

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

**Interim Condensed Consolidated Financial Information
and Review Report
For the six months ended 30 June 2014
And review report
(Unaudited)**

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

**Interim Condensed Consolidated Financial Information
For the six months ended 30 June 2014
And review report
(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 30 June 2014 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-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."

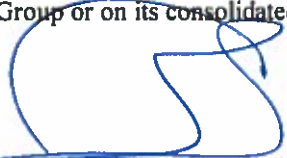
A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012 as amended or of the Parent Company's Memorandum and Articles of Association have occurred during the six-month period ended 30 June 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. 62 A
Deloitte & Touche
Al Wazzan & Co.

Kuwait, 6 August 2014



Rabea Saad Al Muhanna
License No. 182 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 30 June 2014
(Unaudited)**

(All amounts are in Kuwaiti Dinars)

	Note	30 June 2014	31 December 2013 (Audited)	30 June 2013
ASSETS				
Non-current assets				
Property, plant and equipment	4	14,416,665	14,463,609	14,704,422
Intangible assets		948,533	516,779	485,252
Investments in associates	5	30,735,819	30,344,341	29,145,593
Available for sale investments	6	18,558,767	10,267,180	9,719,892
		<u>64,659,784</u>	<u>55,591,909</u>	<u>54,055,159</u>
Current assets				
Inventories		451,142	444,487	445,991
Trade and other receivables	7	1,551,378	1,383,733	1,442,127
Cash, current accounts and deposits	8	8,611,266	11,816,894	10,411,332
		<u>10,613,786</u>	<u>13,645,114</u>	<u>12,299,450</u>
Total assets		<u>75,273,570</u>	<u>69,237,023</u>	<u>66,354,609</u>
Equity and liabilities				
Equity				
Share capital		10,106,250	10,106,250	10,106,250
Treasury shares		(1,668,185)	(1,437,716)	(1,436,516)
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		6,112,132	588,601	827,607
Foreign currency translation reserve		144,031	147,286	180,733
Retained earnings		20,239,098	19,994,379	16,958,717
Equity attributable to the Parent Company's shareholders		57,013,117	51,478,591	47,885,552
Non-controlling interest		13,972	14,159	11,078
		<u>57,027,089</u>	<u>51,492,750</u>	<u>47,896,630</u>
Liabilities				
Non-current liabilities				
Post-employment benefits		1,125,937	1,055,710	1,053,242
Current liabilities				
Trade and other payables		7,161,539	6,728,983	7,445,222
Loans and bank facilities	9	9,959,005	9,959,580	9,959,515
		<u>17,120,544</u>	<u>16,688,563</u>	<u>17,404,737</u>
Total liabilities		<u>18,246,481</u>	<u>17,744,273</u>	<u>18,457,979</u>
Total equity and liabilities		<u>75,273,570</u>	<u>69,237,023</u>	<u>66,354,609</u>

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

Ahmad Dakheel Al-Osaimi
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 six months ended 30 June 2014
(Unaudited)

(All amounts are in Kuwaiti Dinars)

	Note	Three months ended		Six months ended	
		30 June		30 June	
		2014	2013	2014	2013
Operating revenues		4,545,056	4,897,433	8,689,546	9,107,050
Operating costs		(3,443,402)	(3,577,860)	(6,934,764)	(7,226,199)
Gross profit		1,101,654	1,319,573	1,754,782	1,880,851
Other operating income		1,589,952	1,563,518	3,219,002	3,015,831
General and administrative expenses		(326,095)	(431,979)	(853,010)	(834,285)
Other operating expenses		(460,409)	(799,092)	(933,816)	(1,257,966)
Net gain / (loss) of financial investments		86,836	(1,208)	785,836	297,820
Group's share in associates' results	5	846,230	751,414	1,596,762	1,366,954
Finance costs		(127,222)	(97,004)	(253,401)	(225,938)
Profit before deductions		2,710,946	2,305,222	5,316,155	4,243,267
Contribution to Kuwait Foundation for the Advancement of Sciences		(17,731)	(12,746)	(37,469)	(25,502)
National Labor Support Tax		(68,336)	(57,560)	(134,664)	(107,897)
Zakat		(18,872)	(12,656)	(37,898)	(26,143)
Net profit for the period		2,606,007	2,222,260	5,106,124	4,083,725
Attributable to:					
Shareholders of the Parent Company		2,605,322	2,220,163	5,106,311	4,081,267
Non-controlling interest		685	2,097	(187)	2,458
		2,606,007	2,222,260	5,106,124	4,083,725
Earnings per share (fils)	10	26.28	22.36	51.48	41.04

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 six months ended 30 June 2014
(Unaudited)**

(All amounts are in Kuwaiti Dinars)

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
Net profit for the period	2,606,007	2,222,260	5,106,124	4,083,725
Other comprehensive income items:				
<i>Items that may be reclassified subsequently to statement of income:</i>				
Change in fair value of available for sale investments	1,013,503	551,431	5,226,308	986,750
Group's share from associates' reserves	159,396	83,135	294,716	219,285
Foreign currency translation of a subsidiary	(1,223)	(1,891)	(748)	(4,954)
Total other comprehensive income items	1,171,676	632,675	5,520,276	1,201,081
Total comprehensive income for the period	3,777,683	2,854,935	10,626,400	5,284,806
Attributable to:				
Parent Company's shareholders	3,776,998	2,852,838	10,626,587	5,282,348
Non-controlling interest	685	2,097	(187)	2,458
	3,777,683	2,854,935	10,626,400	5,284,806

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
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Interim Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2014
(Unaudited)

(All amounts are in Kuwaiti Dinars)

	Equity attributable to the Parent Company's shareholders								Total	
	Share capital	Treasury shares	Statutory reserve	General reserve	Lands revaluation reserve	Change in fair value reserve	Foreign currency translation reserve	Retained earnings		Non-controlling interest
Balance as of 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	16,120	47,672,748
Net profit for the period	-	-	-	-	-	-	-	4,081,267	2,458	4,083,725
Total other comprehensive income items	-	-	-	-	-	1,165,625	35,456	-	-	1,201,081
Purchase of treasury shares	-	(386,177)	-	-	-	-	-	-	-	(386,177)
Cash dividends (Note 11)	-	-	-	-	-	-	-	(4,667,247)	-	(4,667,247)
Non-controlling interest share in a subsidiary's share capital reduction	-	-	-	-	-	-	-	-	(7,500)	(7,500)
Balance as of 30 June 2013	10,106,250	(1,436,516)	5,053,125	7,671,502	8,524,134	827,607	180,733	16,958,717	11,078	47,896,630
Balance as of 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	14,159	51,492,750
Net profit for the period	-	-	-	-	-	-	-	5,106,311	(187)	5,106,124
Total other comprehensive income items	-	-	-	-	-	5,523,531	(3,255)	-	-	5,520,276
Purchase of treasury shares	-	(230,469)	-	-	-	-	-	-	-	(230,469)
Cash dividends (Note 11)	-	-	-	-	-	-	-	(4,861,592)	-	(4,861,592)
Balance as of 30 June 2014	10,106,250	(1,668,185)	5,053,125	8,502,532	8,524,134	6,112,132	144,031	20,239,098	13,972	57,027,089

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 six months ended 30 June 2014
(Unaudited)**

(All amounts are in Kuwaiti Dinars)

	Note	Six months ended 30 June	
		2014	2013
Cash flows from operating activities			
Net cash generated from operating activities	12	5,368,007	12,588,412
Cash flows from investment activities			
Paid for purchase of property, plant and equipment and intangible assets		(1,136,317)	(672,534)
Paid for purchase of available for sale investments		(3,065,279)	(700,000)
Proceeds from sale of an associate		-	2,020,000
Dividends received		701,519	300,200
Net cash (used in) / generated from investing activities		(3,500,077)	947,666
Cash flows from financing activities			
Paid for purchase of treasury shares		(230,469)	(386,177)
Loans and bank facilities		(575)	(5,999,304)
Finance costs paid		(180,410)	(257,567)
Dividends paid		(4,662,104)	(5,311,155)
Paid to non-controlling interest on reduction of a subsidiary's share capital		-	(7,500)
Net cash used in financing activities		(5,073,558)	(11,961,703)
Net (decrease) / increase in cash and cash equivalents		(3,205,628)	1,574,375
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	8,601,266	10,401,332

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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**Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2014
(Unaudited)**
(All amounts are in Kuwaiti Dinars unless otherwise stated)

1. Parent Company's incorporations

Kuwait National Cinema Company K.P.S.C. (the Parent Company) is a Kuwaiti 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 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 Parent 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 of subsidiaries was prepared by management. The subsidiaries total assets amounted to KD 2,680,307 as at 30 June 2014 (KD 2,809,886 as at 31 December 2013, KD 2,599,478 as at 30 June 2013) and their net loss KD 27,341 for the six months ended 30 June 2014 (profit of KD 323,657 for the six months ended 30 June 2013).

The interim condensed consolidated financial information for the six months ended 30 June 2014 was authorized for issuance by the Board of Directors on 6 August 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 30 June 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

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**Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2014
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(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
	30/06/2014	31/12/13	30/06/2013					
Quoted Shares	16,581,168	5,574,055	5,132,544	30 June	Level 1	Last bid price	NA	NA
Local Investment Funds	44,946	44,470	42,040	30 June	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:

	30 June 2014	31 December 2013 (Audited)	30 June 2013
Net book value at the beginning of the period/ year	14,463,609	15,347,929	15,347,929
Additions during the period/ year	325,019	433,921	152,804
Net disposals during the period/ year	-	(445,275)	(389,071)
Depreciation of the period/ year	(371,963)	(872,966)	(407,240)
Net book value at the end of the period/ year	14,416,665	14,463,609	14,704,422

5. Investments in associates

This represents 30% of the Group's investments in Tamdeen Shopping centers (K.S.C.C.)

	30 June 2014	31 December 2013 (Audited)	30 June 2013
Balance at the beginning of the period/ year	30,344,341	29,059,354	29,059,354
Group's share in associates' results	1,596,762	2,460,135	1,366,954
Group's share in an associate's change in fair value reserve	297,223	316,581	178,875
Group's share in an associate's foreign currency translation reserve	(2,507)	8,271	40,410
Dividends	(1,500,000)	(1,500,000)	(1,500,000)
Balance at the end of the period/ year	30,735,819	30,344,341	29,145,593

6. Available for sale investments

Available for sale investments are represented in the following:

	30 June 2014	31 December 2013 (Audited)	30 June 2013
Quoted shares	16,581,168	5,574,055	5,132,544
Unquoted shares	1,932,653	4,648,655	4,545,308
Investment funds	44,946	44,470	42,040
	18,558,767	10,267,180	9,719,892

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

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(All amounts are in Kuwaiti Dinars unless otherwise stated)

- 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.

7. Trade and other receivables

	30 June 2014	31 December 2013 (Audited)	30 June 2013
Trade receivables	360,013	351,144	347,475
Due from related parties (Note 15)	740,495	724,859	721,341
	1,100,508	1,076,003	1,068,816
Provision of impairment	(462,202)	(462,202)	(462,202)
	638,306	613,801	606,614
Prepaid expenses	169,893	143,545	212,310
Refundable deposits	492,540	492,540	485,100
Staff receivables	139,370	113,847	91,362
Other	111,269	20,000	46,741
	<u>1,551,378</u>	<u>1,383,733</u>	<u>1,442,127</u>

8. Cash, current accounts and deposits

	30 June 2014	31 December 2013 (Audited)	30 June 2013
Cash on hand	37,189	49,227	59,844
Banks current accounts	6,667,840	11,421,307	8,511,811
Cheques under collection	1,500,000	-	1,502,770
Time deposits	10,271	249,473	10,195
Cash in investment portfolios	395,966	96,887	326,712
	8,611,266	11,816,894	10,411,332
Less: deposits pledged at banks (note 9)	(10,000)	(10,000)	(10,000)
Cash and cash equivalents	<u>8,601,266</u>	<u>11,806,894</u>	<u>10,401,332</u>

9. Loans and bank facilities

	30 June 2014	31 December 2013 (Audited)	30 June 2013
Short term loans	9,950,000	9,950,000	9,950,000
Banks - overdraft	9,005	9,580	9,515
	<u>9,959,005</u>	<u>9,959,580</u>	<u>9,959,515</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 3.96% as at 30 June 2014 (3.75% as at 31 December 2013 and 30 June 2013).

10. Earnings per share

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
Net profit for the period	2,605,322	2,220,163	5,106,311	4,081,267
Weighted average number of outstanding shares for the period (share)	99,143,315	99,297,007	99,187,230	99,442,547
Earnings per share (fils)	<u>26.28</u>	<u>22.36</u>	<u>51.48</u>	<u>41.04</u>

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**Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2014
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(All amounts are in Kuwaiti Dinars unless otherwise stated)**

11. Dividends

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 per share from the profit of the year 2012).

12. Cash Flows from operating activities

	Six months ended 30 June	
	2014	2013
Net profit for the period	5,106,124	4,083,725
Adjustments to:		
Depreciation and amortization	755,815	1,113,227
Losses on disposal of property, plant and equipment	-	389,071
Net gains from financial investments	(785,836)	(297,820)
Group's share in associate's result	(1,596,762)	(1,366,954)
Post-employment benefits	95,793	119,205
Finance costs	253,401	225,938
Operating profit before changes in operating assets and liabilities	3,828,535	4,266,392
Inventories	(6,655)	(12,417)
Trade and other receivables	1,423,625	6,568,499
Trade and other payables	148,068	1,808,943
Cash generated from operating activities	5,393,573	12,631,417
Post-employment benefits paid	(25,566)	(43,005)
Net cash generated from operating activities	5,368,007	12,588,412

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 is constant 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.
- Investment 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 30 June 2014				
	Cinema division	Concession division	Investment division	Unallocated items	Total
Net revenues	8,689,546	2,371,903	2,382,598	847,099	14,291,146
Costs	(6,934,764)	(933,816)	-	(1,316,442)	(9,185,022)
Segment's profit	1,754,782	1,438,087	2,382,598	(469,343)	5,106,124
Assets	15,615,261	234,135	49,834,482	9,589,692	75,273,570
	Division activity as at 30 June 2013				
	Cinema division	Concession division	Investment division	Unallocated items	Total
Net revenues	9,107,050	2,243,111	1,664,774	772,720	13,787,655
Costs	(7,226,199)	(1,257,966)	-	(1,219,765)	(9,703,930)
Segment's profit	1,880,851	985,145	1,664,774	(447,045)	4,083,725
Assets	15,738,666	278,820	39,623,539	10,713,584	66,354,609

**Kuwait National Cinema Company K.P.S.C.
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(All amounts are in Kuwaiti Dinars unless otherwise stated)

14. Contingent liabilities

Letters of Guarantee issued to third party amounted to KD 167,220 as at 30 June 2014 (KD 167,220 as at 31 December 2013, KD 167,220 as at 30 June 2013).

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:

	<u>30 June 2014</u>	<u>30 June 2013</u>
Salaries and remuneration	93,900	79,500
Leave and post-employment benefits	21,208	18,480

Balances resulted from such transactions are as follows:

	<u>30 June 2014</u>	<u>31 December 2013 (Audited)</u>	<u>30 June 2013</u>
Due from related parties (Note 7)	740,495	724,859	721,341
Due to related parties	57,685	18,997	74,731

Related parties transactions are subject to the approval of General Assembly of the shareholders.