth prospects in emerging markets. To avoid instability as witnessed in 2013 as a result of the tapering announcement by Fed, the emerging markets will be required to apply appropriate policy mix though the pace of adjustment will differ across countries. Though this corrective policy action may bring slow down in 2014, but emerging markets will return to higher growth in the longer run.

From return prospective, despite impressive performance in 2013 investors still expect room for further upside in developed markets whereas outlook for equity returns in emerging markets is likely to be sticky given the challenging growth prospects.

Hayat in 2013

Consistent with our investment philosophy of diversifying assets into various assets classes and geographies, we entered the year 2013 with our investments diversified into various real estate projects and listed equity portfolios. However, despite our cautious approach, this diversification aspect could not be maintained later in the year. The extremely lumpy nature of Saudi Arabia real estate project in Riyadh (Al-Nakhla project) and time lags in Jeddah project exit, made our investment skewed towards real estate as an asset class. In this transitional phase, our listed equity investments gradually scaled down to a small percentage by the end of the year. Nonetheless, our strategy to always keep a sizable allocation in global listed equity bore fruits as it provided timely liquidity support to our real estate project. In 2014, with some of our real estate projects offering opportunities for exit or renting out (i.e. through sale of Hayat Villas in Jeddah and renting out Al Nakhla residential compound in Riyadh), our strategy is to diversify our investments across various asset classes i.e. listed equity, real estate and non-real estate private equity.

Our proprietary book investment portfolio reached KD 84.175 million at the end of 2013. Real estate assets & Shariah compliant money market investment represented 91.9% & 6.3% of the composite portfolio respectively.



MANAGEMENT REPORT (Cont.)

Real Estate Sector: Status of the Existing Projects

Our real estate projects in Saudi Arabia through our associate company i.e. Hayat Real Estate Investment Company LLC made significant progress during the year 2013.

Al-Nakhla residential compound in Riyadh, Kingdom of Saudi Arabia is near to its completion and is expected to be ready for renting by the end of second quarter 2014. Construction works marginally exceeded our estimated time partly because of upgrades in infrastructure and amenities for the residents. Development and sale of Hayat Luxury Villas in Jeddah is also progressing, albeit at a slower pace than anticipated. The developer has already sold 24 villas and we would see conclusion of development works this year with complete exit from the project through sale of all residential units.

Residential building in Baabda, Lebanon has reached completion on shell & core basis. Since the situation in Lebanon is far from ideal, we decided to move construction activity slowly which is handled by our fully owned subsidiary, Hayat Construction SAL through a set of sub-contractors. Our fully owned subsidiary, which owns land in Ashrafieah, Lebanon received construction license this year.

Al – Nakhla Residential Compound in Riyadh

Al Nakhla project is the development of high end residential compound in Riyadh. Project includes residential villas, residential apartments and commercial & social facilities. It is located in northern part of the Riyadh city, near the intersection of Khalid Bin Al-Waleed road and North Ring Road next to SABIC's head office and adjacent to other high-end similar compounds such as Arizona and Qurdoba. The project is close to "Business Gate" project, Imam Saud University and King Khaled International Airport. It's a prime location for residential compound with many facilities. Its land size is approximately 325,000 square meters, however, the buildings cover less than 25% of the land with rest of space developed as landscaped garden and facilities. The compound includes all amenities required for modern & comfortable lifestyle with high level of privacy. A commercial area which includes school, hypermarket, restaurants, retail outlets & other facilities has been developed outside the compound while community & social facilities such as a club house, social activities hall, a nursery & covered playgrounds is constructed within the premises.

The compound consists of 314 two-bedroom villas, 302 three-bedroom villas, 10 four-bedroom executive villas, 192 two-bedroom apartments & 256 studio apartments (a total of 1074 residential units). Considering that the Al Nakhla compound will be the newest with superior facilities and excellent landscaping, it will fetch better rentals and command higher occupancy levels compared to existing similar compounds.

The project is expected to be fully completed within the second quarter of year 2014. At the time of printing this report, the overall completion percentage of the project was 90%. The southern phase of the project has been fully completed and is ready for operation. The remaining site works are mainly related to completing the parts of the northern phase and preparing the compound for receiving the furniture. The compound is expected to receive its first tenant by the end of Q2-2014.The total cost of the project's construction and furniture is expected to reach SAR 930 million.

Furthermore, during the year, Hayat Real Estate Investment (Saudi Arabia) also finalized terms for sale of commercial land, which occupied nearly 20% of total land. The company expects to conclude the sale of land in 1H2014. With conclusion of the above sale, Hayat exposure to the project and real estate as an asset class will reduce.

Hayat Luxury Villas' Residential Development in Jeddah

The project comprises of 96 modern residential villas (along with a mosque) catering to the needs of mid to high income residents in the city. Hayat villas will create a calm & comfortable environment, away from noise of the traffic. The project is designed in a modern style that allows for a harmonious community but each family also maintaining its privacy.

The project site is located in the northern part of Jeddah City occupying a total area of 32,209m2. It is close to the sea in the vicinity of Red Sea Mall (one of the largest malls in Jeddah) and King Abdul Aziz International Airport.

The project is expected to be fully completed by end of Q2-2014. Hayat Real Estate Investment Company, Saudi Arabia has already started selling the units to a targeted segment of clients in the Saudi market. The company has already signed the sale contract for 24 villas. Additional 11 villas have been reserved by interested buyers for buying in near future. The current selling price per villa has exceeded the budgeted estimates.

MANAGEMENT REPORT (Cont.)

Developments in Lebanon

A multifamily residential apartment building in Baabda municipality, Lebanon is ready on shell & core basis. During the year, we were able to complete concrete works overcoming some un-anticipated challenges due to tough weather condition and other technical issues experienced in 2013. We intend offering the project for sale partly or fully at this level of completion. In another significant development during the year, we received construction license for our Ashrafieah land and we are in the process of obtaining the construction permit. ,

Listed Equity

Though we started the year with our listed equity investments well diversified across the globe, we could not carry forward this diversified portfolio as calls for liquidity support to our various real estate projects resulted into phased liquidation of equity portfolio. With some key real estate projects now nearing their completion, we will soon come out of this transitional phase and bring back exposure to this important asset class at the optimum level with broader diversification in 2014.

Return on Investments

As against the investment return of KWD 6.83 million last year, we made gains of KWD 48.83 million on our investments this year. Amid scaling down of our listed equity portfolio as discussed above, the contribution of this asset class was minimal (only KWD 0.17 million) with bulk of the return coming from real estate investments.

On the real estate front, the development work on projects in Riyadh & Jeddah made substantial progress during the year. The valuation of Al-Nakhla project in Riyadh reached SAR 2.235 billion enabling us to book considerable gains of KWD 48.31 million in our books (as 50% owner of Hayat Real Estate Investment Co in Saudi Arabia). The Jeddah property continues to be treated as inventory as a result of which full gains on this property will be reflected in our books only when project is exited in 2014. In Lebanon, the valuation of both properties remained close its pervious year levels. The marginal additions accrued were due to development expenditure carried out during the year.

Diversification of the investment portfolio and income stream:

During 2013, our stress was on completion of the existing basket of investments enabling us to substitute this with a portfolio diversified geographically and also in terms of asset classes. This was viewed as a tool to optimize the risk adjusted return. This implied exiting some of the existing investments and renting out others. Hayat Villas in Jeddah is ready to be sold off completely in year 2014. Significant progress has also been made in 2013 to exit from the commercial portion of Al Nakhla project. This is in advanced stages of implementation and is likely to be completed in the first quarter of 2014. Arrangements to rent out the compound have also progressed significantly during 2013 which will enable Hayat to diversify its investment basket.

Financial Review

Consolidated Statement of Comprehensive Income

	2013	2012
Net investment income	518,058	1,505,330
Share of profit of equity-accounted investee	48,312,127	5,324,691
Fee and commission income	78,961	132,901
Others	9,194	3,956
Operating income	**48,918,340**	**6,966,878**
Operating expenses	(2,749,882)	(1,762,543)
Operating profit before provision for impairment	**46,168,458**	**5,204,335**
Provision for impairment	(3,176)	(39,071)
Net profit	**46,165,282**	**5,165,264**

- The net profit of the company increased to KD 46.165 Million in 2013, compared to the last year profit of KD 5.165 Million, a rise of 793.8%. The key contributing factor for this increase in profitability came from share of profit from our associate company Hayat Real Estate Investment Co, Saudi Arabia.
- The net investment income declined to KD 0.518 Million from its previous year level of KD 1.505 million amid gradual reduction in listed equity portfolio during the year.
- Fee and commission income also declined amid reduction in asset under management.
- Operating expenses of the company increased by 56% primarily due to provision on account of Zakat and KFAS which are in line with increase in profit of the company for the year 2013.
- Provision for impairment declined by 91.9% as there was no addition to company's credit portfolio during the year.

Consolidated Statement of Financial Position

MANAGEMENT REPORT (Cont.)

	2013	2012
Cash and bank balances	699,746	2,248,269
Investments at fair value through profit or loss	846,884	8,548,215
Islamic finance receivables – net of provision	5,307,612	4,993,213
Other investments	70,905,697	22,103,753
Other assets	6,542,200	168,379
Total assets	**84,302,139**	**38,061,829**
Islamic finance payables	17,080,223	17,004,019
Other liabilities	2,157,948	712,421
Shareholder's equity	65,063,968	20,345,389
Total liabilities and shareholder's equity	**84,302,139**	**38,061,829**

- The company's assets base increased by 121.5% during the year - the key contributing factor being increase in the carrying value of investments represented under the head "Other Investments".
- Investments at fair value through profit or loss reduced to KD 0.846 Million compared to its previous year level of KD 8.548 Million amid gradual liquidation of listed equity investments during the year.
- Other liabilities mainly increased due to provisions on account of Zakat and KFAS.
- Equity of the company, on the back of significant rise in profitability, increased by 219.8% to reach at KD 65.063 Million from its previous year level of 20.345 Million.

Human Resources

The strength of Hayat relies on its quality human resource and we consider it as the single most important asset towards achieving our growth targets. Over time Hayat has built a team of talented and seasoned professionals to provide superior service to all our stakeholders. To maintain and further improve competitive advantage over peers, Hayat fully recognizes the need to keep our human resources fully abreast with the today's challenging financial environment. To achieve this goal, 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 has created a stable team with exceptionally low turnover.

Our employee strength of 19 comprises of bright natives and skilled expatriates. This is spanned across various departments e.g. Investments, Operations, HR, legal, Finance & Administration, Compliance and Risk Management. Our employees have a credential basket of experience

and qualification such as CFA, FRM, MBA and various other accredited qualifications.

Hayat's Financial Product and Services

At Hayat we are committed to serve our clients with shariah compliant products and services to address their specific risk-return profile. To ensure that all our investments are shariah compliant, we maintain a large database of shariah compliant securities in all markets that is continuously monitored and updated at regular frequency.

Hayat India Equity Fund

Fund & Market Performance

The Fund returned 6.72% during the year ended December 31, 2013 compared to the benchmark return of 2.34%. The year was generally unfavorable to emerging markets including India. The main detractor to returns was the Indian currency, which depreciated 12.4% against the dollar during the year.

Globally, the first half of the year was dominated by fears of a "Fiscal cliff" in the United States, fresh fears in the Eurozone (arising from Spain and Italy) and an unprecedented stimulus program announced by the Bank of Japan. The second half of the year was dominated by fears that the US Federal Reserve could begin to taper its stimulus program earlier than expected - before the end of the year. Investor apprehension resulted in extremely volatile emerging market currencies - especially the Indian currency - which is particularly vulnerable due to the country's dependence on foreign flows and twin current account and fiscal account deficits.

Domestically, Inflation remained a problem throughout the year and did not provide the Central Bank with much room to cut interest rates despite clear signs of weakening macroeconomic data. The first half of the year saw the Reserve Bank of India focusing on creating an expansionary monetary policy by reducing the repo rate in three steps from 8.00% to 7.25%. The second half saw the resurgence of inflationary pressures and a secondary need to support the currency took the policy rate back up to 7.75%.

Macroeconomic data during the year showed strain. A key weakness in India has been the inability to restart the investment cycle. Indian corporates have chosen to postpone investing in additional capacity for a variety of reasons. These include government bureaucracy and red tape delaying projects, high inflation and its adverse effects on private demand and high interest rates that make credit more expensive. Moreover, many Indian corporates are already highly leveraged and have chosen to reduce their existing debt burden rather than increase investment spending.

The Indian Rupee slid to a record low of 68.82 INR/USD in August, around the time the U.S. Federal Reserve hinted that it was preparing to taper its ongoing stimulus program that has stoked demand for emerging-markets assets. However, the weaker currency also helped boost exports in the second half of the year which combined with a large drop in gold imports led to a substantial improvement in the Current Account Deficit. India's current account deficit is expected to come down to $40 billion or 2.2 per cent of GDP in the financial year 2013-14, a huge improvement over the previous financial year's deficit of $88 billion.

There was some progress on reforms during the year including the passing of key legislations such as Land Acquisition bill, Lokpal bill on anti-corruption and a new Companies Act. The government took major decisions on establishment of National Investment and Manufacturing

MANAGEMENT REPORT (Cont.)

Zones and quick starting of stalled projects by opening up foreign direct investment in various sectors like telecom, defense and initiating steps to boost exports and reduce imports.

The market consensus is that following the next general election (which will be held in the first half of 2014) any new government that comes to power with a fresh mandate, will help reduce political uncertainty and revive the investment cycle. The likelihood of this scenario increases if the new government that comes to power does so with a clear majority.

India's underlying fundamentals remain intact as prime investment destination. It's large and growing domestic market, positive demographics, and a low per capita economic base leaves plenty of room for future growth and should ensure good returns to patient, long term investors.

Portfolio & Wealth Management

Hayat offers discretionary and non-discretionary portfolio management services to our clients and prospective clients. We at Hayat manage our client's funds with utmost care. Our portfolio management team analyzes every individual discretionary client separately. Considering that the portfolio management is a dynamic process of maximizing client's wealth while simultaneously controlling investment risk, our investment team defines client's specific needs and investment objectives and update this information at regular frequency. Based on client's specific investment needs and objectives, the Investment Management team at Hayat proposes asset allocation to clients that is modeled to the need of individual investor. Investment strategy is adopted keeping in view the various clients specific factors like risk tolerance, investment horizon, overall return objective and any specific constraint. Further risk reduction is achieved by diversifying client's investments globally. Clients are also provided with regular portfolio performance reviews and analysis. In case of non-discretionary clients, though the final decision for investments remains with the client, however, our non-discretionary clients also take investment advice from Hayat for trading in different markets.

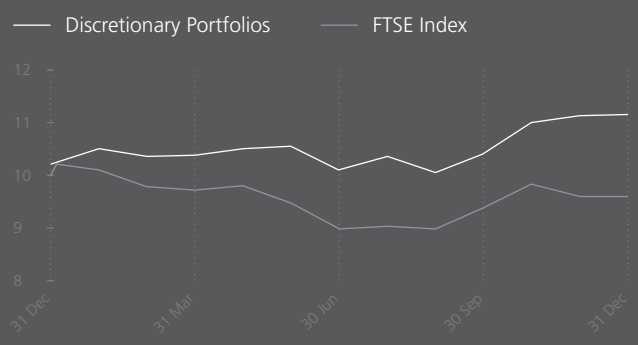
Performance of various discretionary investments

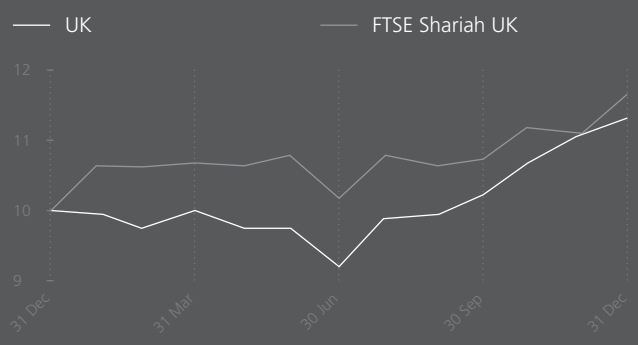
No	Portfolio / Market	2013 Return	FTSE Sharia Index for the relevant market composite
	Discretionary Portfolio		
1	Discretionary Global Market Portfolio (With heavy tilt towards Emerging Markets)	12.07%	-4.18%
	Discretionary Investment pools for Various Markets		
1	UK	13.2%	16.1%
2	China	-0.5%	-5.9%
3	ASEAN Region	-7.3%	-4.9%
4	US Market	30.2%	26.9%
5	Saudi Arabia	23.4%	15.8%*

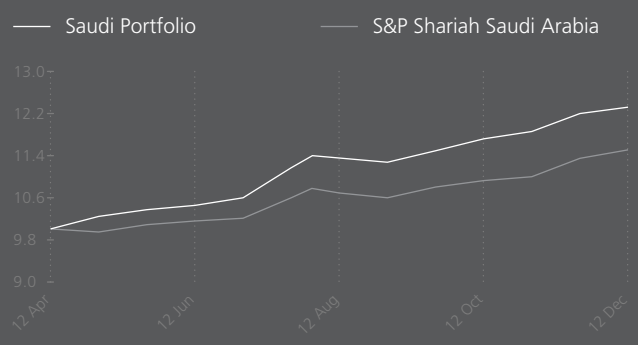
*** For Saudi market the comparison is based on S&P Sharia Saudi Arabia Index.**

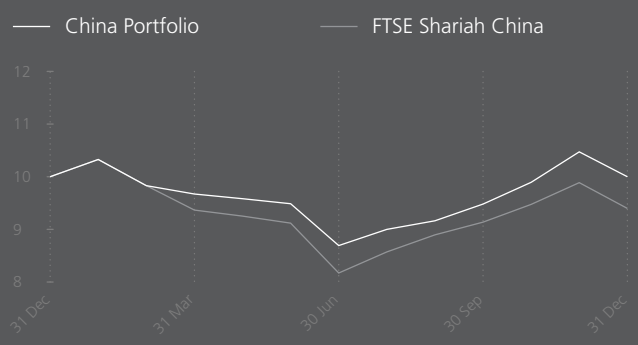
At present, we have limited number of discretionary and non-discretionary clients. Amid improved global economic scenario and investor

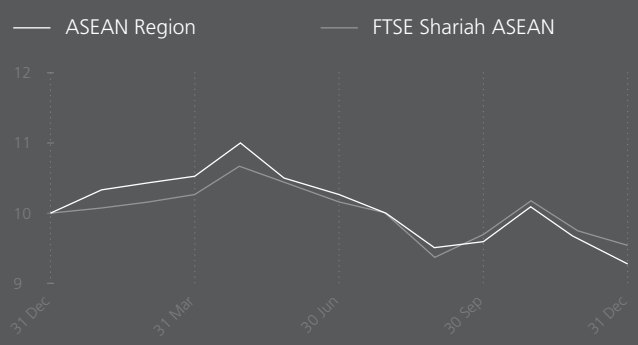
PERFORMANCE OF DISCRETIONARY PORTFOLIO AND INVESTMENTS DURING 2013

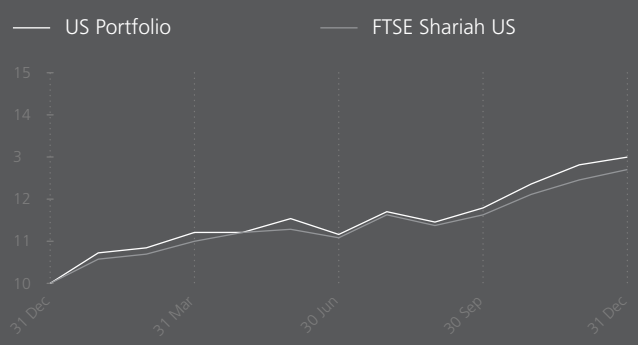












MANAGEMENT REPORT (Cont.)

sentiment, we plan to examine expanding our client base for portfolio & wealth management services in 2014. Our plan envisages expanding our product base for clients to include private equity and real estate investments in addition to listed equity for investing in global markets.

To pursue our goal, we already invested in a real estate project in India along with select clients during the last quarter of 2013. We forged a relationship with an Indian real estate developer during the year for development of residential multifamily apartment complex. This developer had earlier tied up with Singapore Government Investment Corporation (GIC) for real estate development in India. The project is FDI compliant (as per requirements of Indian laws) and involves construction & development of residential complex comprising of 1,756 apartments units (total development area being 1.5 million square ft.). The total project cost is estimated to be around USD 75 million (land & construction expenditures) with initial investment requirement of around USD 8.8 million. The investment is routed through Mauritius for taxation & operational efficiency.

Brokerage Services

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

Risk Management at Hayat

Consistent with our motto of "Risk Guided Return", the Risk Management at Hayat takes the central position in all our investment decisions. Since 2011, Hayat has established a separate risk management function under the supervision of a dedicated Risk Manager. The function reports to the Risk Management Committee (RMC) and is responsible for identifying, assessing and suggesting control measures for both enterprise and portfolio risks in order to minimize unanticipated losses and optimize the risk/reward ratio. At a strategic level, the risk management function designs processes, policies and procedures to identify and manage various types of risks relevant to the company.

Hayat follows a holistic approach towards the risk management that envisages assessing and defining company's risk appetite and then to align it with designed strategy. The RMC considers the entity's risk appetite in evaluating strategic alternatives, setting related objectives, and developing mechanisms to manage related risks. As a result, all risks are taken considering the organization's overall risk tolerance level and once the risk appetite threshold has been breached, risk management treatments and business controls are implemented to bring the exposure level back within the accepted range.

As an investment company we are exposed to different types of risks notably market risk, credit risk, and operational risk in addition to various other strands of investment risk. As a result, monitoring of market risk parameters at Hayat is a continuous process with daily, weekly, monthly and quarterly reports guiding the investment managers to effectively control the risk. The daily report analyses the total position changes and its attribution. The weekly reports, apart from attribution compare the performance with the benchmarks. Quarterly reports go one step further and do the above on risk adjusted basis. In addition, liquidity risk of each portfolio and Value at Risk (VaR) is calculated at portfolio and composite levels to ensure that the risk stands within the acceptable level.

Credit risk at Hayat is less relevant in our investments in listed securities where transactions are settled through clearing houses which are guaranteed. OTC transactions happen rarely which are immediately settled. Our securities are kept in the custody of globally renounced custodian whose credit risk is minimal. The relevant credit risk in the context of Hayat relates to granting loans which are minimal and different from other credit facilities. Hayat extends financial facilities only to such entities whose affairs are within control of Hayat such as associate or subsidiary companies or business partners investing in these projects. The credit committee supervises Hayat's credit exposure which is further reviewed by the Risk Manager at regular frequency. Operating risk at Hayat is addressed at systems level. Our securities back office is system-linked with accounting function and therefore this aspect of operating risk is controlled. Additionally, Hayat has prepared procedural manuals for its critical operations and adherence with these minimizes the operating risk.

In addition to market, credit and operating risks as mentioned above, the other risk areas are also given due considerations. 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 report reviews 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 its impact on project IRR along with and a sensitivity analysis to assess the impact on project IRR due to adverse movement in key variables Furthermore, the project is closely monitored through regular site visits and exchange of communication with developers and contractors.

Internal Audit at Hayat is outsourced to a reputed firm who conducts audit on quarterly basis and give its findings on every aspects of the business operations. This gives us additional feedback to further improve our risk management capability at Hayat.

MANAGEMENT REPORT (Cont.)

Corporate Governance

Board of directors at Hayat believes that good corporate governance is a critical factor in achieving business success. To serve its stakeholders, Hayat always remain committed to implement high standards of corporate governance. Like in all previous years, the company continued to improve its policies and procedural documents in 2013 to ensure compliance with the requirements of the Capital Markets Authority (CMA) and to ensure that the company is appropriately discharging its corporate governance responsibilities.

Moreover, to remain competitive in the global markets CMA Kuwait had recently issued Corporate Governance Rules to ensure greater transparency and disclosure within the financial sector and corporate world in general. These new rules, to be fully adopted by January 1, 2015, require corporates to implement significant structural and operational changes such as appointing independent directors who are suitably qualified and experienced and the requirement to have an Audit Committee, Remuneration Committee, Nomination Committee, Risk Management Committee and Corporate Governance Committee. Likewise, various new policies and procedures are to be developed to ensure fair dealing with all the stakeholders.

At Hayat, though various requirements of corporate governance are already in place, to be in full compliance with all the new requirements we took and active approach and hired the services of a leading financial consulting firm in Kuwait. The firm will take note of existing corporate governance practices and help Hayat in implementing additional structural and operational changes to be in full compliance with CMA requirements.

At present, the board of Hayat comprises five directors, of which majority (three) is non-executive representing institutional shareholders. The institutionalizing of the shareholding in itself ensures that corporate governance practices, prevalent at the level of institutions concerned also translate into corporate affairs of Hayat as well. The three non-executive directors form the audit committee of Hayat. The audit committee of the company had four meetings during 2013 and played active role in reviewing all reports of the internal audit and implementation of the suggestions contained in the reports. Our internal audit function is outsourced to an international audit firm with expertise in internal auditing & risk management.

While deciding strategic & important issues, Hayat operates through in-depth discussion in its various committees namely Risk Management Committee, Credit Committee and Asset Management Committee. These committees meet regularly.

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.

Future Plans

Our plan for 2014 envisages achieving optimum diversification both at geographical and asset class level along with increasing liquidity in our composite portfolio. This twin focus strategy is meant to optimize Hayat's risk adjusted return. Our road map to achieve these goals is through profitable exist from key real estate projects in Saudi Arabia (i.e. through sale of Hayat Villas in Jeddah and renting out Al Nakhla residential compound in Riyadh) as both of our real estate projects are on the verge of their completion. Various scenarios for sale and renting out are under considerations. We foresee encouraging response.

Since real estate and private equity investments require through due intelligence exercise, our investment team will continue to screen investment opportunities in important global markets for identifying projects offering superior risk adjusted returns. We shall devote time to study several key emerging markets for suitable structure & deal as emerging world offers better returns especially for development projects in the medium term. Developed markets, on the other hand, offer higher transparency albeit compressing the return prospects.

Our strategy for listed equity envisages diversified investments into various global markets with superior relative valuation and return prospects compared to benchmark, on risk adjusted basis. We continue to see prospects of emerging markets attractive in the long term despite short term structural issues. On the other hand, consistent improvement in economic data in the developed world increases confidence for taking exposure in selected regions with a cautious approach.

Our investment team, in search for return enhancement, keeps evaluating the ever changing economic dynamics of listed equity on continuous basis and portfolios are rebalanced accordingly in a well-disciplined manner as and when opportunities for entry or exist for different market arise.

FINANCIAL STATEMENTS AND INDEPENENT AUDITOR`S REPORT

HAYAT INVEST COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

CONTENTS

INDEPENDENT AUDITOR'S REPORT

THE SHAREHOLDERS
HAYAT INVEST COMPANY K.S.C. (CLOSED)
STATE OF KUWAIT

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Hayat Invest Company K.S.C. (Closed) ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted for use by the State of Kuwait.

Report on Other Legal and Regulatory Requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Companies Law No. 25 of 2012, as amended, and the Company's Articles and Memorandum of Association. In our opinion, proper books of account have been kept by the Company, an inventory count was carried out in accordance with recognised procedures and the accounting information given in the Board of Directors' report agrees with the books of account. We have not become aware of any contravention, during the year ended 31 December 2013, of the Companies Law No. 25 of 2012, as amended, or of the Company's Articles and Memorandum of Association, that might have had a material effect on the Group's activities or on its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations during the year ended 31 December 2013.

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

Kuwait: 1 June 2014

صافي عبدالعزيز المطوع
مرخص تحت رقم (١٣٨) فئة أ

THE SHARIA REPORT OF HAYAT INVESTMENT COMPANY

FATWA AND SHARIAH SUPERVISORY BOARD

FOR THE PERIOD FROM 01/01/2013 TO 31/12/2013

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 01/01/2013 to 31/12/2013. 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 01/01/2013 to 31/12/2013 and which have been reviewed by us, were in compliance with the provisions and principles of the Islamic Shariah.

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

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

Peace, mercy and blessings of Allah be upon you.

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

Dr. Essa Zaki Essa
Sharia Committee Member

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	2013 KD	2012 KD
Assets			
Cash and bank balances		699,746	2,248,269
Investments at fair value through profit or loss	*4*	846,884	8,548,215
Islamic finance receivables	*5*	5,307,612	4,993,213
Investment properties	*6*	7,914,851	7,466,818
Investment in equity-accounted investee	*7*	62,990,846	14,636,935
Other assets	*8*	6,542,200	168,379
Total assets		84,302,139	38,061,829
Liabilities			
Islamic finance payables	*9*	17,080,223	17,004,019
Other liabilities		2,157,948	712,421
Total liabilities		19,238,171	17,716,440
Equity			
Share capital	*10*	15,000,000	15,000,000
Statutory reserve	*10*	5,455,105	743,921
Voluntary reserve	*10*	5,455,105	743,921
Translation reserve		107,726	54,429
Retained earnings		39,046,032	3,803,118
Total equity		65,063,968	20,345,389
Total liabilities and equity		84,302,139	38,061,829

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

Dr. Nabeel A. Al-Mannae
Chairman

Yacob Y. Al-Muzaini
Vice Chairman

CONSOLIDATED STATEMENT OF PROFT OR LOSS AND OTHER COMPEREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 KD	2012 KD
Operating income			
Net investment income	*12*	518,058	1,505,330
Fee and commission income		78,961	132,901
Share of profit of equity-accounted investee	*7*	48,312,127	5,324,691
Other income		9,194	3,956
Total operating income		48,918,340	6,966,878
Operating expenses and other charges			
Staff costs		(835,265)	(712,973)
Depreciation and amortization		(24,647)	(42,420)
Finance cost		(678,342)	(624,993)
Other expenses	*13*	(265,073)	(258,928)
Total operating expenses and other charges		(1,803,327)	(1,639,314)
Operating profit before provision for impairment		47,115,013	5,327,564
Provision for impairment	*5*	(3,176)	(39,071)
Profit before Board of Directors' remuneration, contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS") and Zakat		47,111,837	5,288,493
Board of Directors remuneration		(50,000)	(25,000)
KFAS		(424,007)	(43,794)
Zakat		(472,548)	(54,435)
Net profit for the year		46,165,282	5,165,264
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		53,297	139,742
Other comprehensive income for the year		53,297	139,742
Total comprehensive income for the year		46,218,579	5,305,006
Basic and diluted earnings per share (fils)	*14*	307.77	34.44

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital	Statutory reserve	Voluntary reserve	Translation reserve	Retained earnings	Total
	KD	KD	KD	KD	KD	KD
Balance at 1 January 2012	15,000,000	253,128	253,128	(85,313)	(380,560)	15,040,383
Comprehensive income for the year						
Profit	-	-	-	-	5,165,264	5,165,264
Other comprehensive income:						
Items that are or may be reclassified subsequently to profit or loss:						
Foreign currency translation differences	-	-	-	139,742	-	139,742
Total other comprehensive income	-	-	-	139,742	-	139,742
Total comprehensive income for the year	-	-	-	139,742	5,165,264	5,305,006
Transfer to reserves	-	490,793	490,793	-	(981,586)	-
Balance at 31 December 2012	15,000,000	743,921	743,921	54,429	3,803,118	20,345,389
Balance at 1 January 2013	15,000,000	743,921	743,921	54,429	3,803,118	20,345,389
Comprehensive income for the year						
Profit	-	-	-	-	46,165,282	46,165,282
Other comprehensive income:						
Items that are or may be reclassified subsequently to profit or loss:						
Foreign currency translation differences	-	-	-	53,297	-	53,297
Total other comprehensive income	-	-	-	53,297	-	53,297
Total comprehensive income for the year	-	-	-	53,297	46,165,282	46,218,579
Transactions with the shareholders of the company: Distributions						
Dividend paid (Note 10)	-	-	-	-	(1,500,000)	(1,500,000)
Total transactions with shareholders of the Company	-	-	-	-	(1,500,000)	(1,500,000)
Transfer to reserves	-	4,711,184	4,711,184	-	(9,422,368)	-
Balance at 31 December 2013	15,000,000	5,455,105	5,455,105	107,726	39,046,032	65,063,968

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 KD	2012 KD
Cash flows from operating activities			
Profit		46,165,282	5,165,264
Adjustments for:			
Depreciation and amortization		24,647	42,420
Unrealized gain from investments at fair value through profit or loss	*12*	(60,954)	(790,142)
Share of profit of equity-accounted investee	*7*	(48,312,127)	(5,324,691)
Dividend income	*12*	(104,692)	(199,554)
Finance cost		678,342	624,993
General provision on Islamic finance receivables	*5*	3,176	39,071
Provision for employees' end of service indemnity		86,035	69,040
Provision for KFAS		424,007	43,794
Provision for Zakat		472,548	54,435
		(623,736)	(275,370)
Changes in:			
Investments at fair value through profit or loss		7,762,285	2,030,612
Other assets		(6,398,468)	(59,550)
Other liabilities		462,936	182,245
		1,203,017	1,877,937
Post-employment benefits paid		-	(1,458)
Net cash generated from operating activities		1,203,017	1,876,479
Cash flows from investing activities			
Islamic finance receivables	*5*	(393,221)	(3,907,102)
Repayment of Islamic finance receivables	*5*	75,646	-
Additions to investment properties	*6*	(436,520)	(420,945)
Dividends received		104,692	200,575
Net cash used in investing activities		(649,403)	(4,127,472)
Cash flows from financing activities			
Net Islamic finance payables		-	3,590,057
Finance cost paid		(602,137)	(642,751)
Dividend paid	*10*	(1,500,000)	-
Net cash (used in) / generated from financing activities		(2,102,137)	2,947,306
Net (decrease) / increase in cash and bank balances		(1,548,523)	696,313
Cash and bank balances at 1 January		2,248,269	1,551,956
Cash and bank balances at 31 December		699,746	2,248,269

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 Market Authority ("the CMA") in accordance with the executive by-laws of law No. 7 of 2010 pertaining to the establishment of the CMA and the regulation of securities activity and subsequent amendments.

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

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

The Company is primarily engaged in investment activities and carries its operations as per the articles and memorandum of association and guidelines of noble Islamic shari'a. The objectives of the Company are as follows:

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

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

Details of the Group entities and the jointly controlled entity as at 31 December 2013 are as follows:

Name of the Company	Country of incorporation	Ownership interest		Principal activities
		2013	2012	
Jointly controlled entity				
Hayat Real Estate Investment 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 2013 were authorized for issue by Board of Directors on 9 February 2014. The shareholders of the Company have the power to amend these consolidated financial statements at the annual general assembly meeting.

2- Basis of preparation

a) Basis of accounting

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

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

In addition, the Company complies with the relevant provisions of the Companies Law No. 25 of 2012, as amended, Ministerial Order No. 18 of 1990 and the Company's Articles and Memorandum of Association.

On 29 November 2012 through a decree, Companies Law No. 25 of 2012 ("the Law") was issued and later amended by Law No. 97 of 2013 dated 27 March 2013 ("the Decree"). The Law came into effect from the date it was published in Kuwait's Official Gazette. The Executive by-laws No. 425/2013 have been issued by the Ministry of Commerce and Industry on 29 September 2013 and was published in the Kuwait's Official Gazette on 6 October 2013. According to Article 3 of the resolution, the companies have one year from date of publishing the Executive by-laws to comply with the new amended Law. The Company's management is of the view that application of the provisions of the Law has no material impact on the Company's activities or on its consolidated financial position.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statement of financial position which are measured at fair value:

- investments at fair value through profit or loss; and
- investment property under construction

c) Functional and presentation currency

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

d) Changes in accounting policies

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- Disclosures— *Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)*
- IFRS 10 *Consolidated Financial Statements (2011)*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IFRS 13 *Fair Value Measurement*
- *Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)*

The nature and effects of the changes are explained below.

Offsetting of financial assets and financial liabilities

These amendments require an entity to disclose information about rights to set-off and related arrangements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation.* The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The application of the standard did not have any significant impact on the consolidated financial statements of the Group.

IFRS 10 Consolidated Financial Statements

The new standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. It introduces a single consolidation model that identifies control as the basis for consolidation for all types of entities, where control is based on whether an

investor has power over the investee, exposure/rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns. The application of the standard did not have any significant impact on the consolidated financial statements of the Group.

IFRS 11 Joint Arrangements

Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

- The Group's interest in a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Group's interest in those assets and liabilities.

- The Group's interest in a joint venture, which is an arrangement in which the parties have rights to the net assets, will be equity-accounted.

The application of the standard did not have any significant impact on the consolidated financial statements of the Group.

Disclosure of interests in other entities

As a result of IFRS 12, the Group has expanded its disclosures about its equity-accounted investees (Note 7).

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as 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. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Group has included additional disclosures in this regard (Note 16).

Presentation of Items of Other Comprehensive Income

As a result of the amendments to IAS 1, the Company has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that would be reclassified to profit or loss from those that would never be and has also changed the title of "Statement of comprehensive income" to "Statement of profit or loss and other comprehensive income".

The adoption of the amendment to IAS 1 has no impact on the recognized assets, liabilities and comprehensive income of the Group.

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 Groups 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 as loans and receivables. In making the judgment, the Group considers the primary purpose for which it is acquired and how it intends to manage and report performance.

Classification of properties

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

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 ending 31 December 2014 is included in the following notes:

Note 5, 6 – impairment test: key assumptions underlying recoverable amounts, including the recoverable amounts;

recognition and measurement of provisions: key assumptions about the likelihood and magnitude of an outflow of resources.

Measurement of fair values

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

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

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

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

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

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

Further information about the assumptions made in measuring fair values is included in Note 6 for the investment properties and Note 16 for financial instruments – fair values.

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.

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 investee

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

Investment in a joint venture are accounted for using the equity method and is recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, 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 cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

c) Investments at fair value through profit or loss

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

Subsequent to initial recognition, all investments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognized in the profit or loss.

d) Islamic finance receivables

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

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

e) Investment properties

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

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

f) Other assets

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

i) Intangible assets

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

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

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

ii) Property and equipment

Recognition and measurement

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

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

Depreciation

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

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

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

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

g) Islamic finance payables

i) Murabaha

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

ii) Wakala

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

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

h) Other liabilities

Other liabilities are stated at amortized cost.

i) Revenue recognition

Islamic finance income

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

Fees and commission income

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

Dividend income

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

j) Impairment

i) Financial assets

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

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.

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.

k) Foreign currency

Foreign currency translations

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the ex-

change 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. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign operations

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

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

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

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

l) Employees' benefits

Kuwaiti employees

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

Expatriate employees

Expatriate employees are entitled to an end of service indemnity payable under the Kuwait Labor Law and the Company's by-laws based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. Provision for this unfunded commitment represents a defined benefit plan.

m) Provisions

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

n) Fiduciary assets

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

o) Taxation

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

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

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

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

q) Zakat

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

r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

IAS 32 Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous.

These amendments are effective for annual periods beginning on or after 1 January 2014.

The management anticipates that the adoption of this standard will have no significant financial impact on the consolidated financial statements of the Group in the period of initial application.

IFRS 9 Financial Instruments (2013), IFRS 9 Financial Instruments (2010) and IFRS 9 Financial Instruments (2009) (together "IFRS 9")

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with the risk management. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalized. However, early application of IFRS is permitted. The Group does not plan to adopt this standard early.

Based on the initial assessment, the standard is not expected to have a material impact on the Group.

4- Investments at fair value through profit or loss

	2013	2012
	KD	KD
Equity securities	-	7,027,105
Mutual funds	846,884	1,521,110
	846,884	8,548,215

5- Islamic finance receivables

	2013	2012
	KD	KD
Balance at 1 January (before general provision)	5,043,649	1,136,547
Additions	393,221	3,907,102
Repayments	(75,646)	-
	5,361,224	5,043,649
General provision	(53,612)	(50,436)
Balance at 31 December	5,307,612	4,993,213

A movement in the provision for impairment is as follows:

	2013	2012
	KD	KD
Balance at 1 January	50,436	11,365
Provision for impairment	3,176	39,071
Balance at 31 December	53,612	50,436

The effective yield from wakala receivables is 7.5% (2012: 7.5%) per annum. This includes wakala receivable due from a related party as disclosed in Note 11.

The maturity of the Group's wakala receivables and risk analysis is disclosed in Note 17.

6- Investment properties

	2013	2012
	KD	KD
Balance at 1 January	7,466,818	6,995,327
Capitalized construction costs	436,520	420,945
Foreign exchange gain	11,513	50,546
Carrying amount at 31 December	7,914,851	7,466,818

The fair value of investment property is determined based on the lower of two valuations performed as at 31 December 2013 by accredited independent valuators who are the industry specialists in valuing this type of investment property.

The fair value measurement for investment property of KD 7,914,851 (2012: KD 7,466,818) has been catagorised under Level 2 based on the inputs to the valuation technique used.

7- Investment in equity-accounted investee

Joint venture

Hayat Real Estate Investment Company L.L.C. is the only joint arrangement in which the Group participates. It is principally engaged in real estate activities.

Hayat Real Estate Investment Company L.L.C is structured as a separate entity and the Group has 50% ownership in this Company. Accordingly, the Group has classified its interest in Hayat Real Estate Investment Company L.L.C. as a joint venture. In accordance with the agreement under which Hayat Real Estate Investment Company L.L.C. is 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. 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.

	2013	2012
	KD	KD
Non-current assets	169,338,231	71,390,804
Current assets (including cash and cash equivalents)	28,248,296	10,802,924
Non-current liabilities (including non-current financial liabilities excluding trade and other payables and provisions)	(36,837,929)	(41,787,809)
Current liabilities (including current financial liabilities excluding trade and other payables and provisions)	(34,766,906)	(11,132,049)
Net assets (100%)	125,981,692	29,273,870
Groups share of net assets (50%)	62,990,846	14,636,935
Carrying amount of interest in joint venture	62,990,846	14,636,935
Revenue	97,054,621	10,928,439
Operating expenses	(430,367)	(279,057)
Profit (100%)	96,624,254	10,649,382
Profit (50%)	48,312,127	5,324,691
Group's share of profit	48,312,127	5,324,691

8- Other assets

	2013	2012
	KD	KD
Advance for investment	6,415,053	-
Prepayments	78,565	79,103
Receivables	39,002	52,735
Property and equipment	5,268	19,258
Intangible assets	1,482	6,590
Others	2,830	10,693
	6,542,200	168,379

Advance for investment represents contribution by the Company towards increase in the share capital of the jointly controlled entity. This contribution will be included in the carrying value of the jointly controlled entity once the relevant regulatory approvals have been obtained.

9- Islamic finance payables

	2013 KD	2012 KD
Murabaha	15,072,774	14,992,540
Wakala	2,007,449	2,011,479
	17,080,223	17,004,019

The maturity of Islamic finance payables is disclosed in Note 17.

The effective profit rate on Islamic finance payables ranges from 2.87% to 5.53% (2012: 3.43% to 6%) per annum.

10- Equity

Share capital

The Company's authorized, issued and fully paid up share capital amounts to KD 15,000,000 (2012: KD 15,000,000) comprising of 150,000,000 (2012: 150,000,000) shares of 100 fils each.

Statutory reserve

In accordance with the Companies Law No. 25 of 2012, as amended, and the Company's Articles of Association, 10% of profit for the year, before contribution to KFAS and Directors' remuneration, is transferred to a statutory reserve until the reserve totals 50% of the paid up share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

Voluntary reserve

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

Dividend

At the Annual General Assembly meeting held on 5 May 2013, the shareholders of the Company approved dividends of 10 fils per share which amounts to KD 1,500,000.

Proposed dividend

The board of directors of the parent company has proposed as cash dividend of 20 fils per share amounting to KD 3,000,000. The proposed dividend is subject to the approval of the share holders of the parent company's Annual General Assembly.

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 with related parties were as follows:

	2013	2012
	KD	KD
Balances with shareholders		
Bank balances	515,465	210,822
Balances with jointly controlled entity		
Wakala receivables	3,103,137	2,948,269
Balances for key management personnel		
Payables and other liabilities	451,088	350,684

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 299,000 (2012: KD 288,000).

12- Net investment income

	2013	2012
	KD	KD
Realized gain on investments at fair value through profit or loss	5,571	366,165
Unrealized gain on investments at fair value through profit or loss	60,954	790,142
Profit from Islamic finance receivables	381,357	140,643
Dividend income	104,692	199,554
Foreign exchange (loss) / gain	(34,516)	8,826
	518,058	1,505,330

13- Other expenses

	2013 KD	2012 KD
Rent	50,664	50,664
Professional fees	54,224	46,130
Travel expenses	29,339	26,510
Fees and subscription	32,484	21,946
Direct investment cost	40,495	59,302
Others	57,867	54,376
	265,073	258,928

14- Basic and diluted earnings per share (fils)

	2013	2012
Profit for the year (KD)	46,165,282	5,165,264
Weighted average number of shares outstanding during the year	150,000,000	150,000,000
Basic and diluted earnings per share (fils)	307.77	34.44

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 5,667,975 (2012: KD 5,579,449).

16- Financial instruments – Fair values and risk management

Accounting classification and fair values

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

		Carrying amount			Fair value				
31 December 2013	**Note**	**Investment at fair value through profit and loss**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
		KD	**KD**	**KD**	**KD**	**KD**	**KD**	**KD**	**KD**
Financial assets measured at fair value									
Investments at fair value through profit and loss	*4*	846,884	-	-	846,884	-	846,884	-	846,884
		846,884	-	-	846,884	-	846,884	-	846,884
Financial assets not measured at fair value									
Balances with banks		-	699,246	-	699,246	-	-	-	-
Islamic finance receivables	*5*	-	5,307,612	-	5,307,612	-	-	-	-
		-	6,006,858	-	6,006,858	-	-	-	-
Financial liabilities not measured at fair value									
Islamic finance payable	*9*	-	-	17,080,223	17,080,223	-	-	-	-
		-	-	17,080,223	17,080,223	-	-	-	-

		Carrying amount			Fair value				
31 December 2012	**Note**	**Investment at fair value through profit and loss**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
		KD	KD	KD	KD	KD	KD	KD	KD
Financial assets measured at fair value									
Investments at fair value through profit and loss	*4*	8,548,215	-	-	8,548,215	7,027,105	1,521,110	-	8,548,215
		8,548,215	-	-	8,548,215	7,027,105	1,521,110	-	8,548,215
Financial assets not measured at fair value									
Balances with banks		-	2,247,769	-	2,247,769	-	-	-	-
Islamic finance receivables	*5*	-	4,993,213	-	4,993,213	-	-	-	-
		-	7,240,982	-	7,240,982	-	-	-	-
Financial liabilities not measured at fair value									
Islamic finance payable	*9*	-	-	17,004,019	17,004,019	-	-	-	-
		-	-	17,004,019	17,004,019	-	-	-	-

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

There were no transfers from Level 1 to Level 2 in 2013.

17- Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

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

Credit risk

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

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

Exposure to credit risk

The carrying amount of financial assets as at 31 December 2013 represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2013 KD	2012 KD
Balances with banks	699,246	2,247,769
Islamic finance receivables	5,307,612	4,993,213
	6,006,858	7,240,982

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:

2013	Balances with banks	Islamic finance receivables	Total
	KD	KD	KD
Carrying amounts	699,246	5,307,612	6,006,858
Concentration by sector			
Government	5,000	-	5,000
Banks	694,246	-	694,246
Real estate	-	5,307,612	5,307,612
	699,246	5,307,612	6,006,858
Concentration by location			
GCC	691,793	5,307,612	5,999,405
Europe	7,453	-	7,453
	699,246	5,307,612	6,006,858

2012	Balances with banks	Islamic finance receivables	Total
	KD	KD	KD
Carrying amounts	2,247,769	4,993,213	7,240,982
Concentration by sector			
Government	5,000	-	5,000
Banks	2,242,769	-	2,242,769
Real estate	-	4,993,213	4,993,213
	2,247,769	4,993,213	7,240,982
Concentration by location			
GCC	229,188	4,993,213	5,222,401
Europe	2,018,581	-	2,018,581
	2,247,769	4,993,213	7,240,982

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.

Market risk

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

Equity price risk

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

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

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

	31 December 2013	
Market indices	**Changes in equity price**	**Effect on profit or loss**
	%	**KD**
India Stock Exchange	5	42,344

	31 December 2012	
Market indices	**Changes in equity price**	**Effect on profit or loss**
	%	**KD**
Stock Exchange of Thailand	5	19,848
Hong Kong Stock Exchange	5	57,887
Riyadh Stock Exchange	5	114,530
London Stock Exchange	5	33,945
South Korea Stock Exchange	5	65,405
New York Stock Exchange	5	21,119
Stock Exchange of Indonesia	5	12,762
Philippines Stock Exchange	5	1,286
Singapore Exchange	5	12,067
Bursa Malaysia	5	12,506
India Stock Exchange	5	76,056

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

Profit rate risk

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

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

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

Currency risk

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

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

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

Exposure to currency risk

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

		Change in currency rate in %	**Effect on profit or loss**
	KD		**KD**
2013			
US$	(8,467,206)	10	(846,721)
SAR	5,440,011	10	544,001

		Change in currency rate in %	**Effect on profit or loss**
	KD		**KD**
2012			
US$	(5,767,208)	10	(576,721)
SAR	5,270,120	10	527,012
SGD	242,936	10	24,294
HK$	1,157,741	10	115,774
IDR	255,240	10	25,524
MYR	250,508	10	25,051
THB	397,293	10	39,729
GBP	681,961	10	68,196
KRW	1,308,100	10	130,810

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.

18- 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. 25 of 2012, as amended.

19- Capital commitments

During the year, the Group entered into contracts related to investment property under construction amounted to KD 184 thousand (2012: KD 355 thousand).

In respect of its interest in joint venture, the Group' share of capital commitment is amounted to KD 3,088 thousand (2012: KD 2,208 thousand).