

**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 2017
(Unaudited)**

**Kuwait National Cinema Company K.P.S.C.
And its Subsidiaries
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**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 Parent Company" and its subsidiaries "together referred to as the Group" as at 31 March 2017 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 Parent 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 Parent Company. To the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its executive regulation, or of the Parent Company's Memorandum and Articles of Association, as amended, have occurred during the three-month period ended 31 March 2017 that might have had a material effect on the business of the Group or on its consolidated financial position.



Talal Yousef Al-Muzaini
License No. 209-A
Deloitte & Touche
Al-Wazzan & Co.

Kuwait, 26 April 2017

**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 2017
(Unaudited)**

(All amounts are in Kuwaiti Dinars)

	Note	31 March 2017	31 December 2016 (Audited)	31 March 2016
ASSETS				
Non- current assets				
Property, plant and equipment		17,010,990	17,050,341	15,143,637
Intangible assets		414,222	536,117	638,144
Investments in associates	4	37,349,304	35,993,349	35,126,817
Available for sale investments	5	23,393,031	21,897,475	23,261,599
		<u>78,167,547</u>	<u>75,477,282</u>	<u>74,170,197</u>
Current assets				
Inventories		362,848	274,906	204,682
Trade and other receivables	6	2,868,410	1,654,137	2,657,979
Cash, current accounts and deposits	7	23,637,556	22,119,607	19,638,102
		<u>26,868,814</u>	<u>24,048,650</u>	<u>22,500,763</u>
Total assets		<u>105,036,361</u>	<u>99,525,932</u>	<u>96,670,960</u>
Equity and liabilities				
Equity				
Share capital		10,106,250	10,106,250	10,106,250
Treasury shares	8	(6,641,104)	(6,698,660)	(6,574,829)
Statutory reserve		5,053,125	5,053,125	5,053,125
General reserve		11,414,197	11,414,197	10,438,959
Other reserves	9	20,795,565	18,768,492	17,868,618
Retained earnings		33,506,207	30,280,037	29,474,215
Equity attributable to Company's shareholders		<u>74,234,240</u>	<u>68,923,441</u>	<u>66,366,338</u>
Non-controlling interest		32,399	31,666	28,667
		<u>74,266,639</u>	<u>68,955,107</u>	<u>66,395,005</u>
Liabilities				
Non-current liabilities				
Post employment benefits		1,513,569	1,457,775	1,374,418
Current liabilities				
Trade and other payables		9,507,495	9,230,101	9,342,532
Loans and bank facilities	10	19,748,658	19,882,949	19,559,005
		<u>29,256,153</u>	<u>29,113,050</u>	<u>28,901,537</u>
Total liabilities		<u>30,769,722</u>	<u>30,570,825</u>	<u>30,275,955</u>
Total equity and liabilities		<u>105,036,361</u>	<u>99,525,932</u>	<u>96,670,960</u>

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

Abdul Wahab Marzouq Al-Marzouq
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 2017
(Unaudited)**

(All amounts are in Kuwaiti Dinars)

	Note	Three months ended 31 March	
		2017	2016
Operating revenues		4,906,747	4,273,014
Operating costs		(3,620,179)	(3,475,513)
Gross profit		1,286,568	797,501
Other operating income		2,023,994	1,853,253
General and administrative expenses		(781,203)	(814,793)
Other operating expenses		(648,936)	(517,900)
Net profit of financial investments		846,958	796,169
Gains from associate	4	838,422	739,429
Finance costs		(204,477)	(189,524)
Net profit before deductions		3,361,326	2,664,135
Contribution to Kuwait Foundation for the Advancement of Sciences		(24,244)	(18,181)
National Labor Support Tax		(85,410)	(67,938)
Zakat		(24,769)	(18,456)
Net profit for the period		3,226,903	2,559,560
Distributed as follows:			
Company's shareholders		3,226,170	2,558,766
Non-controlling interest		733	794
		3,226,903	2,559,560
Earnings per share (fils)	11	34.28	27.13

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

**Kuwait National Cinema Company K.P.S.C.
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**Interim Condensed Consolidated Statement of Comprehensive Income for the three months ended 31 March 2017
(Unaudited)**

(All amounts are in Kuwaiti Dinars)

	Three months ended	
	31 March	
	2017	2016
Net profit for the period	3,226,903	2,559,560
<u>Other comprehensive income items:</u>		
<i>Items can be classified later into statement of income:</i>		
Change in fair value of available for sale investments	1,495,556	(1,972,296)
Group's share in associates' reserves	517,533	(206,519)
Foreign currency translation of a subsidiary	(9,719)	(4,225)
Other comprehensive income for the period	2,003,370	(2,183,040)
Total comprehensive income for the period	5,230,273	376,520
Distributed as follows:		
Company's shareholders	5,229,540	375,726
Non-controlling interest	733	794
	5,230,273	376,520

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

Kuwait National Cinema Company K.P.S.C
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Interim Condensed Consolidated Statement of Changes in Equity for the three months ended 31 March 2017
(Unaudited)

(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company						Non-controlling Interest	Total
	Share capital	Treasury shares	Statutory reserve	General reserve	Other reserves (Note 9)	Retained earnings		
Balance as at 1 January 2016	10,106,250	(6,467,849)	5,053,125	10,438,959	20,051,658	26,915,449	66,097,592	66,125,465
Net profit for the period	-	-	-	-	-	2,558,766	2,558,766	2,559,560
Total other comprehensive income items	-	-	-	-	(2,183,040)	-	(2,183,040)	(2,183,040)
Purchase of treasury shares	-	(106,980)	-	-	-	-	(106,980)	(106,980)
Balance as at 31 March 2016	10,106,250	(6,574,829)	5,053,125	10,438,959	17,868,618	29,474,215	66,366,338	66,395,005
Balance as at 1 January 2017	10,106,250	(6,698,660)	5,053,125	11,414,197	18,768,492	30,280,037	68,923,441	68,955,107
Net profit for the period	-	-	-	-	-	3,226,170	3,226,170	3,226,903
Total other comprehensive income items	-	-	-	-	2,003,370	-	2,003,370	2,003,370
Sale of treasury shares	-	57,556	-	-	23,703	-	81,259	81,259
Balance as at 31 March 2017	10,106,250	(6,641,104)	5,053,125	11,414,197	20,795,565	33,506,207	74,234,240	74,266,639

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

Kuwait National Cinema Company K.P.S.C
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Interim Condensed Consolidated Statement of Cash flows for the three months ended 31 March 2017
(Unaudited)

(All amounts are in Kuwaiti Dinars)

	Note	Three months ended	
		31 March	
		2017	2016
Cash flows from operating activities			
Net profit for the period		3,226,903	2,559,560
Less:			
Depreciation and amortization		309,577	367,980
Gains from financial investment		(846,958)	(796,169)
Group's share in associate's results		(838,422)	(739,429)
Post employment benefits		64,669	191,132
Finance costs		204,477	189,524
Operating profit before changes in operating assets and liabilities		2,120,246	1,772,598
Inventories		(87,942)	50,402
Trade and other receivables		(367,315)	(401,806)
Trade and other payables		322,832	334,947
Cash generated from operating activities		1,987,821	1,756,141
Post employment benefits paid		(8,875)	(25,548)
Net cash generated from operating activities		1,978,946	1,730,593
Cash flows from investment activities			
Paid for purchase of property, plant and equipment		(76,568)	(361,231)
Paid for purchase of intangible assets		(67,432)	(380,235)
Paid for purchase of available for sale investments		-	(77,638)
Net cash used in investing activities		(144,000)	(819,104)
Cash flows from financing activities			
Paid for purchase of treasury shares		-	(106,980)
Selling treasury shares		81,259	-
Loans and bank facilities		(134,291)	-
Finance costs paid		(197,296)	(184,248)
Dividends paid		(66,669)	(57,050)
Net cash used in financing activities		(316,997)	(348,278)
Net increase in cash and cash equivalents		1,517,949	563,211
Cash and cash equivalents at the beginning of the period		22,109,607	19,064,891
Cash and cash equivalents at the end of the period	7	23,627,556	19,628,102

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

Notes to the Interim Condensed Consolidated Financial Information for the three months ended 31 March 2017
(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 information include the financial information of the Company and its following 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

The interim condensed consolidated financial information for the three months ended 31 March 2017 was authorized for issuance by the Board of Directors on 26 April 2017.

2. Significant accounting policies

This interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard No. (34), "Interim Financial Reporting".

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

In the management's opinion, all necessary adjustments (including recurring accruals) have been included in the interim condensed consolidated financial information for fair presentation. The operating results for the period ended 31 March 2017 are not necessarily indicative of the results that maybe expected for the year ending 31 December 2017. For further information, refer to the consolidated financial statements and its related notes for the year ended 31 December 2016.

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 2016, except for the adoption of the new and amended IFRS, which become effective for annual periods beginning on or after 1 January 2017 as follows:

- Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealised losses
- Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Annual Improvements to IFRS Standards 2014-2016 Cycle - Amendments to IFRS 12

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

Notes to the Interim Condensed Consolidated Financial Information for the three months ended 31 March 2017
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3. Fair value estimation

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

- Level one: Quoted prices in active markets for identical assets or liabilities.
- Level two: Quoted prices in an active market for similar instruments. Quoted prices for identical assets or liabilities in market that are not active. Inputs other than quoted prices that are observable for assets and liabilities.
- Level three: Evaluation methods 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)
	31/3/2017	31/12/2016	31/03/2016				
Quoted Shares	21,296,322	19,800,767	20,459,667	31 March	Level 1	Last bid price	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. Investments in an associate

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

	31 March 2017	31 December 2016 (Audited)	31 March 2016
Balance as at the beginning of the period/ year	35,993,349	34,593,907	34,593,907
Group's share in an associate's results	838,422	3,365,484	739,429
Group's share from an associate's reserves	517,533	(166,042)	(206,519)
Dividends	-	(1,800,000)	-
Balance at the end of the period/ year	37,349,304	35,993,349	35,126,817

5. Investments available for sale

	31 March 2017	31 December 2016 (Audited)	31 March 2016
Quoted shares	21,296,322	19,800,767	20,459,667
Unquoted shares	2,081,510	2,081,509	2,763,367
Investment funds	15,199	15,199	38,565
	23,393,031	21,897,475	23,261,599

- 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.

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6. Trade and other receivables	31 March 2017	31 December 2016 (Audited)	31 March 2016
Trade receivables	507,490	417,785	453,226
Due from related parties (note 15)	537,100	532,330	796,331
	1,044,590	950,115	1,249,557
Provision of impairment	(595,696)	(503,028)	(503,028)
	448,894	447,087	746,529
Advance payment to purchase property and equipment	-	-	293,067
Prepaid expenses	452,669	191,354	238,944
Refundable deposits	603,721	604,021	414,005
Staff receivables	411,824	391,675	141,718
Accrued Revenues	931,302	-	801,229
Other receivables	20,000	20,000	22,487
	<u>2,868,410</u>	<u>1,654,137</u>	<u>2,657,979</u>
7. Cash, current accounts and deposits	31 March 2017	31 December 2016 (Audited)	31 March 2016
Cash on hand	158,458	115,091	67,284
Banks current accounts	14,691,902	19,573,149	18,756,645
Time deposit	7,647,321	10,514	10,398
Cash in investment portfolios	1,139,875	2,420,853	803,775
Cash, current accounts and deposits	23,637,556	22,119,607	19,638,102
Less: deposits pledged at banks more than three months	(10,000)	(10,000)	(10,000)
Cash and cash equivalents	<u>23,627,556</u>	<u>22,109,607</u>	<u>19,628,102</u>
8. Treasury shares	31 March 2017	31 December 2016 (Audited)	31 March 2016
Number of treasury shares (share)	6,909,964	6,969,850	6,858,672
Percentage to issued shares (%)	6.84	6.90	6.79
Market value	9,535,750	7,806,232	6,652,912

The Parent Company should keep reserves and retained earnings equivalent to the treasury shares throughout the period, in which they are held by the Parent Company, pursuant to the relevant instructions of the regulatory authorities.

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Notes to the Interim Condensed Consolidated Financial Information for the three months ended 31 March 2017
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9. Other reserves

	Land revaluation reserve	Change in fair value reserve	Currency translation reserve	Treasury shares reserve	Total
Balance at 1 January 2016	8,524,134	11,151,746	352,874	22,904	20,051,658
Total other comprehensive income items	-	(2,158,005)	(25,035)	-	(2,183,040)
Balance at 31 March 2016	8,524,134	8,993,741	327,839	22,904	17,868,618
Balance at 1 January 2017	10,066,140	8,327,810	351,022	23,520	18,768,492
Total other comprehensive income items	-	2,024,703	(21,333)	-	2,003,370
Sale of treasury shares	-	-	-	23,703	23,703
Balance at 31 March 2017	10,066,140	10,352,513	329,689	47,223	20,795,565

10. Loans and bank facilities

	31 March 2017	31 December 2016 (Audited)	31 March 2016
Short term loans	19,550,000	19,550,000	19,550,000
Banks - overdraft	198,658	332,949	9,005
	19,748,658	19,882,949	19,559,005

- Loans and bank facilities granted to the Group from local banks are pledged against promissory notes and deposits.
- The effective interest rate on loans and bank facilities is 3.92% as at 31 March 2017 (3.69% as at 31 December 2016 and 3.65% 31 March 2016).

11. Earnings per share

Basic and diluted earnings per share are computed by dividing profit during the period by the weighted average number of ordinary shares outstanding during the period as follows:

	Three months ended 31 March	
	2017	2016
Net profit for the Parent Company	3,226,170	2,558,766
Weighted average number of outstanding shares (share)	94,120,042	94,303,389
Earnings per share (fils)	34.28	27.13

Both basic and diluted earnings per share are equal since the Parent Company does not have diluted outstanding instruments.

12. Subsequent events

On 18 April 2017, the General Assembly of the Parent Company's shareholders approved the consolidated financial statements for the year ended 31 December 2016, also approved cash dividends of 53 fils per share from the profits for the year 2016.

Kuwait National Cinema Company K.P.S.C
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Notes to the Interim Condensed Consolidated Financial Information for the three months ended 31 March 2017
(Unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

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 and funds.

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

	Divisions activity as at 31 March 2017				
	Cinema division	Concession division	Investment division	Unallocated items	Total
Net revenues	4,906,747	1,493,825	1,685,380	530,169	8,616,121
Costs	(3,620,179)	(566,053)	-	(1,202,986)	(5,389,218)
Segment's profit	<u>1,286,568</u>	<u>927,772</u>	<u>1,685,380</u>	<u>(672,817)</u>	<u>3,226,903</u>
Assets	<u>15,204,425</u>	<u>317,066</u>	<u>62,676,801</u>	<u>26,838,069</u>	<u>105,036,361</u>
	Divisions activity as at 31 March 2016				
	Cinema division	Concession division	Investment division	Unallocated items	Total
Net revenues	4,273,014	1,358,637	1,535,598	494,616	7,661,865
Costs	(3,475,513)	(517,900)	-	(1,108,892)	(5,102,305)
Segment's profit	<u>797,501</u>	<u>840,737</u>	<u>1,535,598</u>	<u>(614,276)</u>	<u>2,559,560</u>
Assets	<u>13,404,426</u>	<u>397,666</u>	<u>59,575,979</u>	<u>23,292,889</u>	<u>96,670,960</u>

14. Contingent liabilities

Letters of Guarantee were contingently liable for a third party with an amount of KD 346,306 as at 31 March 2017 (KD 167,220 as at 31 December 2016, KD 167,220 as at 31 March 2016).

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:

	31 March 2017	31 March 2016
Related parties transactions		
Key management compensation	71,022	70,724
Expenses (rents, consultancy and others) charged in statement of income	371,327	304,035
Other income	31,100	31,100

The balances resulting from those transactions are as follows:

Balances resulting from those transactions:	2017	2016
Due from related parties (note 6)	537,100	532,330
Due to related parties	45,564	51,103
Cash at investment portfolios (note 7)	1,139,875	2,420,853
Long-term key management compensation	164,702	160,109
Short-term key management compensation	49,892	12,192

A related party manages investment portfolios on behalf of the company. The book value of such portfolio is amounted to KD 23,377,832 as at 31 March 2017 (KD 21,882,276 as at 31 December 2016, KD 23,223,034 as at 31 March 2016).

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