

**Kuwait National Cinema Company K.P.S.C.
And its subsidiaries
State of Kuwait**

**Interim Condensed Consolidated Financial Information and Review Report
Three months ended 31 March 2014
(Unaudited)**

**Kuwait National Cinema Company K.P.S.C.
And its Subsidiaries
State of Kuwait**

**Interim Condensed Consolidated Financial Information and Review Report
Three months ended 31 March 2014
(Unaudited)**

Contents	Page
Independent Auditors' Review Report	
Interim Condensed Consolidated Statement of Financial Position (Unaudited)	1
Interim Condensed Consolidated Statement of Income (Unaudited)	2
Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited)	3
Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)	4
Interim Condensed Consolidated Statement of Cash Flows (Unaudited)	5
Notes to the Interim Condensed Consolidated Financial Information (Unaudited)	6 - 10

**Kuwait National Cinema Company K.P.S.C
State of Kuwait**

Report on Review of Interim Condensed Consolidated Financial Information to the Board of Directors

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait National Cinema Company - K.P.S.C "the Company" and its subsidiaries "together referred to as the Group" as at 31 March 2014 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. The Company's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard No. (34) "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity."

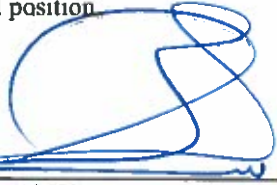
A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard No. (34) "Interim Financial Reporting".


Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of the Company. To the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended, or of the Company's Memorandum and Articles of Association have occurred during the three-month period ended 31 March 2014 that might have had a material effect on the business of the Group or on its consolidated financial position.



Bader A. Al-Wazzan
License No. 62A
Deloitte & Touche
Al Wazzan & Co.

Kuwait, 13 May 2014



Rabea Saad Al Muhanna
License No. 152 A
Horwath Al Muhanna & Co.
Kuwait

**Kuwait National Cinema Company K.P.S.C.
And its Subsidiaries
State of Kuwait**

**Interim Condensed Consolidated Statement of Financial Position as at 31 March 2014
(Unaudited)**

(All amounts are in Kuwaiti Dinars)

	Note	31 March 2014	31 December 2013 (Audited)	31 March 2013
ASSETS				
Non-current assets				
Property, plant and equipment	4	14,436,942	14,463,609	15,260,258
Intangible assets		759,625	516,779	597,419
Investments in associates	5	31,230,193	30,344,341	29,811,044
Available for sale investments	6	16,310,492	10,267,180	9,168,461
		<u>62,737,252</u>	<u>55,591,909</u>	<u>54,837,182</u>
Current assets				
Inventories		425,496	444,487	425,054
Trade and other receivables	7	2,257,159	1,383,733	4,065,775
Cash, current accounts and deposits	8	10,677,255	11,816,894	8,125,015
		<u>13,359,910</u>	<u>13,645,114</u>	<u>12,615,844</u>
Total assets		<u>76,097,162</u>	<u>69,237,023</u>	<u>67,453,026</u>
Equity and liabilities				
Equity				
Share capital		10,106,250	10,106,250	10,106,250
Treasury shares		(1,480,995)	(1,437,716)	(1,402,752)
Statutory reserve		5,053,125	5,053,125	5,053,125
General reserve		8,502,532	8,502,532	7,671,502
Lands revaluation reserve		8,524,134	8,524,134	8,524,134
Change in fair value reserve		4,940,525	588,601	198,731
Foreign currency translation reserve		143,962	147,286	176,934
Retained earnings		22,495,368	19,994,379	19,405,801
Equity attributable to Company's shareholders		<u>58,284,901</u>	<u>51,478,591</u>	<u>49,733,725</u>
Non-controlling interest		13,287	14,159	16,481
		<u>58,298,188</u>	<u>51,492,750</u>	<u>49,750,206</u>
Liabilities				
Non-current liabilities				
Post employment benefits		1,102,860	1,055,710	1,050,789
Current liabilities				
Trade and other payables		6,736,412	6,728,983	6,693,212
Loans and bank facilities	9	9,959,702	9,959,580	9,958,819
		<u>16,696,114</u>	<u>16,688,563</u>	<u>16,652,031</u>
Total liabilities		<u>17,798,974</u>	<u>17,744,273</u>	<u>17,702,820</u>
Total equity and liabilities		<u>76,097,162</u>	<u>69,237,023</u>	<u>67,453,026</u>

The accompanying notes form an integral part of this interim condensed consolidated financial information.


Ahmad Dakheel Al-Osalmi
Chairman


Ahmed Abdul Aziz Al Sarawi
Vice Chairman

**Kuwait National Cinema Company K.P.S.C.
And its Subsidiaries
State of Kuwait**

**Interim Condensed Consolidated Statement of Income for the three months ended 31 March 2014
(Unaudited)**

(All amounts are in Kuwaiti Dinars)

	Note	Three months ended 31 March	
		2014	2013
Operating revenues		4,144,490	4,209,617
Operating costs		(3,491,362)	(3,648,339)
Gross profit		653,128	561,278
Other operating income		1,629,050	1,452,313
General and administrative expenses		(526,915)	(402,306)
Other operating expenses		(473,407)	(458,874)
Net profit of financial investments		699,000	299,028
Gains from associates	5	750,532	615,540
Finance costs		(126,179)	(128,934)
Net profit before deductions		2,605,209	1,938,045
Contribution to Kuwait Foundation for the Advancement of Sciences		(19,738)	(12,756)
National Labor Support Tax		(66,328)	(50,337)
Zakat		(19,026)	(13,487)
Net profit for the period		2,500,117	1,861,465
Distributed as follows:			
Company's shareholders		2,500,989	1,861,104
Non-controlling interest		(872)	361
		2,500,117	1,861,465
Earnings per share (fils)	10	25.20	18.69

The accompanying notes form an integral part of this interim condensed consolidated financial information.

**Kuwait National Cinema Company K.P.S.C.
And its Subsidiaries
State of Kuwait**

**Interim Condensed Consolidated Statement of Comprehensive Income for the three months ended 31 March 2014
(Unaudited)**

(All amounts are in Kuwaiti Dinars)

	Three months ended 31 March	
	2014	2013
Net profit for the period	2,500,117	1,861,465
Other comprehensive income items:		
<i>Items can be classified later into statement of income:</i>		
Change in fair value of available for sale investments	4,212,805	435,319
Group's share in associates' reserves	135,320	136,150
Foreign currency translation of a subsidiary	475	(3,063)
Total other comprehensive income items	4,348,600	568,406
Total comprehensive income for the period	6,848,717	2,429,871
Distributed as follows:		
Company's shareholders	6,849,589	2,429,510
Non-controlling interest	(872)	361
	6,848,717	2,429,871

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Kuwait National Cinema Company K.P.S.C
And its Subsidiaries
State of Kuwait

Interim Condensed Consolidated Statement of Changes in Equity for the three months ended 31 March 2014
(Unaudited)

(All amounts are in Kuwaiti Dinars)

	Share capital	Treasury shares	Statutory reserve	General reserve	Lands revaluation reserve	Change in fair value reserve	Foreign currency translation reserve	Retained earnings	Equity attributable to Company's shareholders	Non-controlling interest	Total
Balance as at 1 January 2013	10,106,250	(1,050,339)	5,053,125	7,671,502	8,524,134	(338,018)	145,277	17,544,697	47,656,628	16,120	47,672,748
Net profit for the period	-	-	-	-	-	-	-	1,861,104	1,861,104	361	1,861,465
Total other comprehensive income items	-	-	-	-	-	536,749	31,657	-	568,406	-	568,406
Purchase of treasury shares	-	(352,413)	-	-	-	-	-	-	(352,413)	-	(352,413)
Balance as at 31 March 2013	10,106,250	(1,402,752)	5,053,125	7,671,502	8,524,134	198,731	176,934	19,405,801	49,733,725	16,481	49,750,206
Balance as at 1 January 2014	10,106,250	(1,437,716)	5,053,125	8,502,532	8,524,134	588,601	147,286	19,994,379	51,478,591	14,159	51,492,750
Net profit for the period	-	-	-	-	-	-	-	2,500,989	2,500,989	(872)	2,500,117
Total other comprehensive income items	-	-	-	-	-	4,351,924	(3,324)	-	4,348,600	-	4,348,600
Purchase of treasury shares	-	(43,279)	-	-	-	-	-	-	(43,279)	-	(43,279)
Balance as at 31 March 2014	10,106,250	(1,480,995)	5,053,125	8,502,532	8,524,134	4,940,525	143,962	22,495,368	58,284,901	13,287	58,298,188

The accompanying notes form an integral part of this interim condensed consolidated financial information.

**Kuwait National Cinema Company K.P.S.C
And its Subsidiaries
State of Kuwait**

**Interim Condensed Consolidated Statement of Cash flows for the three months ended 31 March 2014
(Unaudited)**

(All amounts are in Kuwaiti Dinars)

	Note	Three months ended 31 March	
		2014	2013
Cash flows from operating activities			
Net cash generated from operating activities	12	1,418,596	7,023,106
Cash flows from investment activities			
Paid for purchase of property, plant and equipment		(155,462)	(83,256)
Paid for purchase of intangible assets		(459,612)	(414,704)
Paid for purchase of available for sale investments		(1,830,507)	(700,000)
Net cash used in investing activities		(2,445,581)	(1,197,960)
Cash flows from financing activities			
Paid for purchase of treasury shares		(43,279)	(352,413)
Loans and bank facilities		122	(6,000,000)
Finance costs paid		(54,327)	(143,204)
Dividends paid		(15,170)	(41,471)
Net cash used in financing activities		(112,654)	(6,537,088)
Net decrease in cash and cash equivalents		(1,139,639)	(711,942)
Cash and cash equivalents at the beginning of the period		11,806,894	8,826,957
Cash and cash equivalents at the end of the period	8	10,667,255	8,115,015

The accompanying notes form an integral part of this interim condensed consolidated financial information.

**Kuwait National Cinema Company K.P.S.C
And its Subsidiaries
State of Kuwait**

**Notes to the Interim Condensed Consolidated Financial Information for the three months ended 31 March 2014
(Unaudited)**

(All amounts are in Kuwaiti Dinars unless otherwise stated)

1. Company's incorporations

Kuwait National Cinema Company K.P.S.C. "The company" is a Kuwaiti Public Shareholding Company registered and incorporated in Kuwait on 5 October 1954 and is licensed to engage in all activities relating to the cinema industry, entertainment, and cultural events.

The Company is listed on the Kuwait Stock Exchange.

The registered office of the Company is located at Al-Zahara area, 360 Mall, fourth floor, P.O. Box 502 Safat, 13006 Safat, Kuwait.

These Consolidated financial statements include the financial statements of the Company and its Subsidiaries "together referred to as the Group".

	Ownership percentage (%)	Activity	Incorporation country
International Film Distribution Company K.S.C.C.	99.25	Publishing and film distribution	Kuwait
Al Kout Film Production and Distribution Company S.A.E.	100	Production and film distribution	Egypt

Financial information for subsidiaries was prepared by management. Subsidiary's total assets amounted to KD 2,702,251 as at 31 March 2014 (KD 2,809,886 as at 31 December 2013, KD 3,205,380 as at 31 March 2013) and net loss of KD 118,282 for the three months ended 31 March 2014 (profit of KD 46,542 for the three months ended 31 March 2013).

The interim condensed consolidated financial information for the three months ended 31 March 2014 was authorized for issuance by the Board of Directors on 13 May 2014.

2. Significant accounting Policies

2.1 Basis of preparation for financial information

The interim condensed consolidated financial information has been prepared in accordance with the International Accounting Standard No. 34 "Interim Financial Reporting".

The interim condensed consolidated financial information does not include all the information and notes required for complete financial statements prepared in accordance with International Financial Reporting Standards.

In the opinion of management, all adjustments considered necessary and the regular accruals for a fair presentation have been included. The operating results for the three-months period ended 31 March 2014 are not necessarily indicative of the results that may be expected for the year ending 31 December 2014. For further information, it is possible to refer to the consolidated financial statements and notes thereto for the year ended 31 December 2013.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2013 except for the adoption of the new and amended IFRS that have become effective from 1 January 2014:

- *IAS 32 Offsetting Financial Assets and Financial Liabilities*
- *IAS 39 Novation of Derivatives and Continuation of Hedge Accounting*
- *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*

The adoption of these standards did not have any significant or material impact on the interim condensed consolidated financial information of the Group.

New and revised IFRSs in issue but not yet effective

IFRS 9 Financial Instruments: Classification and Measurement

Kuwait National Cinema Company K.P.S.C
And its Subsidiaries
State of Kuwait

Notes to the Interim Condensed Consolidated Financial Information for the three months ended 31 March 2014
(Unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

3. Fair value estimation

The fair values of financial assets and liabilities are determined as follows:

- Level one: Quoted prices in active markets for financial instruments.
- Level two: Quoted prices included within level I that are observable for the asset or liability, either directly (that is, as prices) or indirectly.
- Level three: Inputs for the asset or liabilities that are not based on observable market data.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis:

	Fair value as at		Date of valuation	Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/3/14	31/12/13					
Quoted Shares	14,333,367	5,574,055	31 March	Level 1	Last bid price	NA	NA
Local Investment Funds	44,470	44,470	31 December	Level 2	Net book value	NA	NA

The fair values of other financial assets and financial liabilities which are not measured at fair value on ongoing basis equal approximately their carrying values.

4. Property, plant and equipment

Property, plant and equipment movement represented as follows:

	31 March 2014	31 December 2013	31 March 2013
		(Audited)	
Net carrying value at the beginning of the period / year	14,463,609	15,347,929	15,347,929
Additions during the period / year	155,462	433,921	83,256
Net disposals during the period / year	-	(445,275)	-
Depreciation of the period / year	(182,129)	(872,966)	(170,927)
Net carrying value at the end of the period / year	14,436,942	14,463,609	15,260,258

5. Investments in associates

This represents the Group's investment in Tamdeen Shopping Centres K.S.C. (Closed) at 30%.

	31 March 2014	31 December 2013	31 March 2013
		(Audited)	
Balance as at the beginning of the period/ year	30,344,341	29,059,354	29,059,354
Group's share in an associate's results	750,532	2,460,135	615,540
Group's share from an associate's fair value change reserve	139,119	316,581	101,430
Group's share from an associate's foreign currency reserve	(3,799)	8,271	34,720
Dividends	-	(1,500,000)	-
Balance at the end of the period/ year	31,230,193	30,344,341	29,811,044

6. Investments available for sale

	31 March 2014	31 December 2013	31 March 2013
		(Audited)	
Quoted shares	14,333,367	5,574,055	4,580,659
Unquoted shares	1,932,655	4,648,655	4,545,306
Investment funds	44,470	44,470	42,496
	16,310,492	10,267,180	9,168,461

- Fair value is determined based on valuation techniques disclosed in (note 3).
- Unquoted investments are carried at cost since its fair value cannot be reliably measured. The Group's management believes that there are no indications of impairment for these investments.

Kuwait National Cinema Company K.P.S.C
And its Subsidiaries
State of Kuwait

Notes to the Interim Condensed Consolidated Financial Information for the three months ended 31 March 2014
(Unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

7. Trade and other receivables

	31 March 2014	31 December 2013 (Audited)	31 March 2013
Trade receivables	328,729	351,144	389,238
Due from related parties	718,809	724,859	2,807,698
	<u>1,047,538</u>	<u>1,076,003</u>	<u>3,196,936</u>
Provision of impairment	(462,202)	(462,202)	(462,202)
	585,336	613,801	2,734,734
Prepaid expenses	350,009	143,545	448,984
Refundable deposits	492,540	492,540	457,195
Staff receivables	107,837	113,847	79,152
Other receivables	721,437	20,000	345,710
	<u>2,257,159</u>	<u>1,383,733</u>	<u>4,065,775</u>

8. Cash, current accounts and deposits

	31 March 2014	31 December 2013 (Audited)	31 March 2013
Cash on hand	62,148	49,227	40,117
Banks current accounts	10,077,712	11,421,307	8,047,420
Time deposit	253,548	249,473	10,176
Cash in investment portfolios	283,847	96,887	27,302
	<u>10,677,255</u>	<u>11,816,894</u>	<u>8,125,015</u>
Less: deposits pledged at banks (note 9)	(10,000)	(10,000)	(10,000)
Cash and cash equivalents	<u>10,667,255</u>	<u>11,806,894</u>	<u>8,115,015</u>

9. Loans and bank facilities

	31 March 2014	31 December 2013 (Audited)	31 March 2013
Short term loans	9,950,000	9,950,000	9,950,000
Banks - overdraft	9,702	9,580	8,819
	<u>9,959,702</u>	<u>9,959,580</u>	<u>9,958,819</u>

- Loans and bank facilities granted to the Group from local banks are pledged against promissory notes (note 8).

- The weighted effective interest rate on loans and bank facilities is 4% as at 31 March 2014 (3.75% as at 31 December 2013 and 31 March 2013).

10. Earnings per share

	Three months ended 31 March	
	2014	2013
Net profit for the period	2,500,989	1,861,104
Weighted average number of outstanding shares (share)	99,231,817	99,589,704
Earnings per share (fils)	<u>25.20</u>	<u>18.69</u>

11. Subsequent events

On 24 April 2014, the General Assembly of the Company's shareholders approved the consolidated financial statements for the year ended 31 December 2013, also approved cash dividends of 49 fils per share from the profit of the year 2013 (cash dividends of 47 fils from the profit of the year 2012).

**Kuwait National Cinema Company K.P.S.C
And its Subsidiaries
State of Kuwait**

**Notes to the Interim Condensed Consolidated Financial Information for the three months ended 31 March 2014
(Unaudited)**

(All amounts are in Kuwaiti Dinars unless otherwise stated)

12. Cash Flows from operating activities

	Three months ended 31 march	
	2014	2013
Net profit for the period	2,500,117	1,861,465
Adjustments to:		
Depreciation and amortization	401,623	680,550
Gains from financial investment	(699,000)	(299,028)
Group's share in associate's results	(750,532)	(615,540)
Post employment benefits	49,080	87,770
Finance costs	126,179	128,934
Operating profit before changes in operating assets and liabilities	1,627,467	1,844,151
Inventories	18,991	8,520
Trade and other receivables	(174,426)	4,766,259
Trade and other payables	(51,506)	418,199
Cash generated from operating activities	1,420,526	7,037,129
Post employment benefits paid	(1,930)	(14,023)
Net cash generated from operating activities	1,418,596	7,023,106

13. Segments information

The main objective of the Group is to engage in all activities relating to the cinema industry, entertainment, and culture events. In addition, the Group invests its available excess funds through investment portfolios.

The following is the Group's segment information which consists with the internal reporting presented to management:

- Cinema division: which represents all activities related to cinema shows.
- Concession division: which represents all activities related to concessions supplemented to theaters.
- Investments division: which represents investments in shares, funds and real estate investments.

The following schedule presents the information about revenues, profit, and assets for each division:

	Division activity as at 31 March 2014				
	Cinema division	Concession division	Investment division	Unallocated items	Total
Net revenues	4,144,490	1,135,772	1,449,532	493,278	7,223,072
Costs	(3,491,362)	(473,407)	-	(758,186)	(4,722,955)
Segment's profit	653,128	662,365	1,449,532	(264,908)	2,500,117
Assets	15,798,027	206,523	48,953,547	11,139,065	76,097,162
	Division activity as at 31 March 2013				
	Cinema division	Concession division	Investment division	Unallocated items	Total
Net revenues	4,209,617	1,030,751	914,568	421,562	6,576,498
Costs	(3,648,339)	(458,874)	-	(607,820)	(4,715,033)
Segment's profit	561,278	571,877	914,568	(186,258)	1,861,465
Assets	15,765,934	274,057	40,108,878	11,304,157	67,453,026

14. Contingent liabilities

Letters of Guarantee were contingently liable for a third party with an amount of KD 167,220 as at 31 March 2014 (KD 167,220 as at 31 December 2013, KD 167,220 as at 31 March 2013).

**Kuwait National Cinema Company K.P.S.C
And its Subsidiaries
State of Kuwait**

**Notes to the Interim Condensed Consolidated Financial Information for the three months ended 31 March 2014
(Unaudited)**

(All amounts are in Kuwaiti Dinars unless otherwise stated)

15. Related parties 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 financial and operating decisions. Those transactions were conducted in the ordinary course of business and with the usual terms and conditions. Transactions with related parties are subject to the approval of the General Assembly of Shareholders. The following is the volume and nature of those transactions during the period / year:

	31 March 2014	31 March 2013
Salaries and remuneration	46,950	39,750
Leave and post employment benefits	10,604	9,240

The balances resulting from those transactions are as follows:

	31 March 2014	31 December 2013 (Audited)	31 March 2013
Due from related parties	718,809	724,859	2,807,698
Due to related parties	48,128	18,997	57,938

All transactions are subject to the approval of the shareholders in the General Assembly meeting.