Risk Guided Return

HAYAT INVEST

ANNUAL REPORT 2014

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Exposure by geography of investments in 2014

REAL ESTATE INVESTEMENTS

- KSA
- Lebanon
- India

Financial Hihglights

NET PROFIT

7.521
Million KD

TOTAL EQUITY

72.028
Million KD

TOTAL OPERATING INCOME

9.666
Million KD

EARNING/LOSS PER SHARE

50.14
Fils

TOTAL ASSETS

93.780
Million KD

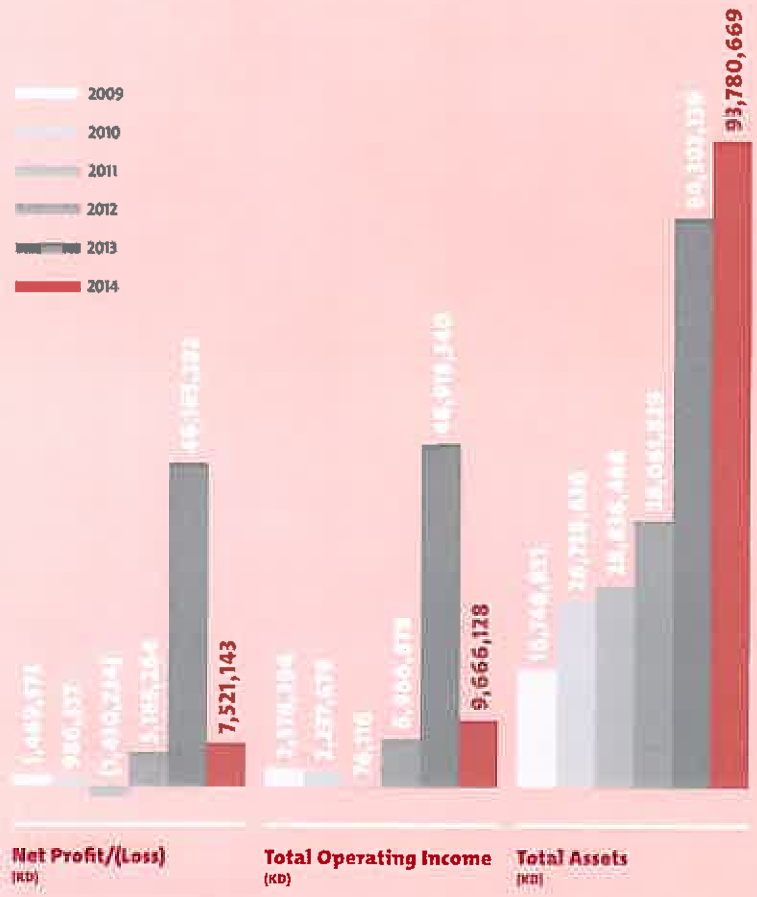
RETURN ON EQUITY

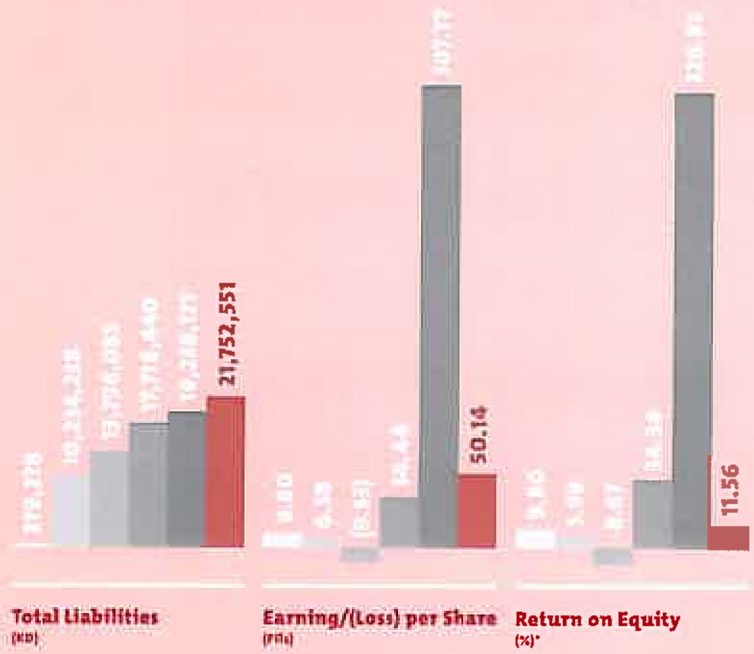
11.56
Percent (%)

TOTAL LIABILITIES

21.752
Million KD

Financial Hihglights





* Equity calculated at the beginning of the year

Board of Directors

Dr. Nabeel Ahmed Al Mannae
Chairman & CEO

Mr. Yacob Yousef Al Muzaini
Vice Chairman & CEO

Mr. Ahmad Khaled Al Khudhur
Board Member

Mr. Abdullah Abdul Hameed Al Marzouq
Board Member

Mr. Adnan Abdullah Al Olayan
Board Member

Executive Management

Dr. Nabeel Ahmed Al Mannae
CEO

Mr. Yacob Yousef Al Muzaini
CEO

Mr. Aftab Alam
Chief Investment Officer

External Audior's

KPMG Safi Al Mutawa & Partners

Shari'a Supervisory Board

Dr. Abdulaziz Al Qassar
Chairman

Dr. Eesa Zaki
Member

Dr. Ali Al Rashed
Member

Chairman's Statement

Dear Shareholders,

It gives me great pleasure on behalf of the Board of Directors to welcome you at the Annual Meeting your Ordinary General Assembly. I wish to present you with the annual report for the fiscal year ended on December 31st, 2014. It includes the report of the Shari'a Supervisory Board, the report of Independent Auditors, the consolidated financial statements of Hayat Invest Group, in addition to a review of the most significant developments in the global, regional and local economy.

The Year 2014 witnessed remarkable challenges for global investors. Various issues including steep decline in oil prices, geopolitical tension in Middle East, Russia's confrontation with west and economic woes in Europe and Japan kept the investors uncomfortable at different point of times during the year. On the whole, the developed markets performed better than emerging markets - MSCI world Index recording a gain of 5.64% as compared to MSCI Emerging Market Index ending in loss of 2.11%.

For Hayat, the year 2014 was a period of transition as all our efforts remained focused on expediting the projects in Saudi Arabia with a view to achieve early completion / exit and diversify away from concentrated investment. To this end, certain concrete steps were taken during the preceding year, notably completion of Al-Nakhla project in Riyadh that enabled us to start renting the compound. The first set of tenants moved in during November 2014. It was a major milestone as we now foresee a stable cash flow stream going forward. As envisaged under marketing plan, Al Nakhla is expected to have high occupancy rate towards the end of 2H215. The rental cash flow stream will enable us to bring diversification in our investments. Hayat Luxury Villas in Jeddah has also made significant progress. The construction of housing units is nearly complete and we are ready for handing over units to the buyers.

In Lebanon, the construction activities on Baabda project (the development of a premium multifamily residential apartment) are now complete and the project is ready on shell & core basis.

Like in the previous year, we could not take meaningful exposure in listed equity in 2014 as well. However, we now see ourselves well positioned in near future to re-enter this asset class after partial or full exit from the real estate projects.

In 2014, we made gains of KWD 9.6 million in our composite portfolio. Considering that our current investment portfolio is tilted towards few real estate investments, bulk of this gain came equally from revaluation of Al-Nakhla project in Riyadh and realization of profit from sale of commercial property adjacent to Al Nakhla Project. The net profit of the company for the year 2014 came to KD 7.521 Million - the key source of this profit being our share of realized and unrelaized profit in our associate company Hayat Real Estate Investment Co, Saudi Arabia.

For 2015, with our real estate projects ready to be sold off/ rented 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 and enhance liquidity in our composite portfolio. Our investment strategy also incorporates redeployment of rental receipts along with sale proceeds from the projects in Saudi Arabia into various other asset classes and geographies. Special focus will be on diluting the regional asset concentration of our existing portfolio. Our dedicated investment team will continue to explore deal and structures in these asset classes to add value to our shareholders.

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

Dr. Nabeel. A. Al Mannae
Chairman & CEO

Management Report

Year 2014 brought new set of economic and geopolitical challenges for various regions of the world. Sudden and steep decline in oil prices, growing geopolitical tension in the Middle East and Russia's confrontation with west were among the chief events that escalated market volatility at various times during the last year. Overall, 2014 marked another good year for developed markets with MSCI World Index return of 5.64% compared to negative return of 2.11% for MSCI Emerging Market Index. US took the lead in developed world on the back of sustainable economic recovery. Overall performance in Europe also remained positive despite region's continued struggle for growth. The performance in emerging markets, on the other hand, remained subdued amid continuation of issues like Fed tapering, high inflation, China slowdown and structural issues in specific cases. However, wide divergence was seen within the performance of various emerging markets. China and India remained on top amid attractive valuations and clarity on political front. On the other hand, commodity producers Brazil and Russia were among the worst performers amid decline in commodity prices and economic sanctions. Currencies of various emerging markets also witnessed decline against USD amid lower commodity prices along with funds flow to developed markets.

Business and Economic Environment in 2014

Macro-Economic Situation - Kuwait

The economic environment in 2014, especially the 2nd half of the year, changed the economic landscape for the GCC region including Kuwait. In addition to growing geopolitical situation in the region, crude oil prices declined by close to 50% in 2014 confronting the region with a challenge to maintain budget surpluses as experienced during the previous years. As per Kuwait Central Statistical Bureau estimates, Kuwait registered GDP growth rate of 1.5% in 2013. A growth rate of 1.3% is expected in 2014.

For the economy of Kuwait, the near term risks remain subdued on the back of strong financial position as witnessed from the level of foreign assets held in sovereign wealth fund, which stands over $500 billion, or 310% of GDP. In the medium to long term, the challenges are more serious, as government spending for growth threatens to impact the state's fiscal space. The government is already looking at measures to boost non-oil revenues and limit spending growth in the coming years. To this end, initial spending proposal for FY15/16 is 5.6% lower than the prior year's budget at KD 21.9 billion. The government has also proposed a number of subsidy cuts that could save the budget around KD 1 billion.

On the fiscal front, the available data as of January 2015 shows total revenues at KD 22.4 billion, down by 16% y/y driven by decline in both oil and non-oil revenues. Oil revenues fell by 17.3% y/y in January on the back of declines in Kuwait's crude price and oil production. Kuwait export crude (KEC) price averaged $88 per barrel in the ten months to January, 14% lower compared to the same period last. On the spending side, the data as of January depicts total spending at KD 11.9 billion, 52% of the FY14/15 budget, resulting in interim budget surplus of KD 10.5 billion, comparatively lower than the preceding year amid higher spending and lower revenues. For the full fiscal year ending in March 2015, a smaller surplus of around KD 4.1 billion (8.7% of GDP) is expected.

On inflation front, data as of December 2015 shows that CPI index eased slightly to 3% y/y from 3.1% y/y in November. Food inflation declined to 2.6% y/y in December from 3.3% y/y in November in line with lower international food inflation. A stronger dinar is also expected to help keep domestic inflation under control. Going forward, inflationary pressures appear to be modest and the inflation for the full year is expected to be around 3.0%. 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, data as of December 2014 showed that credit facilities offered by local banks to residents grew by 6.2% (YoY), as compared to the last year growth rate of 7.8% over the same time. Most of the weakness in growth came from credit to investment companies, loans for the purchase of securities and credit to the real estate sector. Credit to investment companies declined by 12.4% y/y. As a result, the share of loans to non-bank financial sector has declined to 4.6% of total credit which is the lowest level in over 20 years. This compares to a pre-2009 high of 13%. On the other hand, household debt i.e. personal facilities grew by 10.5%. Banking sector deposits registered a growth rate of 4.6% reaching to a level of 39.43 billion.

In the real estate sector, the total sales up to the month of December 2014 amounted to KD 4.277 billion registering a growth of 15.4% 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 3.4%, 27.5% and 26.4% respectively. However, in terms of volume of transaction, the residential sector remained at top with total of 5,806 transactions though it is down 8.2% over the same period last year. The investment sector saw total transactions of 1,718, down by 2.6% over the same period last year. The commercial remained at the bottom with total of 100 transactions registered down by over 43.8% over the same period last year.

Management Report

Global Market Performance
Kuwait Stock Exchange

Year 2014 was a tough year for GCC equities in general and Kuwaiti equities in particular. Though the UAE, Qatar and Bahrain equities delivered positive return for the year, the pain for the region accelerated during the last quarter amid sudden and steep decline in oil prices. The value weighted index declined by 3.1% for the year. Small caps took a harder hit as evident in the performance of the price-index that registered negative 13.4% growth in 2014. Other GCC countries posting negative returns were Saudi Arabia and Oman. Qatar topped the list with yearly return of 18.4% followed by Dubai and Abu Dhabi with return of 12% and 5.6%. The market's capitalization declined by more than KD 250 million to close the year at KD 29.5 billion. Volumes were also lower in 2014 compared to the year before. The value of traded shares recorded a daily average of KD 29 million in 2014, down 44% from 2013's average. The sectoral analysis shows that the consumer goods and insurance sectors were the best performers, both up by 11.3% in 2014. Meanwhile, telecommunication stocks saw the weakest performance, down by 17.7% y/y. The banking sector closed the year up 0.8%.

United States

US equities delivered another year of double digit return i.e. 11.7% though the performance was not a match to the previous year return of 30% amid high valuations, expectations of Fed rate hike along with various economic and geopolitical concerns on the global front. Investors started the year on a defensive note amid concerns about the economic outlook and uncertainty about the path of interest rates. On the geopolitical front, Russia's meddling in Ukraine and annexation of Crimea also added to investor's concerns capping the first quarter return to a mere 1.3%. Surprisingly, the 2nd quarter was marked by extremely low equity market volatility, despite the uneven economic performance, tensions between Ukraine and Russia, flare-ups of violence in Iraq and other parts of the Middle East, and the ongoing reduction in asset purchases by the Fed. Investors shrugged the news on disappointing 1st quarter growth, where GDP contracted by an annualized 2.9%, in favor of encouraging data on account of low unemployment rate of 6.3% along with rise in consumer confidence. The market delivered a strong quarterly return of 4.7% during the 2nd quarter.

The 2nd half of 2014 witnessed many negative news both on geopolitical and economic front. Data from Europe, Japan and China pointed to faltering economic growth. Other issues that remained in the lime light were tumultuous situation in the Middle East along with outbreak of the Ebola virus in Africa and beyond keeping the investors in risk off mode. However, on the positive side, the US economic recovery positively surprised with second-quarter GDP annualized growth revised upward to 4.6% while forward-looking consumer and manufacturing surveys continued to show confidence in US recovery. Global equities delivered negative returns in US dollar terms during the 3rd quarter while US equities remained in positive territory though the quarterly return was a meager 0.6%. The last quarter proved to be quite volatile for the global economy though the developed world equities delivered positive return while the emerging markets could not sustain negative shocks. Various events ranging from IMF revised downward forecast for global economic growth, more than fifty percent decline in oil prices, Fed winding up its quantitative easing program and depreciation of various emerging market currencies against USD kept the equity markets in volatile mode. US equities recorded strong gains in the period as the domestic economy continued to perform well amid hopes that a lower oil price would sustain momentum in the consumer-led recovery. The final quarter of the year posted the return of 4.4% finishing the year with a double digit return of 11.7% for the year.

Europe

Unlike US equities, the performance of European equities remained subdued though the return was in the positive zone with Stoxx Europe 600 posting a gain of 4.4% for the year. However, a wide divergence remained at the country level. Countries like Denmark, Ireland, Belgium and Sweden offered double digit return of 20.9%, 15%, 12.4% and 10%. Return in Switzerland, Finland and Netherlands remained in high single digit. On the other hand, bourses in Greece, Portugal, Austria and Spain were the worst performer with yearly return of negative 28.9%, 26.8%, 13.5% and 11%.

The region started the year on positive note as the data showed that economic growth picked up in the Eurozone at the end of 2013, with a GDP growth rate of 0.3% for the fourth quarter compared to 0.1% in the third quarter. Simultaneously, ECB kept the monetary policy unchanged to accommodate growth. The positive momentum of the 1st quarter continued to prevail in the 2nd quarter as well primarily on the back of steps taken by ECB to further accelerate growth. Notable actions from ECB were cutting its benchmark interest rate to 0.15% from 0.25% and introducing a negative deposit rates. ECB president Mario Draghi added that further stimulus could be considered if inflation were to remain at current low levels of just 0.5%. The second half of 2014, however, proved to be difficult for the region as economic data came weaker than expected despite various policy measures taken earlier. GDP stagnated in the second quarter following 0.2% growth in the first quarter, with Italy slipping into a triple-dip recession. Leading indicators such as purchasing managers' indices (PMI) deteriorated to a nine-month low of 52.3. Inflation remained below target with a preliminary reading of just 0.3% for September. Worries over the volatile situation in Ukraine and the potential impact of sanctions on Russia also weighed on Eurozone equities. Amid deteriorating economic situation, ECB in September took additional measures by cutting interest rates to 0.05%, reducing the deposit rate to -0.2%, and announcing a program to buy asset backed securities. The economic situation continued to deteriorate as seen from the 3rd quarter growth rate of just 0.1% and inflation remaining low at only 0.3% in November leading to the almost flat market performance in the final quarter.

Emerging Markets

Like in 2013, the performance of emerging markets remained subdued. The MSCI Emerging Market index delivered return of merely 2.1%. Moreover, emerging markets showed a wide divergence in performance. India and China were among the best performing markets, both for different reasons while the commodity producer countries e.g. Brazil and Russia were among the worst performers. In addition, the currencies of these commodity producing countries, like in 2013, continued to depreciate in 2014 as well amid Fed tapering that completed its quantitative easing program in October.

Major changes and events in the political front also contributed towards the performance of many regional idiosyncrasies. New governments in India and Indonesia were elected on pro-growth/pro-reform agendas. In Brazil, investors who had expected that a new government coming to power would bolster growth were disappointed when the incumbent government narrowly won the election. Russia's annexation of Crimea in Ukraine and fears of deflation primarily in the Eurozone contributed to uncertainty in emerging markets in the first half of the year. Another significant event during the 2nd half of 2014 was sudden decline in oil prices from a level of $100 in June to roughly $55 by year end amid increased supply stemming primarily from the US Shale boom and reduced demand from slowing growth in Europe, Japan and China. Most emerging markets are net oil importers and stand to gain from lower oil prices. The overall effect is similar to a tax cut, boosting private consumption and economic activity in general. However, net oil exporters, especially those with a high reliance on oil for fiscal revenues and foreign currency earnings were the most vulnerable. Among these countries, the most vulnerable were Venezuela, Iran and certain African producers. The Saudi Arabian benchmark lost roughly 25% in the third quarter of the year.

Management Report

China continued with its strategy to rebalance its economy away from excessive exports and towards domestic consumption and services. Official GDP growth figures indicate that the economy is experiencing a soft landing. The PBoC's own view is that GDP will grow at 7.4% in 2014 and moderate to 7.1% in 2015. However, there is also some evidence that a sharper slowdown is occurring. Trade figures have disappointed for most of the year and prices of certain commodities such as iron ore, coal and copper (for which China remains an important buyer) have halved. Chinese equities outperformed all other emerging markets but this was restricted to the mainland exchanges which are partly closed to foreigners. The Shanghai benchmark returned in excess of 45% in USD terms for the year while Hong Kong's benchmark index (open to foreign investors) returned roughly 5%. Among the major factors that contributed positively toward better performance in Shanghai market were a surprise cut in China's benchmark interest rate in November along with re-entry of retail Chinese investors into the stock market amid cheap valuations.

The Indian market also performed impressively with Nifty benchmark performance of roughly 30% in USD terms for the year. Many positive developments contributed towards this performance including much-anticipated win of the pro-growth leader Narendra Modi in May. Robust corporate earnings, a drastic decline in inflation helped by the large decline in global oil prices and a stable currency despite the ascent of the US Dollar were positives for the country. India stood as the second best performing emerging market for the year in USD terms.

On the other hand, Brazil & Russia remained at the bottom with market return of negative 13.4% & 42.12% in USD terms. Russia was badly affected by declining oil prices and international sanctions over the Ukraine crises. The Ruble lost over 40% of its value during the year.

Currency Dynamics

USD strengthened against all major currencies on the back of better outlook of US economy along with Fed signaling of robust growth prospects. The Fed has gradually wound down its assets purchases and is looking for raising benchmark rates. Given this expectation, further strengthening of USD is expected. In contract, EUR & JPY slid against USD. Japan is p a deliberate JPY weakling policy. The stimulus, aimed to support ailing economy is causing JPY to decline in tandem. Eurozone is struggling for growth and need bigger monetary & fiscal stimulus. Hence, EUR is expected to remain weak in the near future. Many emerging market currencies have depreciated against USD. Current soft patch in commodity prices has triggered fall in those currencies against USD.

Commodities

Prices of all major commodities are in declining trend. Gold entered the third year of negative returns. Primary reasons for the recent declines in the prices of commodities are Fed exiting from its monetary stimulus program (known as QE3), appreciation of USD against other major currencies (the dollar strength is negative for commodities, which are priced in USD) along with softening demand due to lagging growth in industrial economies i.e. Supply side. Going forward, the outlook for gold continues to be weak amid low inflation expectations. Industrial commodities are also lagging due to non-availability of immediate support from demand side. Agriculture commodities are embroiled with weak demand & relatively better supply. Demand from alternative energy sources has receded in response to decline in oil prices (soybean, corn& sugar cane). Slowdown in Chinese export led growth & deliberate efforts to rebalance growth of China by its government are negative signals for industrial commodities.

Global Real Estate

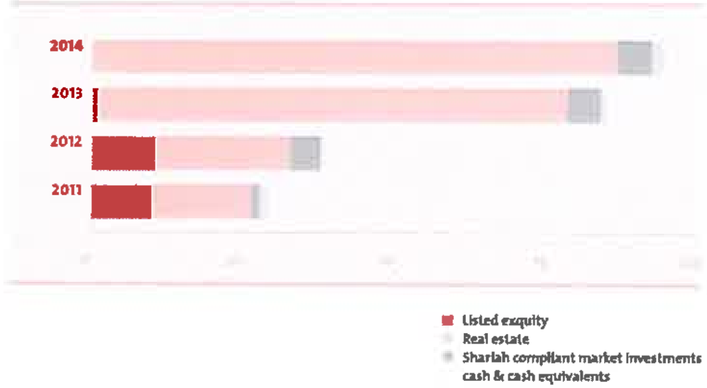
The preceding year has been an important year for real estate investors in many aspects. Value of the global real estate transactions is estimated to have been grown by 15% in 2014. The growth forecast for 2015 is in rage of 10-15%. Estimated volume of global real estate transactions for 2014 is USD 700 billion. This signifies that the level of demand is high for direct real estate globally. Supply side was better with new deliveries growing by 25% in 2014. Vacancy rates are falling across globally. This favorable scenario is helpful in investment sentiment. As a result, corporate headcount & capital expenditure is growing which propelled the demand for office & commercial real estate in 2014.

In the global commercial real estate (office) market, leasing volumes has not shown growth & remain close to level seen in 2013. However, net absorption has gained 30% over 2013 figures. Rental price growth is accelerating from current 3% to 4-5%. In terms of global cities, Tokyo & Beijing remains on top (10-20% projected growth in prices). Key US cities, Sydney, London & Dubai are in next line of growth map (5-10% projected growth in prices).

Institutional investor interest is growing in Europe residential segment while interest in residential (apartments segment) in the UK & the US has shown sign of high demand. Global demand is on recovery with expansion from emerging markets while market activity level in the developed markets has seen improvements.

Outlook for 2015

2015 is likely to be a challenging year for global investors. Divergent economic growth conditions in different regions will bring different policy response and volatility in financial assets. Economic growth both in US and UK is well on track raising the expectations of policy tightening. Improvement in labor markets and supportive oil prices will further strengthen the case of hike in interest rates sooner than expected. Equity markets in US, on the back of improved fundamentals, are already trading at record levels. Caution will be the key as further upside must be supported with strong fundamentals. On the other hand, other regions in the developed world particularly Europe and Japan are still struggling to avoid recession. Any surprise negative news or lack of adequate policy response might bring high volatility back in action and affect all markets badly. On the other hand, low oil prices should be a counterbalancing factor as it is a boosting factor for major economies and overall global growth.



Management Report

Like in the developed world, divergence in emerging markets is also more evident. Some key emerging markets e.g. China and India are the clear winner of low oil prices and this factor should help in accelerating growth. On the other hand, key commodity producers e.g. Brazil, Indonesia and Russia are in a difficult situation to manage their finances. Currency depreciation will add further fuel to the fire. Key downside risk to emerging market envisages risk of China slow down amid rebalancing of growth mix along with delay in implementing reforms in various emerging markets. Nonetheless, economic fundamentals and equity valuations are still cheap in emerging markets compared to the developed markets. 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.

Hayat in 2014

Our efforts in 2014 remained focused to achieve our strategic objectives already set last year i.e. to achieve diversification in our proprietary portfolio both in terms of asset class as well as geography of investment. Considering the lumpy nature of our real estate projects in Saudi Arabia, our attention in 2014 was focused on expediting the projects with a view to achieve early completion / exit and diversify away from concentrated investment. To this end, certain meaningful steps were taken during the preceding year, notably, completion of Al-Nakhla project in Riyadh that enabled us to offer the compound for renting. The first set of tenants moved in during November 2014. It was a major achievement as we now foresee a stable cash flow stream going forward. We anticipate achieving full occupancy during 2015. This rental cash flow stream will enable us to bring diversification in our investments. Our investment strategy for 2015 incorporates these cash flows & its re-deployment in to various other asset classes and geographies. Special focus will be on rectifying the regional asset concentration of our existing portfolio.

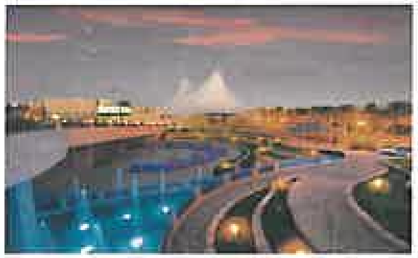
In 2014, our proprietary book investment portfolio reached KD 93.8 million. Real estate assets & Shariah compliant money market investment represented 91.4% & 6.0% of the composite portfolio respectively.

Real Estate Sector: Status of the Existing Projects

Our real estate projects in Saudi Arabia through our associate company Hayat Real Estate Investment Company LLC made significant progress during the year 2014. Al-Nakhla residential compound in Riyadh achieved a significant milestone in 2014. First set of tenants representing renewed institutions in Saudi Arabia (Strukton, Volkswagen Group, Novartis) have already moved in since November last year while a significant number of new contracts are being finalized. Construction work reached near finalization & furnishing of south wing is fully completed. Hayat Luxury Villas in Jeddah has also made significant progress albeit at a pace lower than anticipated.

The construction & finishing activities of residential building in Baabda, Lebanon also continued. The pace of construction had been deliberately kept slow due to uncertain political situation in Lebanon. The building has reached its completion stage on shell & core basis. Lebanon real estate market is less favorable owing to political uncertainty; hence exiting from our commercial land in Ashrafieah is viewed as most desirable outcome at this moment.

Apart from our above mentioned existing projects, we also took a minority stake in a Mauritian company in 2014, which has invested in a real estate project in India.



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 259,797 square meters, however, the buildings covers a relatively small portion of the land with bulk 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 have 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.

Al Nakhla compound appointed Al-Idara Real Estate: a leading real estate marketing agent in Saudi Arabia for marketing the compound. A fully pledge marketing campaign has been started. Successful negotiation with many multinational leading companies operating is underway. The marketing strategy of the compound has been developed with an objective to rent the compound to multinational companies operating in Saudi Arabia with medium to long term lease contracts. **The lease contract signed** with Siemens Company, for example, **is of 3 years.**

As envisaged by the marketing plan, Al Nakhla compound expect occupancy level to reach 90% by end of 2H2015. The southern wing of the compound is fully completed & furnished. Construction of northern wing is also completed and the final furnishing activities are going on. **The total cost of** the project's construction and furniture is expected to reach SAR 936 million.

During the year Hayat Real Estate Investment (Saudi Arabia) also completed the sale of commercial land, which occupied nearly 20% of the total land amounting to SAR 415 Million. We made gain of KD 5.10 Million out of this transaction.

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 construction of housing units is nearly completed & we are ready for handing over to buyers. In order to complete the sales, title deed of the land, which is a single deed for the entire land, **needs to be split assigning separate title deeds for each villa. The process of splitting the title deed has started and it is estimated that the new title for each villa shall be available in 1H2015.** Total project cost inclusive of land acquisition & construction is estimated **to** reach SAR 207.5 million.

DEVELOPMENTS IN LEBANON

A multifamily residential apartment **building in Baabda** municipality, **Lebanon is** ready on **shell & core basis.** The business environment in **Lebanon is shaky due to** ongoing uncertainty in the region.

Listed Equity

As against our core strategy and desire to achieve diversification, our investments in **2014 continued to remain skewed** towards **real estate projects. However,** considering **that we have** already **started renting of Al – Nakhla Residential Compound in** Riyadh and anticipate successful selling of Villas in **Jeddah, we foresee a stable stream of cash** flows in **near future.** This will **help** us developing **a balanced and diversified portfolio with appropriate combination of different assets classes.**

Return on Investments

We made gains of KWD 9.6 million in our composite portfolio **in 2014 as compared to gains of KWD** 48.9 million last year. Our investments are concentrated in lumpy real estate projects and bulk of this **gain** is generated **from the revaluation of Al-Nakhla** project in Riyadh **and** realization **of profit from** sale of commercial property adjacent to Al Nakhla Project. The real estate development projects in Riyadh & Jeddah have started generating income. The valuation of Al-Nakhla project in Riyadh reached SAR 2.468 billion enabling us to book gains of KWD 10.387 million in our books (as 50% owner of Hayat Real Estate Investment Co in Saudi Arabia). For the purpose of financial reporting, Hayat Luxury villas property continues to **be treated as inventory.** Hence any gains from this property will be reflected in the books **only on exit. On the other hand,** we witnessed **a decline** of KD 1.168 Million in the value **of Real Estate Projects in Lebanon considering geopolitical situation and sluggish economic activity.**

FINANCIAL REVIEW
Consolidated Statement of Comprehensive Income

	2014	2013
Net investment income	(796,571)	518,058
Share of profit of equity-accounted investee	10,386,789	48,312,127
Fee and commission income	75,910	78,961
Others	-	9,194
Operating income	9,666,128	48,918,340
Operating expenses	(2,142,713)	(2,749,882)
Operating profit before provision for impairment	7,523,415	46,168,458
Provision for impairment	(2,272)	(3,176)
Net profit	7,521,143	46,165,282

- **The** net profit **of the** company **decreased to KD 7.521 Million** in 2014, compared **to the last** year profit of KD 46.165 Million, a fall of 83.71%. The key contributing factor for this decrease in profitability **is reduced allocated profit from our associate company Hayat Real Estate Investment** Co, **Saudi Arabia.**
- **The net investment income also declined and turned negative to KD 0.796 Million from its** previous year level **of KD 0.518 primarily because of loss on revaluation of real estate projects in** Lebanon.
- **Fee and commission income remained close to its previous year level as there was no major shift in assets under management.**
- Operating expenses **of the company decreased by 22% primarily due to lower provision on** account of Zakat **and KFAS amid lower profitability**

Consolidated Statement of Financial Position

	2014	2013
Cash and bank balances	1,930,219	699,746
Investments at fair value through profit or loss	53,281	846,884
Islamic finance receivables – net of provision	5,532,488	5,307,612
Other investments	79,306,669	70,905,697
Other assets	6,958,012	6,542,200
Total assets	93,780,669	84,302,139
Islamic finance payables	18,925,736	17,080,223
Other liabilities	2,826,815	2,157,948
Shareholder's equity	72,028,118	65,063,968
Total liabilities and shareholder's equity	93,780,669	84,302,139
Book value per share	fls 0.480	fls 0.433

- **The company's assets base increased** by 11.2% during the year - the **key contributing factor being increase in the carrying value** of investments in **associate.**
- Investments at fair value through profit or loss **reduced to KD 0.053 Million compared to its** previous year level of KD 0.846 Million amid gradual liquidation of listed equity investments during the year.
- **Other liabilities mainly increased due to unclaimed dividend in respect of year 2013 and staff related provisions.**
- Equity of the company, **on the back** of significant **rise** in profitability, **increased by 10.7% to** reach **at KD** 72.028 Million **from its** previous year level of 65.063 Million.
- **The book value per share of the company increased to 0.480 fls in year 2014 from its previous year level of 0.433 fls, an increase of 10.8%**

Human Resources

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

To maintain and further enhance our competitive advantage **over** peers, Hayat fully **recognizes the** need to keep our human resources fully abreast with the today's challenging financial environment. **To** this end, Hayat believes in continuously improving job skills through various short term training courses. The combination of offering right compensation package, amicable and challenging work environment, improving job skills and an opportunity for growth has created a stable team with exceptionally low turnover. Our employee strength **of 22** 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 always feel proud and remain 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

Hayat India Equity Fund delivered a return of 40.1% for year 2014 compared to its **benchmark i.e. S&P** BSE 500 Shariah index return **of 33%.** The Fund's portfolio continued to **be rebalanced in a** way so as to benefit from a revival in the Indian domestic economy and positive global macroeconomic drivers such as currency and commodity price movements.

Among major emerging markets, **India was the second** best performer for the year after **the Shanghai** Composite Index. Gains in Indian equities were powered by optimism around the ability of Prime **Minister Narendra Modi, who took** office **in** May, to push through **needed reforms in** order to **spur Asia's third largest economy.** Though the market has touched new highs, **the price to earnings ratio is still in the range of 18.5 to 19.** By comparison, at the peak of the market in 2008, **the P/E was over 25** which implies room for further growth from current levels amid improvement in corporate earnings.

FII net inflows into the Indian equity and debt markets totaled USD 16.16 billion and USD 26.35 billion respectively. The last time India saw such strong inflows was in 2010 when net investments added up to USD 39.38 billion for the full year. Foreign portfolio inflows into India were the second highest in the Asian region after Japan. Inflows into Indian debt picked up early in the year on the back of higher yields, measures taken to stabilize the rupee and an expectation that interest rates would start to decline.

In its first six months, the new government has announced labor reforms, diesel price de-control, the 'Make in India' movement along with progress on GST talks. The government also extended diplomatic ties to attract foreign funding. The International Monetary Fund suggests India's economy has turned a corner after a slowdown following the credit crunch, forecasting GDP growth of 5.6% for 2014 and 6.4% in 2015. Meanwhile PwC predicts India will be the third largest economy by 2030, behind the US and China.

Inflation throughout the year also trended lower, aided by a favorable base effect. CPI began the year at 8.79% in January and declined to 4.38% in November. WPI showed a similar trend declining from 5.11% in January to 0% in November. Inflation has been helped by lower prices for fuel and food items. Food inflation has declined over the year despite a weaker than expected monsoon. The underlying trend of disinflation led to calls from politicians and industry for the RBI to cut interest rates. The first rate cut (repo rate reduction by 25 bps) took place in January 2015 and more rate cuts are likely to be seen during the course of the year.

As in the case of other emerging market currencies, Fed tapering also affected Indian Rupee. From its start of the year level of INR 61.8/USD the currency initially appreciated to as high as 58.5/USD in May 2014. From this high, INR depreciated by 8% to end the year at 63.32/USD. The USD has enjoyed a massive rally against major currencies. The risk to the INR emanates from global events. There is a possibility of FII flows being impacted from risk aversion on global deflationary concerns, led by weakening oil/commodity prices, weak global demand and no meaningful production cut in response to declining oil prices.

Going forward, it is expected that the new government will bring in much required changes to address some structural issues impacting the Indian economy. Among many measures we expect; steps to control and reduce subsidy particularly on transportation fuels, take measures to boost tax to GDP by introducing a uniform goods and services tax (GST), ease land acquisition for infrastructure build out and industrial capex, mitigate challenges to do business in India, increase foreign investment limits in key sectors like insurance, among others. A lot of ground work is currently underway to bring in the required legislative changes in order to implement reforms.

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.

At present, we have limited number of discretionary and non-discretionary clients. Our plan for 2015 envisages expanding our clientele base for both listed equity and real estate investments. Our existing discretionary and non-discretionary equity portfolios envisages investment in various developed and emerging markets while the focus of real estate related investment portfolio is towards Indian real estate market. However, we are also actively considering new markets in the developed world which can be offered to our clients in 2015. European real estate market looks promising and some projects are under consideration at different levels of screening process.

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

Risk Management at Hayat takes the position of corner stone and is embedded 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 Executive Management Committee (EMC) 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.

Management at 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 EMC 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 as transactions are settled through clearing houses which are guaranteed. OTC transactions happen rarely which are immediately settled. Our securities are kept in the custody of globally 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 mainly to entities whose affairs are within control of Hayat such as associate or subsidiary companies. 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 an additional comfort as feedback from audit reports not only confirm the robustness of existing risk management system but also helps in further enhancing its scope.

Corporate Governance

Effective Corporate Governance sets the path for success for an organization as well as for all its stakeholders. A well-established Corporate Governance ensures that objectives of the company are clearly set and monitored. It facilitates in better understanding, planning and executing activities in response to the challenges and risks arising from the rapidly changing business and regulatory environment.
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 2014 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.

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 are required to be fully implemented by June 30th, 2016. They 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 active approach and hired the services of a leading financial consulting firm in Kuwait. The firm reviewed the existing corporate governance practices at Hayat and came up with additional recommendations and requirements to be in strict 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 2014 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 Executive 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.

Our plan for 2015

Our investment strategy for 2015 aims to generate cash flow from the existing real estate investments & re-deploy the proceeds into a portfolio which is well diversified across appropriate asset classes and geographies. Special focus will be on rectifying the regional asset concentration of our existing portfolio.

To achieve these objectives, our strategy is focused on three assets classes: Listed equity, private equity & real estate assets. The geographical attractiveness of different assets classes is different. Hence, different geographers are selected based on the anticipated risk & return opportunities. Our asset allocation envisages equal allocation between Listed & Private Equity and Real Estate Investments. However, this target allocation may suffer tactical inter-class reconfiguration if private equity and real estate opportunities are not available easily in the short period.

Our detailed analysis of the global macro data & market valuation suggests that listed equity is an attractive assets class in the US, Europe (including the UK), China & India. The low inflation expectation, low commodity & energy prices, improving labor markets, gain in consumption are the key positives for better equity return in these countries. For our real estate related activities; we see value in core Europe & Indian markets.

Despite various economic issues lingering in the region, core Europe is an attractive opportunity for real estate investors. Income generating assets offer low returns whereas repositioning of properties (similar to development) offers decent returns. We will focus on Germany, France, Spain & the UK amid better liquidity, relatively stable and mature markets in terms of regulation & taxation Institutional & foreign investors' participation is high. Markets are recovering & offer value opportunities in low interest rate environment.

In case of Indian real estate market, we observe that the improved macroeconomic fundamentals, strong political leadership, thrust for infrastructure along with cushion from low energy & commodity prices will act as catalyst for impressive returns. The expected changes in FDI regulation & regulation for REITs are also positive developments. Real estate development opportunities offer close to 20% returns in India in USD terms.

Considering the lumpiness, the exit from existing real estate portfolio is not likely to be uniform during the course of the year as a result of which asset allocation in the intervening period may vary from planned allocation which can be achieved only after full exit is achieved.

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 2014

Independent Auditor's Report

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 2014, 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 2014, 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 its Executive Regulations 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 2014, of the Companies Law No. 25 of 2012, as amended and its Executive Regulations or of the Company's Articles and Memorandum of Association, that might have had a material effect on the Company's activities or on its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations during the year ended 31 December 2014.

صافي عبدالعزيز المطوع
مرخص تحت رقم (١٣٨) فئة أ

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

Kuwait: 15 April 2015

FATWA AND SHARIAH SUPERVISORY BOARD

FOR THE PERIOD FROM 01/01/2014 TO 31/12/2014

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 01/01/2014 to 31/12/2014. 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 01/01/2014 to 31/12/2014 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 2014

	Note	2014 KD	2013 KD
Assets			
Cash and bank balances		1,930,219	699,746
Investments at fair value through profit or loss	4	53,281	846,884
Islamic finance receivables	5	5,532,488	5,307,612
Available for sale investments		90,134	-
Investment properties	6	7,351,082	7,914,851
Investment in equity-accounted investee	7	71,865,453	62,990,846
Other assets	8	6,958,012	6,542,200
Total assets		93,780,669	84,302,139
Liabilities			
Islamic finance payables	9	18,925,736	17,080,223
Other liabilities	10	2,826,815	2,157,948
Total liabilities		21,752,551	19,238,171
Equity			
Share capital	11	15,000,000	15,000,000
Statutory reserve	11	6,227,236	5,455,105
Voluntary reserve	11	6,227,236	5,455,105
Translation reserve		2,550,733	107,726
Retained earnings		42,022,913	39,046,032
Total equity		72,028,118	65,063,968
Total liabilities and equity		93,780,669	84,302,139

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

Dr. Nabeel A. Al-Mannae Chairman & CEO	**Yacob Y. Al-Muzaini** Vice Chairman & CEO

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 KD	2013 KD
Operating income			
Net investment (loss) / income	13	(796,571)	518,058
Fee and commission income		75,910	78,961
Share of profit of equity-accounted investee	7	10,386,789	48,312,127
Other income		-	9,194
Total operating income		9,666,128	48,918,340
Operating expenses and other charges			
Staff costs		(1,026,226)	(835,265)
Depreciation and amortization		(4,636)	(24,647)
Finance cost		(682,676)	(678,342)
Other expenses	14	(229,005)	(265,073)
Total operating expenses and other charges		(1,942,543)	(1,803,327)
Operating profit before provision for impairment		7,723,585	47,115,013
Provision for impairment	5	(2,272)	(3,176)
Profit before Board of Directors' remuneration, contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS") & Zakat		7,721,313	47,111,837
Board of Directors' remuneration		(50,000)	(50,000)
KFAS		(69,492)	(424,007)
Zakat		(80,678)	(472,548)
Net profit for the year		7,521,143	46,165,282
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		2,443,007	53,297
Other comprehensive income for the year		2,443,007	53,297
Total comprehensive income for the year		9,964,150	46,218,579
Basic and diluted earnings per share (fils)	15	50.14	307.77

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2014

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Translation reserve KD	Retained earnings KD	Total KD
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						
Net profit for the year	-	-	-	-	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 11)	-	-	-	-	(1,500,000)	(1,500,000)
Total transactions with shareholders of the Company	-	-	-	-	(1,500,000)	(1,500,000)
Transfer to reserves (note 11)	-	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
Balance at 1 January 2014	15,000,000	5,455,105	5,455,105	107,726	39,046,032	65,063,968
Comprehensive income for the year						
Net profit for the year	-	-	-	-	7,521,143	7,521,143
Other comprehensive income:						
Items that are or may be reclassified subsequently to profit or loss:						
Foreign currency translation differences	-	-	-	2,443,007	-	2,443,007
Total other comprehensive income	-	-	-	2,443,007	-	2,443,007
Total comprehensive income for the year	-	-	-	2,443,007	7,521,143	9,964,150
Transactions with the shareholders of the company: Distributions						
Dividend paid (note 11)	-	-	-	-	(3,000,000)	(3,000,000)
Total transactions with shareholders of the Company	-	-	-	-	(3,000,000)	(3,000,000)
Transfer to reserves (note 11)	-	772,131	772,131	-	(1,544,262)	-
Balance at 31 December 2014	15,000,000	6,227,236	6,227,236	2,550,733	42,022,913	72,028,118

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

	Note	2014 KD	2013 KD
Cash flows from operating activities			
Net profit for the year		7,521,143	46,165,282
Adjustments for:			
Depreciation and amortization		4,636	24,647
Unrealized gain from investments at fair value through profit or loss	13	(16,643)	(60,954)
Share of profit of equity-accounted investee	7	(10,386,789)	(48,312,127)
Change in fair value of investment properties	13	1,168,113	-
Dividend income	13	-	(104,692)
Finance cost		682,676	678,342
General provision on Islamic finance receivables	5	2,272	3,176
Provision for employees' end of service indemnity		216,884	86,035
Provision for KFAS		69,492	424,007
Provision for Zakat		80,678	472,548
		(657,538)	(623,736)
Changes in:			
Investments at fair value through profit or loss		810,246	7,762,285
Other assets		(421,336)	(6,398,468)
Other liabilities		301,813	462,936
Net cash generated from operating activities		33,185	1,203,017
Cash flows from investing activities			
Additions in Islamic finance receivables	5	(227,148)	(393,221)
Available for sale investments		(90,134)	-
Repayment of Islamic finance receivables	5	-	75,646
Additions to investment properties	6	(403,259)	(436,520)
Dividends received		3,754,992	104,692
Net cash generated from / (used in) investing activities		3,034,451	(649,403)
Cash flows from financing activities			
Net Islamic finance payables		1,895,721	-
Finance cost paid		(732,884)	(602,137)
Dividend paid	11	(3,000,000)	(1,500,000)
Net cash used in financing activities		(1,837,163)	(2,102,137)
Net increase / (decrease) in cash and bank balances		1,230,473	(1,548,523)
Cash and bank balances at 1 January		699,746	2,248,269
Cash and bank balances at 31 December		1,930,219	699,746

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 2014 are as follows:

Name of the Company	Country of incorporation	Ownership interest		Principal activities
		2014	2013	
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 2014 were authorized for issue by Board of Directors on 22 February 2015. The shareholders of the Company have the power to amend these consolidated financial statements at the annual general assembly meeting.

2. BASIS OF PREPARATION

a) Basis of accounting

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

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

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

b) Basis of measurement

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

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

c) Functional and presentation currency

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

d) Changes in accounting policies

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The amendments to IAS 32 applicable from 1 January 2014 clarifies that a) an entity currently has a legally enforceable right to off-set if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and processes receivables and payables in a single settlement process or cycle.

The adoption of this amendment does not have any material impact on the consolidated financial statements of the Group.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

Amendments to IFRS 10, IFRS 12 and IAS 27 that provides consolidation relief for investments entities applicable from 1 January 2014. This mandatory consolidation relief provides that a qualifying investment entity is required to account for investments in controlled entities as well as investments in associates and joint ventures at fair value through profit or loss provided it fulfils certain conditions with an exception being that subsidiaries that are considered an extension of the investment entity's investing activities.

The adoption of this amendment does not have any material impact on the consolidated financial statements of the Group.

Recoverable Amount Disclosure for Non-Financial Assets (Amendments to IAS 36)

IAS 36 amendment applicable retrospectively from 1 January 2014 addresses the disclosure of information about the recoverable amount of impaired assets under the amendments, recoverable amount of every cash generating unit to which goodwill or indefinite-lived intangible assets have been allocated is required to be disclosed only when an impairment loss has been recognised or reversed.

This amendment does not have any material impact on the consolidated financial statements 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 Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

(i) Judgments

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

Classification of financial instruments

Management has to decide on acquisition of financial instruments whether it should be classified as available-for-sale ,held to maturity ,investments at fair value through profit or loss or 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 ended 31 December 2014 is included in the following notes:

- Note 5 – impairment test: key assumptions underlying recoverable amounts, including the recoverable amounts.

- Note 6 – 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 17 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 investee comprise of 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 other comprehensive income of the equity accounted investee, until the date on which joint control ceases.

Transactions eliminated on consolidation

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

b) Cash and cash equivalents

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

c) Investments at fair value through profit or loss

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

Subsequent to initial recognition, all investments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognized in the consolidated statement of profit or loss and other comprehensive income.

d) Available for sale investment

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

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

e) Islamic finance receivables

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

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

f) Investment properties

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

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

g) Other assets

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

(i) Intangible assets

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

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

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

(ii) Property and equipment

Recognition and measurement

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

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

Depreciation

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

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

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

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

h) Islamic finance payables

(i) Murabaha

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

(ii) Wakala

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

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

i) Other liabilities

Other liabilities are stated at amortized cost.

j) Revenue recognition

Islamic finance income

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

Fees and commission income

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

Dividend income

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

k) Impairment

(i) Financial assets

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

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

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

(ii) Non-financial assets

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

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

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

l) Foreign currency

Foreign currency translations

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

Foreign operations

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

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

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

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

m) Employees' benefits

Kuwaiti employees

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

Expatriate employees

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

n) Provisions

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

o) Fiduciary assets

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

p) Taxation

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

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

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

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

r) Zakat

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

s) New standards issued but not yet effective

IFRS 15 – Revenue from contracts with customers

IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The standard was issued in May 2014 and applies to an annual financial statements beginning on or after 1 January 2017

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

4. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 KD	2013 KD
Mutual funds	53,281	846,884

5. ISLAMIC FINANCE RECEIVABLES

	2014 KD	2013 KD
Balance at 1 January (before general provision)	5,361,224	5,043,649
Additions	227,148	393,221
Repayments	-	(75,646)
	5,588,372	5,361,224
General provision	(55,884)	(53,612)
Balance at 31 December	5,532,488	5,307,612

A movement in the provision for impairment is as follows:

	2014 KD	2013 KD
Balance at 1 January	53,612	50,436
Provision for impairment	2,272	3,176
Balance at 31 December	55,884	53,612

The effective yield from wakala receivables is 7.5% per annum (2013: 7.5% per annum). This includes wakala receivable due from a related party as disclosed in note 12.

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

6. INVESTMENT PROPERTIES

	2014 KD	2013 KD
Balance at 1 January	7,914,851	7,466,818
Capitalized construction costs	403,259	436,520
Change in fair value of investment properties (note 13)	(1,168,113)	-
Foreign exchange gain	201,085	11,513
Carrying amount at 31 December	7,351,082	7,914,851

The fair value of investment property is determined based on the lower of two valuations performed as at 31 December 2014 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 7,351,082 (2013: KD 7,914,851) 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 LLC 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 LLC. 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 LLC.

	2014 KD	2013 KD
Non-current assets	192,996,832	169,338,231
Current assets (including cash and cash equivalents)	24,908,806	28,248,296
Non-current liabilities (including non-current financial liabilities excluding trade and other payables and provisions)	(28,881,985)	(36,837,929)
Current liabilitie (including current financial liabilities excluding trade and other payables and provisions)	(45,292,747)	(34,766,906)
Net assets (100%)	143,730,906	125,981,692
Group's share of net assets (50%)	71,865,453	62,990,846
Carrying amount of interest in joint venture	71,865,453	62,990,846

	2014 KD	2013 KD
Revenue	22,000,821	97,054,621
Operating expenses	(1,227,243)	(430,367)
Profit (100%)	20,773,578	96,624,254
Profit (50%)	10,386,789	48,312,127
Group's share of profit	10,386,789	48,312,127
Dividend received by the Group	3,754,992	-

Movement in Group's share of interest in nets assets of equity-accounted investee	2014 KD	2013 KD
Carrying amount at 1 January	62,990,846	14,636,935
Group's share of profit	10,386,789	48,312,127
Dividend received during the year	(3,754,992)	-
Foreign exchange impact	2,242,810	41,784
Carrying amount at 31 December	71,865,453	62,990,846

Revenue includes surplus on revaluation of investment property amounting to KD 11,817,375 (2013: KD 97,054,621) and profit on sale of a real estate project amounting to KD 10,183,446 (2013: Nil)

8. OTHER ASSETS

	2014 KD	2013 KD
Advance for investment	6,415,053	6,415,053
Prepayments	89,716	78,565
Receivables	446,808	39,002
Property and equipment	3,167	5,268
Intangible assets	1,327	1,482
Others	1,941	2,830
	6,958,012	6,542,200

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

	2014 KD	2013 KD
Murabaha	14,787,408	15,072,774
Wakala	4,138,328	2,007,449
	18,925,736	17,080,223

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

The effective profit rate on Islamic finance payables ranges from 3.25% to 5.5% per annum (2013: 2.87% to 5.53% per annum).

10. OTHER LIABILITIES

	2014 KD	2013 KD
Zakat payable	553,226	472,548
KFAS payable	493,499	424,007
Dividend payable	647,000	450,000
Provision for post employee's benefits	924,169	579,976
Other payables	208,921	231,417
	2,826,815	2,157,948

11. EQUITY

Share capital

The Company's authorized, issued and fully paid up share capital in cash amounts to KD 15,000,000 (2013: KD 15,000,000) comprising of 150,000,000 (2013: 150,000,000) shares of 100 fils each.

Statutory reserve

In accordance with the Companies Law No. 25 of 2012, as amended and its Executive Regulations 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, before contribution to KFAS and Directors' remuneration is required to be transferred to a voluntary reserve. Such annual transfers can be discontinued by a resolution of shareholders in the annual general assembly meeting upon recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

Dividend

At the Annual General Assembly of the shareholders held on 16 July 2014, shareholders of the Company approved dividends of 20 fils per share amounting to KD 3,000,000 (2013: 10 fils per share amounting to KD 1,500,000).

12. RELATED PARTY BALANCES AND TRANSACTIONS

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

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

Balances with related parties were as follows:

	2014	2013
	KD	KD
Balances with shareholders		
Bank balances	760,853	515,465
Balances with jointly controlled entity		
Wakala receivables	3,244,288	3,103,137
Balances for key management personnel		
Payables and other liabilities	768,506	451,088

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 330,000 (2013: KD 299,000).

13. NET INVESTMENT (LOSS) / INCOME

	2014	2013
	KD	KD
Realized gain on investments at fair value through profit or loss	48,442	5,571
Unrealized gain on investments at fair value through profit or loss	16,643	60,954
Change in fair value of investment properties (note 6)	(1,168,113)	-
Profit from Islamic finance receivables	400,901	381,357
Dividend Income	-	104,692
Foreign exchange loss	(94,444)	(34,516)
	(796,571)	518,058

14. OTHER EXPENSES

	2014	2013
	KD	KD
Rent	50,664	50,664
Professional fees	55,763	54,224
Travel expenses	35,456	29,339
Fees and subscription	23,323	32,484
Direct investment cost	16,196	40,495
Others	47,603	57,867
	229,005	265,073

15. BASIC AND DILUTED EARNINGS PER SHARE (FILS)

	2014	2013
Profit for the year (KD)	7,521,143	46,165,282
Weighted average number of shares outstanding during the year	150,000,000	150,000,000
Basic and diluted earnings per share (fils)	50.14	307.77

16. FIDUCIARY ASSETS

Fiduciary assets comprise investments managed by the Group on behalf of clients. These are not assets of the Group and accordingly are not included in the consolidated financial statements. As at the reporting date, total fiduciary assets managed by the Group amounted to KD 5,956,360 (2013: KD 5,667,975).

17. FINANCIAL INSTRUMENTS – FAIR VALUES

Accounting classification and fair values

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

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

		Carrying amount				Fair value			
31 December 2013	Note	Investments 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	-	-	-	-

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 and 2014.

18. FINANCIAL RISK MANAGEMENT

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

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing such risks. Further quantitative disclosures are included throughout 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 2014 represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2014 KD	2013 KD
Balances with banks	1,929,719	699,246
Islamic finance receivables	5,532,488	5,307,612
	7,462,207	6,006,858

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:

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

2013	Balances with banks KD	Islamic finance receivables KD	Total 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

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

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

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
2014			
US$	(9,185,499)	10	(918,550)
SAR	5,308,121	10	530,812

		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

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

19. CAPITAL MANAGEMENT

The management's policy is to maintain a strong capital base to sustain future development of the business. The management monitors the return on capital through operating cash flow management. The management seeks to maintain a balance between higher returns and the advantages and security offered by a sound capital position. The Group is not subject to externally imposed capital requirements, except the minimum capital requirements of the Companies Law No. 25 of 2012, as amended and its Executive Regulations.

20. CAPITAL COMMITMENTS

During the year, the Group entered into contracts related to investment property under construction amounted to KD 250 thousand (2013: KD 184 thousand).

In respect of its interest in joint venture, the Group' share of capital commitment is amounted to KD 1,974 thousand (2013: KD 3,088 thousand).