



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

**Interim Condensed Consolidated Financial Information
and Review Report
For the three months ended 31 March 2020
(Unaudited)**



Kuwait National Cinema Company K.P.S.C.

And its Subsidiaries

State of Kuwait

**Interim Condensed Consolidated Financial Information
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For the three months ended 31 March 2020

(Unaudited)

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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 2020 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

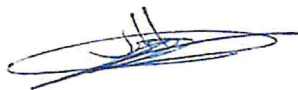
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons 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, as amended, or of the Parent Company's Memorandum and Articles of Association, as amended, have occurred during the three-month period ended 31 March 2020 that might have had a material effect on the business of the Group or on its consolidated financial position.



Talal Y. Al-Muzaini
Licence No. 209A
Deloitte & Touche
Al-Wazzan & Co.

Kuwait, 10 August 2020

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 2020****(Unaudited)***(All amounts are in Kuwaiti Dinar)*

	Note	31 March 2020	31 December 2019 (Audited)	31 March 2019
ASSETS				
Non-current assets				
Property, plant and equipment		22,975,143	22,770,559	16,328,612
Investments properties		4,673,004	4,673,004	7,080,740
Right-of-use assets	4	11,972,125	12,513,576	14,188,189
Intangible assets		535,900	796,514	1,584,889
Investments in an associate	5	38,960,002	39,460,952	38,344,664
Investments at FVTOCI	6	7,954,930	8,365,409	6,595,083
		<u>87,071,104</u>	<u>88,580,014</u>	<u>84,122,177</u>
Current assets				
Inventories		670,721	658,188	495,508
Trade and other receivables		1,788,090	1,745,360	2,649,363
Cash at banks, on hand and investment portfolios	7	28,476,233	28,181,756	39,753,816
		<u>30,935,044</u>	<u>30,585,304</u>	<u>42,898,687</u>
Total assets		<u>118,006,148</u>	<u>119,165,318</u>	<u>127,020,864</u>
Equity and liabilities				
Equity				
Share capital		10,106,250	10,106,250	10,106,250
Treasury shares	8	(8,122,474)	(8,122,474)	(8,113,167)
Statutory reserve		5,065,834	5,065,834	5,065,834
Voluntary reserve		14,241,729	14,241,729	13,346,691
Other reserves	9	18,942,957	20,077,146	17,610,190
Retained earnings		40,410,026	39,360,176	38,191,117
Equity attributable to the Parent Company's shareholders		80,644,322	80,728,661	76,206,915
Non-controlling interest		15,423	39,735	37,328
		<u>80,659,745</u>	<u>80,768,396</u>	<u>76,244,243</u>
Liabilities				
Non-current liabilities				
Lease liabilities	4	10,114,000	10,721,130	12,090,267
Post-employment benefits		1,765,775	1,755,042	1,935,249
		<u>11,879,775</u>	<u>12,476,172</u>	<u>14,025,516</u>
Current liabilities				
Trade and other payables		8,672,666	9,618,366	8,886,320
Lease liabilities	4	1,573,917	1,594,341	1,712,109
Loans and bank facilities	10	15,220,045	14,708,043	26,152,676
		<u>25,466,628</u>	<u>25,920,750</u>	<u>36,751,105</u>
Total liabilities		<u>37,346,403</u>	<u>38,396,922</u>	<u>50,776,621</u>
Total equity and liabilities		<u>118,006,148</u>	<u>119,165,318</u>	<u>127,020,864</u>

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

Abdul Wahab Marzouq Al-Marzouq

Chairman

Hisham Fahad Al-Ghanim

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 2020
(Unaudited)**
(All amounts are in Kuwaiti Dinar)

	Note	Three months ended	
		31 March	
		2020	2019
Operating revenues		3,302,397	3,921,835
Operating costs		(3,184,841)	(3,233,194)
Gross profit		117,556	688,641
Other operating income		2,253,139	2,479,136
General and administrative expenses		(500,948)	(821,747)
Other operating expenses		(710,101)	(694,088)
Net profit of financial investments		206	40,742
Group's share in an associate results	5	211,094	678,791
Expected credit losses		-	(36,687)
Finance costs		(239,455)	(386,246)
Net profit before deductions		1,131,491	1,948,542
Contribution to Kuwait Foundation for the Advancement of Sciences		(6,600)	(10,576)
National Labor Support Tax		(25,015)	(50,636)
Zakat		(48,088)	(11,315)
Net profit for the period		1,051,788	1,876,015
Attributable to:			
Parent Company's shareholders		1,049,850	1,874,436
Non-controlling interest		1,938	1,579
		<u>1,051,788</u>	<u>1,876,015</u>
Earnings per share (fils)	11	<u>11.32</u>	<u>20.21</u>

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 2020 (Unaudited)***(All amounts are in Kuwaiti Dinar)*

	Three months ended 31 March	
	2020	2019
Net profit for the period	<u>1,051,788</u>	<u>1,876,015</u>
Other comprehensive income items:		
Items that will not be reclassified subsequently to statement of income:		
Net changes in fair value of financial investments at FVTOCI	(410,478)	626,082
Group's share in an associates' reserves (note 5)	<u>(758,116)</u>	<u>(462,820)</u>
	<u>(1,168,594)</u>	<u>163,262</u>
Items that may be reclassified subsequently to statement of income:		
Group's share in an associate's reserve (note 5)	46,072	8,503
Foreign currency translation differences of a subsidiary	<u>(11,667)</u>	<u>(5,755)</u>
	<u>34,405</u>	<u>2,748</u>
Other comprehensive (loss)/ income for the period	<u>(1,134,189)</u>	<u>166,010</u>
Total comprehensive (loss)/ income for the period	<u>(82,401)</u>	<u>2,042,025</u>
Attributable to:		
Parent Company's shareholders	(84,339)	2,040,446
Non-controlling interest	<u>1,938</u>	<u>1,579</u>
	<u>(82,401)</u>	<u>2,042,025</u>

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

**Interim Condensed Consolidated Statement of Changes in Equity for the three months ended 31 March 2020
(Unaudited)**

(All amounts are in Kuwaiti Dinar)

	Equity attributable to shareholders of the Parent Company						Non- controlling Interest	Total
	Share capital	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (Note 9)	Retained earnings		
Balance as at 1 January 2019	10,106,250	(8,095,324)	5,065,834	13,346,691	17,444,180	36,760,616	36,124	74,664,371
Impact of adoption of IFRS 16	-	-	-	-	-	(443,935)	-	(443,935)
Balance as at 1 January 2019 (restated)	10,106,250	(8,095,324)	5,065,834	13,346,691	17,444,180	36,316,681	36,124	74,220,436
Net profit for the period	-	-	-	-	-	1,874,436	1,579	1,876,015
Other comprehensive income for the period	-	-	-	-	166,010	-	-	166,010
Total comprehensive income for the period	-	-	-	-	166,010	1,874,436	1,579	2,042,025
Purchase of treasury shares	-	(17,843)	-	-	-	-	-	(17,843)
Cash dividends	-	-	-	-	-	-	(375)	(375)
Balance as at 31 March 2019	10,106,250	(8,113,167)	5,065,834	13,346,691	17,610,190	38,191,117	37,328	76,244,243
Balance as at 1 January 2020	10,106,250	(8,122,474)	5,065,834	14,241,729	20,077,146	39,360,176	39,735	80,728,661
Net profit for the period	-	-	-	-	-	1,049,850	1,938	1,051,788
Other comprehensive loss for the period	-	-	-	-	(1,134,189)	-	-	(1,134,189)
Total comprehensive loss for the period	-	-	-	-	(1,134,189)	1,049,850	1,938	(82,401)
Cash dividends	-	-	-	-	-	-	(26,250)	(26,250)
Balance as at 31 March 2020	10,106,250	(8,122,474)	5,065,834	14,241,729	18,942,957	40,410,026	15,423	80,659,745

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

**Interim Condensed Consolidated Statement of Cash Flows for the three months ended 31 March 2020
(Unaudited)**

(All amounts are in Kuwaiti Dinar)

	Three months ended 31 March	
	2020	2019
Cash flows from operating activities		
Net profit for the period	1,051,788	1,876,015
<i>Adjustments:</i>		
Depreciation and amortization	631,532	606,216
Amortization of right-of-use assets	541,451	541,451
Net gains from investments at FVTOCI	(206)	(40,742)
Group's share in an associate's results	(211,094)	(678,791)
Expected credit losses	-	38,788
Post-employment benefits	69,290	52,600
Finance costs	136,298	265,382
Interest portion of lease liability	103,157	120,864
Operating profit before changes in operating assets and liabilities	2,322,216	2,781,783
Inventories	(12,533)	130,319
Trade and other receivables	(42,523)	(629,098)
Trade and other payables	(967,164)	(284,355)
Cash generated from operating activities	1,299,996	1,998,649
Post-employment benefits paid	(58,557)	(10,803)
Net cash generated from operating activities	1,241,439	1,987,846
Cash flows from investment activities		
Paid for purchase of property, plant and equipment	(516,576)	(1,277,497)
Paid for purchase of intangible assets	(42,630)	(645,496)
Paid-for investments at FVTOCI	-	(5,893,772)
Proceeds from sale of investments at FVTOCI	-	12,120,445
Dividends received	-	45,182
Net cash (used in)/generated from investing activities	(559,206)	4,348,862
Cash flows from financing activities		
Paid for purchase of treasury shares	-	(17,843)
Loans and bank facilities	512,002	(75,561)
Finance costs paid	(140,407)	(429,996)
Repayment of lease liability	(730,711)	(686,262)
Dividends paid	(28,640)	(2,845)
Net cash used in financing activities	(387,756)	(1,212,507)
Net change in cash and cash equivalents	294,477	5,124,201
Cash and cash equivalents at the beginning of the period	28,190,494	34,645,701
Cash and cash equivalents at the end of the period (note 7)	28,484,971	39,769,902

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 2020
(Unaudited)**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

1. Company's Incorporations

Kuwait National Cinema Company K.P.S.C. "the Parent 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 Parent Company is listed on Boursa Kuwait.

The Parent Company's address is Old Khaitan area, block number 9, building Number 164, second floor, office (1+2), P.O. Box 502 Safat, 13006 Safat, Kuwait.

This Consolidated financial information includes the financial information of the Parent Company and the financial information of 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 2020 was authorized for issuance by the Board of Directors on 10 August 2020.

2. Basis of presentation and significant accounting policies

2.1 Basis of presentation

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 Standards.

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 2020 are not necessarily indicative of results that may be expected for the year ending 31 December 2020. For further information, refer to the consolidated financial statements and its related notes for the year ended 31 December 2019.

2.2 Significant accounting policies

The accounting policies used in the preparation of this condensed consolidated interim financial information are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, and the notes attached thereto, except for the adoption of certain new and revised standards, that became effective in the current period as set out below.

2.2.1 New and amended standards adopted by the Group

Definition of Material - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Effective for annual periods beginning on or after 1 January 2020.

The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'.

The adoption of this amendment has not had any material impact on the disclosures or on the amounts reported in these interim condensed consolidated financial information for the three months ended 31 March 2020.

**Notes to the Interim Condensed Consolidated Financial Information for the three months ended 31 March 2020
(Unaudited)**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Definition of a Business – Amendments to IFRS 3 Business Combinations

Effective for annual periods beginning on or after 1 January 2020.

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

The adoption of this amendment has not had any material impact on the disclosures or on the amounts reported in these interim condensed consolidated financial information for the three months ended 31 March 2020.

The amends to IFRS 16

Effective for annual periods beginning on or after 1 January 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. The amendment is also available for interim reports. The group has elected to apply the practical expedient outlined in the amendment to IFRS 16 Concession/Exemption/ Discounting to Lease related to COVID-19 on all eligible contracts.

This amendment:

- Provide lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification;
- Require lessees that apply the practical expedient to account for COVID-19-related rent concessions as if they were not lease modifications;
- Require lessees that apply the practical expedient to disclose whether the practical expedient has been applied to all eligible contracts, or, if not, information about the nature of the contracts to which the practical expedient has been applied; and
- Require lessees to apply the practical expedient retrospectively, recognizing the cumulative effect of applying the amendment as an adjustment to the opening retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment.

The adoption of this amendment has not had any material impact on the disclosures or on the amounts reported in these interim condensed consolidated financial information for the three months ended 31 March 2020.

Other amendments to IFRSs that are effective for annual accounting period starting from 1 January 2020 have not had any material impact on the accounting policies, financial position or performance of the Group.

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 is not active. Inputs other than quoted prices that are observable for assets and liabilities.
- Level three: valuation techniques that are not based on observable market data.

The table below gives information about how the fair values of the significant financial assets and liabilities are determined:

	Fair value as at			Fair value hierarchy	Valuation technique(s) and Key input(s)
	31 March 2020	31 December 2019	31 March 2019		
Equity instruments designated as FVTOCI					
Quoted shares	5,434,718	5,845,197	5,016,404	Level 1	Last bid price
Investment funds	4,168	4,168	4,168	Level 2	Net assets value
Unquoted shares	1,187,465	1,187,465	1,525,948	Level 3	Discounted cash flows
Unquoted shares	1,328,579	1,328,579	48,563	Level 3	Adjusted book value

The fair value of other financial assets and financial liabilities approximately equal its book value as at the interim financial information date.

**Notes to the Interim Condensed Consolidated Financial Information for the three months ended 31 March 2020
(Unaudited)**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

4. Right-of-use assets

The Group as a lessee has leased several assets including buildings and lands. The average lease term is 20 years. The Group's obligations are secured by the lessors' title to the leased assets for such leases.

Right-of-use assets	Buildings	lands	Total
Net carrying amount			
1 January 2020	11,620,989	892,587	12,513,576
31 March 2020	11,112,702	859,423	11,972,125
Amortization expense for the period ended 31 March 2020	508,287	33,164	541,451

Right-of-use assets	Buildings	lands	Total
Net carrying amount			
1 January 2019	13,691,309	1,038,331	14,729,640
31 March 2019	13,195,660	992,529	14,188,189
Amortization expense for the period ended 31 March 2019	495,649	45,802	541,451

Lease liabilities

	31 March 2020	31 December 2019	31 March 2019
Non-Current lease liabilities			
Amounts due for settlement after 12 months	10,114,000	10,721,130	12,090,267
Current lease liabilities			
Amounts due for settlement within 12 months	1,573,917	1,594,341	1,712,109
	<u>11,687,917</u>	<u>12,315,471</u>	<u>13,802,376</u>

Maturity analysis

Maturity dates of undiscounted lease liabilities are as follows:

	31 March 2020	31 December 2019	31 March 2019
Not later than 1 year	2,329,000	2,014,006	2,128,281
Later than 1 year and not later than 5 years	9,591,392	9,896,172	8,240,452
Later than 5 years	1,443,646	1,571,797	5,236,398
	<u>13,364,038</u>	<u>13,481,975</u>	<u>15,605,131</u>

The breakdown of related lease amounts recognised in profit and loss is as follows:

	Three months ended 31 March	
	2020	2019
Amortization expense on right-of-use assets	541,451	541,451
Interest expense on lease liabilities	103,157	120,864
Expense relating to short-term leases	76,520	123,560
Expense relating to variable lease payments not included in the measurement of the lease liability	192,523	198,614
	<u>913,651</u>	<u>984,489</u>

Notes to the Interim Condensed Consolidated Financial Information for the three months ended 31 March 2020 (Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

5. Investments in an associate

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

	31 March 2020	31 December 2019 (Audited)	31 March 2019
Balance as at the beginning of the period/ year	39,460,952	38,564,125	38,564,125
Adjustments from adoption of IFRS 16	-	(443,935)	(443,935)
Group's share in an associate's results	211,094	3,262,947	678,791
<i>Group's share from an associate's reserve:</i>			
Changes in fair value reserves	(758,116)	(122,516)	(462,820)
Group's share from difference of foreign currency reserve	46,072	(2,297)	8,503
Group's share from increase of contribution of an associate in a subsidiary	-	2,628	-
	<u>(712,044)</u>	<u>(122,185)</u>	<u>(454,317)</u>
Dividends received	-	(1,800,000)	-
Balance at the end of the period/ year	<u>38,960,002</u>	<u>39,460,952</u>	<u>38,344,664</u>

6. Investments at FVTOCI

	31 March 2020	31 December 2019 (Audited)	31 March 2019
Quoted shares	5,434,718	5,845,197	5,016,404
Unquoted shares	2,516,044	2,516,044	1,574,511
Investment funds	4,168	4,168	4,168
	<u>7,954,930</u>	<u>8,365,409</u>	<u>6,595,083</u>

Fair value is determined based on valuation techniques disclosed in (Note 3).

7. Cash at banks, on hand and investment portfolios

	31 March 2020	31 December 2019 (Audited)	31 March 2019
Cash on hand	29,610	40,968	51,507
Banks' current accounts	9,870,561	3,869,816	4,696,846
Time deposit	17,920,559	23,621,404	19,540,470
Cash in investment portfolios (Note 13)	664,241	658,306	15,481,079
Cash and cash equivalents	28,484,971	28,190,494	39,769,902
Expected credit losses	(8,738)	(8,738)	(16,086)
	<u>28,476,233</u>	<u>28,181,756</u>	<u>39,753,816</u>

During the period ended 31 March 2020, the effective interest rate on time deposits 1.82% (1.97% - 31 December 2019, 2.59% 31 March 2019).

8. Treasury shares

	31 March 2020	31 December 2019 (Audited)	31 March 2019
Number of treasury shares (share)	8,344,369	8,344,369	8,333,769
Percentage to issued shares (%)	8.26	8.26	8.24
Market value	5,866,091	8,344,369	7,575,396

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.

**Notes to the Interim Condensed Consolidated Financial Information for the three months ended 31 March 2020
(Unaudited)**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

9. Other reserves

	Land revaluation reserve	Change in fair value reserve	Foreign currency translation reserve	Treasury shares reserve	Total
Balance at 1 January 2019	10,066,140	6,869,922	381,025	127,093	17,444,180
Changes in fair value of financial investments at FVTOCI	-	163,262	-	-	163,262
Foreign currency translation reserve	-	-	2,748	-	2,748
Other comprehensive income for the period	-	163,262	2,748	-	166,010
Balance at 31 March 2019	10,066,140	7,033,184	383,773	127,093	17,610,190
Balance at 1 January 2020	11,789,140	7,843,813	317,100	127,093	20,077,146
Changes in fair value of financial investments at FVTOCI	-	(1,168,594)	-	-	(1,168,594)
Foreign currency translation reserve	-	-	34,405	-	34,405
Other comprehensive loss for the period	-	(1,168,594)	34,405	-	(1,134,189)
Balance at 31 March 2020	11,789,140	6,675,219	351,505	127,093	18,942,957

Land revaluation reserve includes the following:

	31 March 2020	31 December 2019 (Audited)	31 March 2019
Revaluation reserve for land within property, plant and equipment	8,319,164	8,319,164	4,701,999
Revaluation reserve for land within investment properties	2,363,735	2,363,735	4,257,900
Revaluation reserve for land sold to an associate	1,106,241	1,106,241	1,106,241
	11,789,140	11,789,140	10,066,140

10. Loans and bank facilities

	31 March 2020	31 December 2019 (Audited)	31 March 2019
Short term loans	10,000,000	10,000,000	21,950,000
Banks - overdraft	4,986,829	4,397,089	4,202,676
Notes payable	233,216	310,954	-
	15,220,045	14,708,043	26,152,676
Average effective rate (%)	3.22	3.94	4.10

Loans and bank facilities granted to the Group from local banks are pledged against promissory notes.

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	
	2020	2019
Net profit attributable to Parent Company's shareholders	1,049,850	1,874,436
Weighted average number of outstanding shares (share)	92,723,044	92,730,382
Earnings per share (fils)	11.32	20.21

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

**Notes to the Interim Condensed Consolidated Financial Information for the three months ended 31 March 2020
(Unaudited)**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

12. 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 and movies selling.
- Concession division: which represents all activities related to concessions supplemented to theaters.
- Investments division: which represents investments in shares, funds and investment property.

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

Divisions activity as at 31 March 2020					
	Cinema division	Concession division	Investment division	Unallocated items	Total
Net revenues	3,302,397	1,322,627	294,117	847,695	5,766,836
Costs	(3,184,841)	(537,905)	(57,719)	(934,583)	(4,715,048)
Segment's profit	117,556	784,722	236,398	(86,888)	1,051,788
Assets	33,774,856	480,541	51,911,408	31,839,343	118,006,148

Divisions activity as at 31 March 2019					
	Cinema division	Concession division	Investment division	Unallocated items	Total
Net revenues	3,921,835	1,450,543	863,678	884,445	7,120,501
Costs	(3,233,194)	(562,349)	(61,109)	(1,387,834)	(5,244,486)
Segment's profit	688,641	888,194	802,569	(503,389)	1,876,015
Assets	29,466,958	335,017	54,056,397	43,162,492	127,020,864

13. 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 table below shows the volume and nature of those transactions during the period and the related balances:

Related parties transactions	31 March 2020	31 March 2019
Key management compensation	35,642	65,167
Expenses (rents, consultancy and others)	302,534	254,075
Other income	11,637	84,509

Balances resulting from those transactions:	31 March 2020	31 December 2019 (Audited)	31 March 2019
Due from related parties	5,373	11,309	773,010
Due to related parties	60,027	2,499	175,468
Cash at investment portfolios (Note 7)	664,241	658,306	15,481,079
Key management compensation balance long term	(85,695)	(83,541)	(180,015)
Key management compensation balance short term	(16,346)	(4,038)	(40,154)

A related party manages investment portfolios on behalf of the Group. The book value of such portfolio is amounted to KD 7,950,762 as at 31 March 2020 (KD 8,361,241 as at 31 December 2019, KD 6,590,915 as at 31 March 2019).

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

14. Subsequent events

On 24 June 2020, the General Assembly of the Parent Company's shareholders approved the consolidated financial statements for the year ended 31 December 2019 and approved cash dividends of 35 fils per share from the profits for the year 2019. Also approved Board of Directors remuneration for 2019.

Notes to the Interim Condensed Consolidated Financial Information for the three months ended 31 March 2020 (Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise stated)

15. Contingent liabilities

The letters of guarantee issued for third parties were amounted to KD 2,386,680 as at 31 March 2020 (KD 2,386,680 as at 31 December 2019 KD 2,386,680 as at 31 March 2019).

16. Future commitments

	31 March 2020	31 December 2019 (Audited)	31 March 2019
Estimated capital expenditure contracted for at the consolidated financial position date	3,725,267	3,359,005	2,511,223
Estimated capital expenditure later contracted	39,800,000	39,800,000	39,800,000
Future commitments for purchasing films	345,310	345,310	345,310

17. Covid-19 impact

The World Health Organization declared on March 11, 2020 the Novel Coronavirus (Covid-19) as a global pandemic. This event has caused widespread disruptions to business, with a consequential negative impact on economic activity. The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption, due to COVID-19 outbreak on its operations and financial performance. The Group has performed an assessment of COVID-19 impact on the financial results of the Group based on the available guidance of IFRSs as well as the available information as at the reporting date, and incorporated the outcome in these interim condensed consolidated financial information by re-evaluating the critical judgement and estimates as at and for the period ended 31 March 2020, as explained below.

Non-financial asset

The Group has not identified any significant impact on the carrying values of its non-financial assets (Property, plant and equipment; investment properties and right-of-use of assets) as at 31 March 2020 due to the impact of Covid- 19. However, markets and economy remain volatile, and the Group is continuously monitoring the events.

Associate

During the period, the Group has performed an assessment of the recoverable amount and possible impairment of its investment in the associate as per the requirements of IAS 36 "Impairment of Assets". Recoverable amount has been determined based on the asset's fair value less costs to sell. Based on the assessment performed, management concluded that, there is no decline of the associate's carrying amount below its recoverable amount (note 5), and the reported amounts represent best management's assessment based on the available observable information.

Unquoted investment

During the period, the management has performed fair value studies for the unquoted shares. Based on the performed assessment, Management concluded that, there is no decline in fair value of unquoted shares, and the reported amounts represent best management's assessment based on the available observable information as at 31 March 2020.

Expected credit losses

Due to the uncertainties caused by COVID-19 the Group reassessed the inputs and assumptions used for the determination of expected credit loss as at 31 March 2020. The Group has updated the forward-looking information based on the best estimates and judgement of the Group's assessment of the current economic climate of the respective market in which it operates, its impact on clients by various segments, the resultant significant increase in the credit risk and re-estimated the expected credit losses as of 31 March 2020. Management concluded that, the reported amounts represent best management's assessment based on the available observable information and there is no material impact due to COVID-19.

Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and based on all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital and liquidity. The impact of COVID-19 continues to evolve, but at the present time, the projections show that Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, this interim condensed consolidated financial information has been appropriately prepared on a going concern basis.