



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

**Consolidated Financial Statements  
And Independent Auditors' report  
For the year ended 31 December 2016**

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And its Subsidiaries  
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And Independent Auditors' report  
For the year ended 31 December 2016**

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**Independent Auditors' Report  
To the Shareholders of Kuwait National Cinema K.P.S.C.  
State of Kuwait**

**Report on the Audit of Consolidated Financial Statements**

*Opinion*

We have audited the consolidated financial statements of the Kuwait National Cinema – K.P.S.C (“Parent Company”) and its subsidiaries (referred collectively as “the Group”) which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Basis for Opinion*

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter, our description of how our audit addressed the matter is provided in that context.

**Revaluation of lands under Property and Equipment**

The carrying value of the lands as at 31 December 2016 is amounted to KD 9,609,899, and amount transferred to the related revaluation reserve is amounted to KD 1,542,006 (refer to Accounting Policy 2.3.2, Note 4 “Significant Accounting Estimates” and Note 5 of these consolidated financial statements).

The revaluation requires significant estimates and judgements. The significance of the estimates and judgements, along with the fact that any differences in the valuation of individual property, when aggregated, could result in a significant misstatement, that require specific audit focus in this area. Accordingly, we considered it as one of the key audit matters.

The revaluation was carried out by independent third party valuers (the ‘Valuers’). The Valuers were engaged by the Group. The Valuers are certified and have a considerable experience of the markets in which the Group operates.

As a part of our audit procedures, we have selected a samples of the lands in order to test the appropriateness of the revaluation methods as well as the inputs used for the same purpose.

**Independent Auditors' Report (continued)**

**To the Shareholders of Kuwait National Cinema K.P.S.C.  
State of Kuwait**

**Report on the Audit of Consolidated Financial Statements (continued)**

**Revenue recognition - Cinema's revenues**

Revenue from movie shows is amounted to KD 17,361,946 for the year ended 31 December 2016 (2015: KD 18,165,727).

Revenue from movie shows is recognized from theaters in different places using manual and automated tools for booking the tickets. (Refer to Accounting Policy 2.3.12 and Note 18 of these consolidated financial statements).

In addition, revenue recognition includes an inherent risk of material misstatements. Accordingly, we considered it as one of the key audit matters.

We understood the internal control systems relating to revenue recognition, whether manual or automated, and we tested such systems to obtain evidence on its implementation and operating effectiveness during the year. In addition, we have performed analytical procedures with respect to revenues from movie shows.

*Other Information*

Management is responsible for the other information. The other information comprises all information other than the consolidated financial statements and auditors' report thereon. We expect to receive the Group's annual report of 2016 after the date of the auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

**Independent Auditors' Report (continued)**

To the Shareholders of Kuwait National Cinema K.P.S.C.  
State of Kuwait

**Report on the Audit of Consolidated Financial Statements (continued)**

*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements(continued)*

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

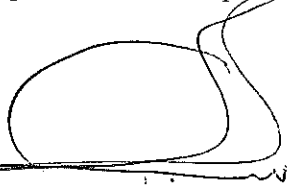
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Independent Auditors' Report (continued)**  
**To the Shareholders of Kuwait National Cinema K.P.S.C.**  
**State of Kuwait**

**Report on Other Legal and Regulatory Requirements**

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its executive regulations, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out; and that, to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016 and its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2016 that might have had a material effect on the business of the Group or on its financial position.



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

Kuwait, 14 February 2017



**Rabea Saad Al Muhanna**  
Licence No. 152 A  
Horwath Al Muhanna & Co.

Consolidated Statement of Financial Position as at 31 December 2016

(All amounts are in Kuwaiti Dinars)

	Notes	2016	2015
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	17,050,341	15,183,282
Intangible assets	6	536,117	495,049
Investment in an associate	7	35,993,349	34,593,907
Available for sale investments	8	21,897,475	25,156,257
		<u>75,477,282</u>	<u>75,428,495</u>
<b>Current assets</b>			
Inventories		274,906	255,084
Trade and other receivables	9	1,654,137	1,161,836
Cash on hand, at banks and investment portfolios	10	22,119,607	19,074,891
		<u>24,048,650</u>	<u>20,491,811</u>
<b>Total assets</b>		<u><u>99,525,932</u></u>	<u><u>95,920,306</u></u>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	11	10,106,250	10,106,250
Treasury shares	12	(6,698,660)	(6,467,849)
Statutory reserve	13	5,053,125	5,053,125
Voluntary reserve	14	11,414,197	10,438,959
Other reserves	15	18,768,492	20,051,658
Retained earnings		30,280,037	26,915,449
Equity attributable to shareholders of the Parent Company		<u>68,923,441</u>	<u>66,097,592</u>
Non-controlling interests		31,666	27,873
<b>Total equity</b>		<u>68,955,107</u>	<u>66,125,465</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Post-employment benefits		1,457,775	1,208,834
<b>Current liabilities</b>			
Trade and other payables	16	9,230,101	9,027,002
Loans and bank facilities	17	19,882,949	19,559,005
		<u>29,113,050</u>	<u>28,586,007</u>
<b>Total liabilities</b>		<u>30,570,825</u>	<u>29,794,841</u>
<b>Total equity and liabilities</b>		<u>99,525,932</u>	<u>95,920,306</u>

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

Abdul Wahab Marzouq Al Marzouq  
Chairman

Ahmed Abdul Aziz Al Sarawi  
Vice Chairman

Consolidated Statement of Income for the Year Ended 31 December 2016

(All amounts are in Kuwaiti Dinars)

	Notes	2016	2015
Operating revenues	18	18,647,096	19,929,196
Operating costs		(14,812,547)	(15,298,779)
Gross profit		3,834,549	4,630,417
Other operating income	19	7,113,513	7,103,328
Administrative and general expenses		(2,353,947)	(2,078,538)
Other operating expenses	19	(2,418,803)	(2,032,740)
Net income / (loss) from available for sale investments	20	957,719	(418,152)
Group's share in an associate's results	7	3,365,484	3,758,611
Finance charges		(742,338)	(703,583)
<b>Net profit before deductions</b>		<b>9,756,177</b>	<b>10,259,343</b>
Contribution to Kuwait Foundation for the Advancement of Sciences		(58,812)	(51,401)
National Labour Support Tax		(242,941)	(254,496)
Zakat		(58,001)	(50,023)
Board of Directors' remuneration	22	(60,000)	(60,000)
<b>Net profit for the year</b>		<b>9,336,423</b>	<b>9,843,423</b>
<b>Attributable to:</b>			
Shareholders of the Parent Company		9,332,630	9,833,294
Non-controlling interests		3,793	10,129
		<b>9,336,423</b>	<b>9,843,423</b>
<b>Earnings per share (fils)</b>	21	<b>99.05</b>	<b>102.19</b>

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



**Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2016**

*(All amounts are in Kuwaiti Dinars)*

	Notes	2016	2015
Net profit for the year		9,336,423	9,843,423
<b>Other comprehensive income items</b>			
<i>Items that may be reclassified subsequently to statement of income:</i>			
Change in fair value of available for sale investments		(2,629,628)	2,046,282
Transferred to statement of income from sale of available for sale investments		(9,793)	(184,485)
Group's share from other comprehensive income of an associate	7	(166,042)	272,303
Exchange differences on translation of a subsidiary		(20,325)	(2,669)
Total other comprehensive income items		(2,825,788)	2,131,431
<b>Total comprehensive income for the year</b>		<u>6,510,635</u>	<u>11,974,854</u>
<b>Attributable to:</b>			
Shareholders of the Parent Company		6,506,842	11,964,725
Non-controlling interests		3,793	10,129
		<u>6,510,635</u>	<u>11,974,854</u>

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

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2016

(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company							Total	Non-controlling interests	Total
	Share capital	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (note 15)	Retained earnings	Total			
Balance as at 1 January 2015	10,106,250	(2,029,453)	5,053,125	9,414,038	17,920,227	22,938,906	63,403,093	17,744	63,420,837	
Net profit for the year	-	-	-	-	-	9,833,294	9,833,294	10,129	9,843,423	
Other comprehensive income items	-	-	-	-	2,131,431	-	2,131,431	-	2,131,431	
Cash dividends	-	-	-	-	-	(4,831,830)	(4,831,830)	-	(4,831,830)	
Purchase of treasury shares	-	(4,438,396)	-	-	-	-	(4,438,396)	-	(4,438,396)	
Transferred to voluntary reserve	-	-	-	1,024,921	-	(1,024,921)	-	-	-	
<b>Balance as at 31 December 2015</b>	<b>10,106,250</b>	<b>(6,467,849)</b>	<b>5,053,125</b>	<b>10,438,959</b>	<b>20,051,658</b>	<b>26,915,449</b>	<b>66,097,592</b>	<b>27,873</b>	<b>66,125,465</b>	
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	27,873	66,125,465	
Net profit for the year	-	-	-	-	-	9,332,630	9,332,630	3,793	9,336,423	
Other comprehensive income items	-	-	-	-	(2,825,788)	-	(2,825,788)	-	(2,825,788)	
Cash dividends (Note 22)	-	-	-	-	-	(4,992,804)	(4,992,804)	-	(4,992,804)	
Movement on treasury shares	-	(230,811)	-	-	616	-	(230,195)	-	(230,195)	
Revaluation of lands	-	-	-	-	1,542,006	-	1,542,006	-	1,542,006	
Transferred to voluntary reserve	-	-	-	975,238	-	(975,238)	-	-	-	
<b>Balance as at 31 December 2016</b>	<b>10,106,250</b>	<b>(6,698,660)</b>	<b>5,053,125</b>	<b>11,414,197</b>	<b>18,768,492</b>	<b>30,280,037</b>	<b>68,923,441</b>	<b>31,666</b>	<b>68,955,107</b>	

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

Consolidated Statement of Cash Flows for the Year Ended 31 December 2016

(All amounts are in Kuwaiti Dinars)

	Notes	2016	2015
<b>Cash flow from operating activities</b>			
Net profit for year		9,336,423	9,843,423
<i>Adjustments for:</i>			
Depreciation and amortization	5,6	1,519,390	2,328,792
Group's share in an associate's results	7	(3,365,484)	(3,758,611)
Net income of available for sale investments	20	(957,719)	418,152
Post-employment benefits		204,068	160,178
Provision for doubtful debts		-	40,826
Finance charges		742,338	703,583
Operating profit before changes in working capital		7,479,016	9,736,343
Inventories		(19,822)	(21,718)
Trade and other receivables		(492,301)	92,091
Trade and other payables		517,053	1,036,191
Cash generated from operating activities		7,483,946	10,842,907
Post-employment benefits paid		(66,534)	(118,035)
Net cash generated from operating activities		7,417,412	10,724,872
<b>Cash flows from investing activities</b>			
Paid for acquisition of property, plant and equipment	5	(1,162,986)	(2,109,773)
Paid for acquisition of intangible assets	6	(990,555)	(1,063,056)
Paid for available for sale investments		(77,638)	(1,180,018)
Proceeds from sale of available for sale investments		669,302	1,274,006
Dividends received	7,20	2,801,350	2,723,851
Net cash generated from / (used in) investing activities		1,239,473	(354,990)
<b>Cash flows from financing activities</b>			
Paid for acquisition of treasury shares		(231,529)	(4,438,396)
Proceeds from sale of treasury shares		1,334	-
Loans and bank facilities		323,944	7,343,188
Dividends paid		(4,972,051)	(4,763,369)
Finance charges paid		(733,867)	(676,051)
Net cash used in financing activities		(5,612,169)	(2,534,628)
Net increase in cash and cash equivalents		3,044,716	7,835,254
<b>Cash and cash equivalents at the beginning of the year</b>		19,064,891	11,229,637
<b>Cash and cash equivalents at the end of the year</b>	10	22,109,607	19,064,891

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

**Notes to the Consolidated Financial Statements for the Year Ended 31 December 2016**  
(All amounts are in Kuwaiti Dinars unless otherwise stated)

**1. Incorporation and activities**

Kuwait National Cinema Company "the Parent Company" was established as a Kuwaiti Shareholding Public Company in the State of Kuwait on 5 October 1954. The main objectives of the Parent Company are establishing, operating and utilizing cinemas inside and outside Kuwait, importing, producing and distributing movies of different genres and sizes, in addition to exporting, leasing and selling them to others. As well as, importing all machinery and equipment required for cinema industry and trading therein. The Parent Company's objectives also include trading in raw movies, tools of cinematography and projection, along with its furniture and in general, everything that would be involved or used in cinema industry. In addition, bidding for all tenders, government or private is also included within its objectives. The Parent Company has the right to deal with theatre groups, music and marching bands inside and outside the state of Kuwait in order to hold concerts and performances, on the condition that such concerts and performances should be held in accordance with the state's laws and regulations. The Parent Company has also the right to lease cinemas to government and private bodies as well as impresarios. In general, the Parent Company is specialized in everything related to cinema and its aspects of education, entertainment and intellectual activity inside and outside Kuwait. Utilizing financial surpluses available to the company through investing them in real estate and financial portfolios managed by specialized companies and entities. The Parent Company has the right to establish, operate and utilize theatres, import all machinery, equipment and devices required for this activity, utilize and lease shops, restaurants, coffee shops, fun games halls in cinema and theatre buildings, manage and operate the visual and audio media and carry out the activities of publishing, distribution and media. The Parent Company has the right to exercise its activities directly or by leasing to others or acting on behalf of others. The Parent Company may have an interest or participate in any way in any entity that conducts similar business or which may help it achieve its objectives. The company has the right also to establish and participate such entities and carries out its all objectives inside and outside Kuwait.

The registered office of the Company is located at Al-Zahraa 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 following Subsidiaries (collectively "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

As at 31 December 2016, the total assets of the subsidiaries was amounted to KD 5,375,378 (As at 31 December 2015: KD 5,154,090). In addition, its revenues and net profit were amounted to KD 977,719 and KD 177,837 respectively for the year ended 31 December 2016 (KD 1,389,634 and KD 1,326,977 respectively for the year ended 31 December 2015).

The new Companies Law no. 1/2016 was published in the Official Gazette on 1 February 2016. The new companies' law will be effective retrospectively from 26 November 2012.

According to the new law, the Companies' law No. 25 of 2012 and its amendments have been cancelled. The new Executive Regulations of Law No. 1 of 2016 was issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016, which cancelled the Executive Regulations of Law No. 25 of 2012. Companies should make necessary arrangement to be in compliance with provisions of the new law within six months from the executive regulation effective date.

The consolidated financial statements were authorised for issue by the Board of Directors of the Parent Company on 14 February 2017.

**2. Basis of preparation and significant accounting policies**

**2.1 Basis of preparation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. These consolidated financial statements have been prepared on the historical cost basis except for lands and certain financial instruments that are measured at fair value, as explained in the accounting policies below.

**Notes to the Consolidated Financial Statement for the Year Ended 31 December 2016**

*(All amounts are in Kuwaiti Dinars unless otherwise stated)*

These accounting policies of the Group have been consistently applied to all years presented, except as stated in note 2.2 in relation to adoption of new and revised International Financial Reporting Standards.

**2.2 Application of new and revised International Financial Reporting Standards (IFRS)**

**2.2.1 New and revised IFRSs in issue and become effective**

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2016, have been adopted in these consolidated financial statements. The application of these revised IFRSs has had no any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 1 Presentation of Financial Statements relating to Disclosure initiative
- Amendments to IFRS 11 Joint arrangements relating to accounting for acquisitions of interests in joint operations
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets relating to clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27 Separate Financial Statements relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures relating to applying the consolidation exception for investment entities
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34

**2.2.2 New and revised IFRS in issue but not yet effective**

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

**New and revised IFRSs**

- Annual Improvements to IFRS 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28. The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017.
- 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. Effective for annual periods beginning on or after 1 January 2017.
- Amendments to IAS 40 Investment Property: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive. Effective for annual periods beginning on or after 1 January 2018.
- IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014)

The IFRS 9 in its final form is effective. IFRS 9 contains accounting requirements for financial instruments and replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised

**Notes to the Consolidated Financial Statement for the Year Ended 31 December 2016**  
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- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.
- **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014, effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

- **IFRS 16 Leases**  
IFRS 16 was issued on January 2016 with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
- **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011)** relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture. The effective date of these amendments are deferred indefinitely.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the financial statements of the Group in the period of initial application.

The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of revenue from contracts with customers and the Company's financial assets and financial liabilities. The adoption of IFRS 16 may have significant impact on amounts reported and disclosures made in the Group's financial statements in respect of its leases.

## 2.3 Significant Accounting Policies

### 2.3.1 Basis of Consolidation

#### Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the Company loses control over the subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Company gains control until the date in which Company ceases to control the subsidiary.

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Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group transactions, balances, revenues and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Company's shareholders.

When the Group loses control of a subsidiary, a gain or loss resulted from derecognition is recognized in the statement of income and is calculated as the difference between

The aggregate of the fair value of the consideration received and the fair value of any retained interest,

The carrying amount of the assets before disposal (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### Business combinations

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in the statement of income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except for deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of any interest acquired previously over the net of the asset acquired of the identifiable assets acquired and the liabilities assumed as at the acquisition date. If the net of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the any interest acquired previously, the excess is recognised immediately in the consolidated statement of income as gain.

Non-controlling interests may be measured either at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value of such share. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the statement of income where such treatment would be appropriate if that interest were disposed off.

#### Goodwill

Goodwill, arising on an acquisition of subsidiaries, is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

Any impairment loss for goodwill is recognized directly in the consolidated statement of income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of any of the cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

***Investments in associates and joint ventures***

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The resulted assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "non-current assets held for sale and non-continuing operations". Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred constructive obligations or made payments on behalf of the associates or joint venture.

On acquisition of an associate or a joint venture, any excess of the cost of the acquisition over the Group's share of the net fair value of the identifiable assets and liabilities and contingent liabilities of the associate and joint venture as at the acquisition date is recognised as goodwill, which is included within the carrying amount of the investment in the associates and joint ventures. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in the consolidated statement of income.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss in the associates or joint ventures. The entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with the requirements of IAS 36 "Impairment of Assets".

When a Group entity transacts with an associate or a joint ventures of the Group, profits and losses resulting from the transactions with the associate or joint venture are disposed from the share of the Group in an associate or a joint venture.

**2.3.2 Property, plant and equipment**

Property, plant and equipment, other than lands, are stated at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance, repairs and immaterial renewal are recognized in the consolidated statement of income for the period in which the expenses are incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of such assets beyond its originally assessed standard of performance.

Lands are stated at fair value based on periodic valuations (every 5 years) by independent real estate experts. Any increase arising on revaluation of lands is recognised directly in equity under revaluation reserve or charged to the statement of income to the extent of the impairment losses previously charged to the consolidated statement of income. Decline in carrying amount as a result of the revaluation is directly charged to the consolidated statement of income or reduces the revaluation reserve to the extent of its previous increase resulted from revaluation.



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Depreciation is calculated based on estimated useful life of the applicable assets except for the lands on a straight line basis. The carrying amount is written down immediately to its recoverable amount if the carrying amount of Property, plant and equipment is greater than its estimated recoverable amount.

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted basis.

Gains or losses on disposals are determined by the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of income.

Projects under construction are included in property, plant and equipment until they are completed and ready for their intended use. At that time, they are reclassified under the appropriate category of assets and the depreciation is calculated since then.

**2.3.3 Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses.

The costs incurred by the Group in exchange for the right of utilization of lands are capitalized within intangible assets and are amortized on the straight-line method according to their expected economic lives (20 years).

Amounts paid as cost for purchasing films are capitalized within intangible assets and are amortized on the time periods according to the expected future benefits.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use. Gains or losses arising from derecognition are measured as the difference between the net proceeds and the carrying amount of the disposed asset and recognised in the consolidated statement of income.

**2.3.4 Impairment of tangible and intangible assets other than goodwill**

The Group annually, reviews the tangible assets and intangible assets to determine whether there is objective evidence that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of the asset's fair value less costs to sell or value in use. Impairment losses are recognised in the consolidated statement of income for the year in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

**2.3.5 Financial instruments**

Financial assets and liabilities are recognised when the Group becomes a party to the contractual obligations instrument.

All Financial assets or liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets or liabilities (other than financial instruments classified at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or liabilities as appropriate, on initial recognition. Transaction costs attributable to the acquisition are recognised directly in the consolidated statement of income.

**Financial assets**

Financial assets are classified into specified categories: financial assets 'at fair value through profit or loss' (FVTPL), held to maturity, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. At the date of acquisition, the Group determines the appropriate classification of its financial assets based on the purpose of acquisition of such financial assets. All regular way purchases or sales of financial assets are recognised on a trade date basis. The Group classifies its financial assets as follows:

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*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (trade and other receivables and cash at banks) are measured at amortized cost using the effective yield rate, less any impairment losses.

*Available for sale of financial assets*

AFS financial assets are non-derivatives and are not classified as (a) loans and receivables, (b) held-to-maturity or (c) financial assets at fair value profit or loss.

The financial assets available for sale are re-measured at fair value. The fair value is determined in the manner described in note 3.3.

Change in the fair value is recognised in items of the other comprehensive income and accumulated under the heading of change in fair value reserve. In the case of disposal or impairment of the assets "available for sale", the cumulative gain or loss previously accumulated in the change in fair value reserve is reclassified to the consolidated statement of income.

AFS investments that do not have a quoted market price in an active market and whose fair value cannot be reliably determined are measured at cost less any impairment losses at the end of each reporting period.

Dividends on AFS instruments are recognised in the consolidated statement of income when the Group's right to receive the dividends is established. Foreign exchange gains and losses are recognised in the statement of other comprehensive income.

*Impairment*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Impairment loss is recognized directly in the statement of income when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment will be affected.

For AFS investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through making a provision for doubtful debts. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized in the statement of income.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in the comprehensive statement of income are reclassified to the consolidated statement of income for the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses are not reversed through the statement of income. Any increase in fair value subsequent to an impairment loss is recognised in the consolidated statement of other comprehensive income.

*Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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The difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the statement of income.

**Financial liabilities**

Financial liabilities (including loan and trade and other payables) are initially recognised at fair value, net of transaction costs incurred and re-measured at amortised cost using the effective yield method.

*Derecognition*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged and expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of income.

**2.3.6 Inventories**

Inventories are valued at the lower of cost or net realisable value. Cost is determined on a weighted average cost basis. Net realizable value is determined based on the estimated selling prices less all the estimated costs of completion and costs necessary to make the sale.

**2.3.7 Post-employment benefits**

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees upon termination of employment. Such payment is made on a lump sum basis at the end of an employee service. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the financial statements date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

**2.3.8 Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of economic resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a discount rate that reflects market's assessments and the time value of money and the risks specific to the obligation.

**2.3.9 Treasury shares**

Treasury shares represent the Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled till the date of the consolidated financial statements. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares acquired is reported as a contra account within equity. When the treasury shares are reissued; gains resulted are recognized within a separate un-distributable account in equity "gain on sale of treasury shares". Any realised losses are charged to the same account in the limit of its credit balance, any additional losses are charged to retained earnings to reserves and then to premium. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

**2.3.10 Dividends**

The dividends attributable to shareholders of the Company are recognized as liabilities in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

**2.3.11 Foreign currencies**

*Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Kuwaiti Dinars' (KD).

*Transactions and balances*

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. At the date of the financial statements, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

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Foreign exchange gains or losses are resulted from the settlement of such transactions and from the translation at year-end in the statement of income.

Group's companies

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows (other than companies which are operating in high inflation countries):

- Assets and liabilities for each financial position statement are translated at the closing rate at the date of the financial statements.
- Income and expenses for each income statement are translated at average exchange rates.
- All resulting exchange differences are recognized as a separate component of equity.

**2.3.12 Revenues recognition**

Revenues are measured at the fair value of the consideration received or receivable. Revenues are reduced for estimated returns and any other allowances or similar deductions.

- Cinema film revenues are recognized when the service is rendered for the customers or on sale of the product.
- Dividend income is recognized when the right to receive.
- Interest income from deposits is recognized on time basis.
- Revenues from sale of properties and investments are recognized when risks and rewards of ownership are transferred to the buyer.

**2.3.13 Accounting for Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

**2.3.14 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets which are assets that necessarily take a substantial year of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

**3. Financial risk management**

**3.1 Financial risk**

The Group's operations expose it to certain financial risks, market risks (which include foreign currency risks and risks of fair value resulting from change in interest rates, and risks of fluctuations in cash flows resulting from change in interest rates, and market prices risks) credit risk and liquidity risks.

The Group manages these financial risks, by the continuous evaluation of market conditions and its trends and the management's assessments of the changes for long-term and short-term market factors.

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**Market risk**

Market risk is the risk of loss resulting from fluctuations in the fair value or the future cash flows of financial instrument due to changes in the market prices. Market risks include three types of risk: foreign currency risk, interest rate risk and price risk.

The Group's senior management monitors and manages its market risks by regular oversight of the market's circumstances and the change in foreign exchange and interest rates, and market prices.

Foreign currency risk

Foreign exchange risk is the risk that the fluctuations in the fair value or the future cash flows of a financial instrument as a result of changes in the Group's foreign exchange rates or the value of monetary assets and liabilities denominated in foreign currencies.

The Group is exposed to foreign currency risks resulted mainly from the Group's dealings with financial instruments denominated in foreign currency. Foreign currency risks are resulting from the future transactions on financial instruments in foreign currency as reflected in the financial statements.

The major transactions of the Group are in Kuwaiti Dinars. Financial assets in foreign currency are represented in available for sale investments and certain receivables and bank current accounts. Financial liabilities in foreign currencies are represented and certain payables in foreign currencies.

The Group follows up the foreign currency risks through:

- Follow-up the changes in foreign currency exchange rates on regular basis
- Minimize dealing with financial instruments denominated in foreign currency and due to the main Group's activity.

The following is net foreign currencies positions as at the date of the consolidated financial statements:

	<u>2016</u>	<u>2015</u>
US Dollars	7,001,499	(542,650)

Had the USD changed by 10% against the Kuwaiti Dinar, the financial statements of the Group would be changed as follows:

	<u>2016</u>	<u>2015</u>
Net profit	700,150	57,378

Price risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from foreign currency risks and risks of interest rates). The Group is exposed to such risks as the Group owns investments classified in the consolidated financial position as available for sale investments.

The Group's management monitors and manages such risks through: -

- Manage the Group's investments through portfolios managed by specialized portfolio managers.
- Invest in companies' shares that have good financial positions that generate high operating income and cash dividends and with well performing investment funds.
- Investments in unquoted shares and securities should be in companies that carry similar activities where such investments should be studied and approved by the senior management.
- Periodic follow-up of the changes in market prices.

Interest rate risks

Interest rate risks are the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial instruments with fixed interest rates expose the Group to fair value interest rate risks. Financial instruments with variable interest rates expose the Group to cash flow interest rate risks.

The financial Instruments held by the Group which are exposed to this risk are represented in loans and bank facilities (note 17).

Borrowings granted to the Group are at variable interest rate.

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As at 31 December 2016, had interest rates been 1% higher, net profits of the year would have been lower by KD 204,926 (2015: KD 162,767) approximately.

The Group's management monitors and manages such risks through:

- Regular follow-up of the market interest rates.
- Borrowings for short terms, which help mitigating interest rate risks.
- Maintaining short time deposits.

**Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Receivables, cash and cash equivalents are considered the most of the assets exposed to credit risk. The Group monitors and manages this risk by:

- Dealing with high credit worthiness and reputable customers.
- Dealing with highly credit rated banks.

The management of the Group believes that the maximum exposure to credit risks as at 31 December is as follows:

	2016	2015
Trade receivables and related parties (note 9)	950,115	1,024,338
Current accounts, deposits and cash at investment portfolios (note 10)	22,004,516	19,021,654

**Liquidity risks**

Liquidity risk is the risk that the Group fails to meet its financial obligations related to the financial liabilities when due. Liquidity risk management mainly represents in maintaining sufficient cash and high liquid financial instruments and the availability of funding resources to meet the Group's liquidity requirements.

The Group's financial obligations as at 31 December 2016 and 2015 mature within one year. Therefore, the financial liabilities are not significantly different from its fair values as at that date because the effect of such discount is insignificant.

As at 31 December 2016, the current liabilities of the company exceeded its current assets of KD 5,064,400 (31 December 2015: KD 8,094,196. In the opinion of the Group's Management, there are no doubts in the availability of the group's cash liquidity to meet its obligations due to the group retains quoted financial instruments of high liquidity. In addition the Group's management facilitates the funding transactions by making available credit facilities through credit commitments with banks. The management also monitors the liquidity surplus in the Group through the expected cash flows.

**3.2 Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to the shareholders through the optimisation use of the equity.

The capital structure of the Group consists of net debt (borrowings less cash and cash at banks) and equity (including capital, reserves, retained earnings and non-controlling interests).

During 2016, the Group's strategy does not change from 2015; which is to maintain lowest possible gearing ratio.

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3.3 Fair value estimation

The following table provides an analysis of financial instruments that are re-measured subsequent to initial recognition at fair value, under 3 levels in order to determine such values.

- **Level one:** Quoted prices in active markets for financial instruments.
- **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.

The table below indicates the fair value of the financial assets and liabilities of the Group, which are measured at fair value on a periodic basis according to the above mentioned hierarchy:

	Fair value as at		Evaluation date	Fair value level	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/2016	31/12/2015					
<b>Available for sale investments</b>							
Quoted Shares	19,800,767	22,354,323	31 December	Level 1	Quoted prices from stock exchange	N/A	N/A
Investment Funds	15,199	38,565	31 December	Level 2	Net asset value	N/A	N/A

The carrying amount of other financial assets and liabilities of the Group, which are not measured at fair value on a periodic basis is not materially different from their fair value as at the date of the financial statements.

4. **Critical accounting estimates, assumptions and key sources of estimation uncertainty**

In the application of the Group's accounting policies, the Management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision and future periods if the revision affects future periods. The following are the key estimates and assumptions concerning the future that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial years.

**Judgements:**

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the assets recognised in the consolidated financial statements.

Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "at fair value through statement of income" or "available for sale". The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as "at fair value through statement of income" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through statement of income at acquisition, when their fair values can be reliably estimated. All other investments are classified as "available for sale".

**Sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Notes to the Consolidated Financial Statement for the Year Ended 31 December 2016**  
(All amounts are in Kuwaiti Dinars unless otherwise stated)

Fair value measurement and valuation techniques

Certain assets and liabilities of the Group are measured at fair value for preparing the financial statements. The Group's management determines the appropriate key methods and inputs required for the fair value's measurement. Upon determining the fair value of assets and liabilities, the management uses an observable market data. In case no market observable data is available, the Group shall assign an external qualified valuer to carry out the valuation process. Information about the evaluation methods and necessary inputs, which are used to determine the fair value of assets and liabilities, has been disclosed in notes 3.3 and 5.

Evidence of impairment of investments

The Group treats available for sale investments as impaired when there has been a significant or prolonged decline in the value of available for sale investments. The determination of what is "significant" or "prolonged" requires significant judgment in this regard. The Group evaluates, among other factors, the usual fluctuation of listed stock prices, expected cash flows and discount rates of unquoted investments. Impairment is considered appropriate when there is objective evidence on the deterioration of the financial position for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Impairment of associate

Impairment testing of the associate is carried out when there is an indication of such impairment. Impairment is assessed for the entire carrying value of the Group's investment in the associate including goodwill, therefore no impairment study for goodwill is required independently. The Group's management believes that there are no indications for impairment of investment in associates.

Useful lives of property, plant and equipment

The management determines the useful lives and depreciations of property, plant and equipment, as well as increases the depreciation expense when the estimated useful lives became lower than the previously estimated useful lives, or eliminates or write down value of the obsolete assets or non-strategic assets whether disposed or sold.

Contingent liabilities/liabilities

Contingent liabilities arise as a result of a past events confirmed only by the occurrence or non-occurrence of one or more of uncertain future events not fully within the control of the Group. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

**5. Property, plant and equipment**

	Lands	Buildings	Machinery, Equipment & Vehicles	Furniture & Computers	Projects in progress	Total
<b>Cost or valuation</b>						
As at 1 January 2015	8,067,893	9,021,842	5,562,947	3,414,369	1,067,910	27,134,961
Additions during the year	-	-	153,980	1,663	1,954,130	2,109,773
Disposals	-	-	(23,940)	-	-	(23,940)
As at 31 December 2015	8,067,893	9,021,842	5,692,987	3,416,032	3,022,040	29,220,794
Re-valuation of lands	1,542,006	-	-	-	-	1,542,006
Additions during the year	-	-	435,132	58,711	669,143	1,162,986
Transferred from projects under process	-	89,248	157,544	259,807	(506,599)	-
Disposals	-	-	(94,940)	-	-	(94,940)
As at 31 December 2016	9,609,899	9,111,090	6,190,723	3,734,550	3,184,584	31,830,846
<b>Total depreciation and impairment</b>						
As at 1 January 2015	-	4,736,888	4,791,906	3,065,843	-	12,594,637
Depreciation for the year	-	588,302	678,102	191,847	-	1,458,251
Disposals	-	-	(15,376)	-	-	(15,376)
As at 31 December 2015	-	5,325,190	5,454,632	3,257,690	-	14,037,512
Depreciation for the year	-	491,279	256,220	90,434	-	837,933
Disposals	-	-	(94,940)	-	-	(94,940)
As at 31 December 2016	-	5,816,469	5,615,912	3,348,124	-	14,780,505
<b>Net book value</b>						
As at 31 December 2016	9,609,899	3,294,621	574,811	386,426	3,184,584	17,050,341
As at 31 December 2015	8,067,893	3,696,652	238,355	158,342	3,022,040	15,183,282
Useful lives (year)		5-40	4-15	5-15		



**Notes to the Consolidated Financial Statement for the Year Ended 31 December 2016**

*(All amounts are in Kuwaiti Dinars unless otherwise stated)*

- The historical cost of lands, that are measured at fair value is KD 940,708 as at 31 December 2016 and 2015.
- The fair value of the Group's lands as at 31 December 2016 are estimated based on valuations carried out by independent valuers. The independent valuers are licensed from the relevant regulatory bodies and they have appropriate qualifications and recent experiences in valuation of lands at the relevant locations.
- The fair value of lands was determined based on similar properties prices in the domestic market (Level 2 "Note 3.3").
- Certain of the Group's buildings are constructed on lands leased from the State on a land leasehold right basis.

Depreciation has been charged to the statement of income as follows:

	2016	2015
Operating costs	687,125	1,278,764
Other operating expense	67,067	85,116
Administrative and General expenses	83,741	94,371
	<u>837,933</u>	<u>1,458,251</u>

**6. Intangible assets**

Intangible assets represent leasehold rights of lands and cost of purchasing movies. Below is the movement on intangible assets during the year:

	2016	2015
Balance as at 1 January	495,049	311,148
Foreign currency exchange differences	(268,030)	(8,614)
Additions during the year	990,555	1,063,056
Amortization for the year	(681,457)	(870,541)
Balance as at 31 December	<u>536,117</u>	<u>495,049</u>

**7. Investment in an associate**

This represents the Group's investment in Tamdeen Shopping Centres K.S.C.C at 30%. The following is the movement of such investment during the year:

	2016	2015
Balance as at 1 January	34,593,907	32,362,993
Group's share in an associate's results	3,365,484	3,758,611
Group's share from reserves of an associate	(166,042)	272,303
Dividends	(1,800,000)	(1,800,000)
Balance as at 31 December	<u>35,993,349</u>	<u>34,593,907</u>

- Shares of the associate are unquoted. The following is a summary of the associate's financial information as per the financial statements of the associate which have been prepared in accordance with IFRS:

	2016	2015
Current assets	66,059,916	67,276,120
Non-current assets	227,489,472	212,860,370
Current liabilities	(38,453,829)	(33,369,796)
Non-current liabilities and non-controlling interests	(103,468,407)	(99,804,347)

	2016	2015
Revenues	30,121,428	30,624,466
Profit from continued operations	11,200,793	12,528,705
Profit for the year	11,200,793	12,528,705
Other comprehensive income for the year	(553,472)	1,144,391
Total comprehensive income for the year	10,647,321	13,436,380
Cash dividends received from an associate during the year	1,800,000	1,800,000

**Notes to the Consolidated Financial Statement for the Year Ended 31 December 2016**

*(All amounts are in Kuwaiti Dinars unless otherwise stated)*

The following is reconciliation of the above-summarized financial information for the purpose of determining the book value of the Group's share in Tamdeen Shopping Centres K.S.C.C recognized in the consolidated financial statements:

	<u>2016</u>	<u>2015</u>
Net assets of an associate	151,627,152	146,962,347
Group's share in net assets (30%)	45,488,146	44,088,704
Unrealized gain on elimination of inter-company transactions	<u>(9,494,797)</u>	<u>(9,494,797)</u>
Book value of Tamdeen Shopping Centres K.S.C.C	<u>35,993,349</u>	<u>34,593,907</u>

**8. Available for sale investments**

	<u>2016</u>	<u>2015</u>
Quoted shares	19,800,767	22,354,323
Unquoted shares	2,081,509	2,763,369
Investment funds	15,199	38,565
	<u>21,897,475</u>	<u>25,156,257</u>

- Available for sale investments were valued based on valuation techniques disclosed in note 3.3.
- Unquoted investments were carried at cost less impairment since its fair value cannot be reliably measured.

**9. Trade and other receivables**

	<u>2016</u>	<u>2015</u>
Trade receivables	417,785	407,009
Due from related parties (note 23)	532,330	617,329
	950,115	1,024,338
Provision for Impairment	<u>(503,028)</u>	<u>(503,028)</u>
	447,087	521,310
Prepaid expenses	191,354	50,337
Refundable deposits	604,021	412,805
Staff receivables	391,675	155,891
Other receivables	20,000	21,493
	<u>1,654,137</u>	<u>1,161,836</u>

- The balances that are past due and not impaired were amounted to KD 447,087 as at 31 December 2016 (KD 521,310 - 2015). The average aging of these balances is 90 days
- The balances that are past due, impaired and for which full provision has been made, were amounted to KD 503,028 as at 31 December 2016 (KD 503,028 as at 31 December 2015).

**10. Cash on hand and at banks**

	<u>2016</u>	<u>2015</u>
Cash on hand	115,091	53,237
Banks current accounts	19,573,149	18,111,469
Time deposits	10,514	10,387
Cash in investment portfolios	<u>2,420,853</u>	<u>899,798</u>
Cash, current accounts and deposits	22,119,607	19,074,891
Less: deposits more than 3 months	<u>(10,000)</u>	<u>(10,000)</u>
Cash and cash equivalents	<u>22,109,607</u>	<u>19,064,891</u>

The average yield rate on time deposits is 1.01% for the year 2016 (0.78% - 2015).

**11. Share capital**

The Parent Company's authorized, issued and paid up share capital is amounted to KD 10,106,250 as at 31 December 2016/2015 comprising of 101,062,500 shares of 100 fils per share, all shares are in cash.

Notes to the Consolidated Financial Statement for the Year Ended 31 December 2016  
(All amounts are in Kuwaiti Dinars unless otherwise stated)

12.	Treasury shares	2016	2015			
	Number of treasury shares (share)	6,969,850	6,750,852			
	Percentage to issued shares (%)	6.90	6.68			
	Market value	7,806,232	6,143,275			
	The Parent Company commits to retain 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 relevant regulatory authorities.					
13.	<b>Statutory reserve</b>					
	In accordance with Company's Law and the Parent Company's Articles of Association, 10% of annual net profit is transferred to statutory reserve. The General Assemble may resolve to discontinue such annual transfers when the reserve reaches 50% of the share capital. This reserve is not available for distribution except for the cases stipulated by Companies Law.					
	The transfer from the net profits to statutory reserve has been ceased according to a resolution of the Ordinary General Assembly meeting held on 14 April 2010.					
14.	<b>Voluntary reserve</b>					
	In accordance with the Parent Company's Articles of Association, a portion of the net profit for the year proposed by the Board of Directors and approved by the General Assembly is transferred to the voluntary reserve. The General Assembly may resolve to discontinue such transfer based on a proposal by the Board of Directors.					
	On 14 February 2017, the Board of Directors proposed to transfer an amount of KD 975,238 to the voluntary reserve for the year ended 31 December 2016 (as at 31 December 2015: KD 1,024,921).					
15.	<b>Other reserves</b>					
		<b>Lands revaluation reserve</b>	<b>Change in fair value reserve</b>	<b>Currency translation reserve</b>	<b>Treasury shares reserve</b>	<b>Total</b>
	<b>Balance as at 1 January 2015</b>	8,524,134	9,124,079	249,110	22,904	17,920,227
	Total other comprehensive income items	-	2,027,667	103,764	-	2,131,431
	<b>Balance as at 31 December 2015</b>	<u>8,524,134</u>	<u>11,151,746</u>	<u>352,874</u>	<u>22,904</u>	<u>20,051,658</u>
	<b>Balance as at 1 January 2016</b>	8,524,134	11,151,746	352,874	22,904	20,051,658
	Total other comprehensive income items	-	(2,823,936)	(1,852)	-	(2,825,788)
	Items sale of treasury shares	-	-	-	616	616
	Transferred to lands revaluation	1,542,006	-	-	-	1,542,006
	<b>Balance as at 31 December 2016</b>	<u>10,066,140</u>	<u>8,327,810</u>	<u>351,022</u>	<u>23,520</u>	<u>18,768,492</u>
	The balance of lands revaluation reserve includes an amount of KD 1,106,241 as at 31 December 2016 and 2015, which represents the remaining balance of revaluation surplus of lands sold by the Group to an associate during 2006 and 2005.					

Notes to the Consolidated Financial Statement for the Year Ended 31 December 2016  
(All amounts are in Kuwaiti Dinars unless otherwise stated)

16. Trade and other payables	2016	2015
Trade payables	2,718,768	2,674,038
Expenses and accrued leaves	1,646,722	1,793,492
Dividends payables	867,715	846,962
Others' deposits	355,168	341,359
Deferred income	882,367	644,642
Due to related parties (note 23)	51,103	36,801
Provision for claims	2,154,065	2,154,065
Board of Directors' remuneration (note 22)	60,000	60,000
Taxes and deductions	394,296	391,743
Other payables	99,897	83,900
	<u>9,230,101</u>	<u>9,027,002</u>
17. Loans and bank facilities	2016	2015
Short term loans	19,550,000	19,550,000
Banks - Overdrafts	332,949	9,005
	<u>19,882,949</u>	<u>19,559,005</u>
- Loans and bank facilities are granted to the Group from local banks against promissory notes and are matured within one year.		
- The average effective interest rate on loans and bank facilities was 3.69% during 2016 (3.55% - 2015).		
18. Operating income		
This item represent revenues from movies shows and from sale of movies.		
19. Other operating income/expenses		
This item includes revenue and expenses of cinema's buffets and cafeterias, and any other revenue and expenses other than those resulted from the cinema's sector.		
20. Net gains / (losses) from available for sale investments	2016	2015
Cash dividends and interest income	1,001,350	923,851
Impairment	-	(1,512,898)
(losses)/Gain from sale of investments	(27,697)	181,762
Portfolio management fees	(15,934)	(10,867)
	<u>957,719</u>	<u>(418,152)</u>
21. Earnings per share to shareholders of the Parent Company		
Earnings per share is calculated by dividing the net profit by the weighted average number of shares outstanding during the year, as follows:		
	2016	2015
Net profit for the year attributable for shareholders of the Parent Company	9,332,630	9,833,294
Weighted average number of outstanding shares (share)	94,223,002	96,227,403
Earnings per share (fils)	<u>99.05</u>	<u>102.19</u>
22. Dividends		
On 5 April 2016, the General Assembly of the Parent Company's Shareholders approved the consolidated financial statements for the year ended 31 December 2015 and approved cash dividends of 53 fils per share from profits of 2015. In addition, the proposed Board of Director's remuneration of KD 60,000 has been approved for the year ended 31 December 2015.		

**Notes to the Consolidated Financial Statement for the Year Ended 31 December 2016**  
(All amounts are in Kuwaiti Dinars unless otherwise stated)

On 14 February 2017, the Parent Company's Board of Directors proposed cash dividends of 53 fils per share from profits of 2016. In addition, Board of Director's remuneration of KD 60,000 has been proposed for the year ended 31 December 2016. This proposal is subject to approval of the shareholder's General Assembly.

**23. Related parties transactions**

Related parties represent the shareholders who have representatives in the Boards of Directors, members of the Boards of Directors, Senior Management and the companies, which are controlled by the major shareholders. In the ordinary course of business, the Group entered into transactions with related parties during the year. The following is the statement of the transactions and balances resulted from such transactions:

	2016	2015
<b>Related parties transactions</b>		
Key management compensation	342,898	418,509
Expenses (rents, consultancy and others) charged in statement of income	1,306,064	1,457,919
Other income	124,400	-

**The balances resulting from those transactions:**

	2016	2015
Due from related parties (note 9)	532,330	617,329
Due to related parties (note 16)	51,103	36,801
Cash at investment portfolios	2,420,853	886,710
Long-term key management compensation	160,109	90,122
Short-term key management compensation	12,192	24,525

A related party manages investment portfolios on behalf of the company. The book value of such portfolio is amounted to KD 21,882,276 as at 31 December 2016 (KD 25,117,692 as at 31 December 2015).

Transactions with related parties are subject to the approval of the General Assembly of shareholders.

**24. Segments information**

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

The following is the segment information which is presented to the management:

- Cinema division: Represents all activities related to cinema shows.
- Concession division: Represents all activities related to concessions supplemented to theatres.
- Investments division: Represents investments in shares and funds.

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

	2016				Total
	Cinema Division	Buffets Division	Investments Division	Unallocated Items	
Net revenues	18,647,096	5,652,692	4,323,203	1,460,821	30,083,812
Costs	(14,812,547)	(2,418,803)	-	(3,516,039)	(20,747,389)
Segment profits	3,834,549	3,233,889	4,323,203	(2,055,218)	9,336,423
Assets	15,064,585	304,799	57,890,824	26,265,724	99,525,932
	2015				Total
	Cinema Division	Buffets Division	Investments Division	Unallocated Items	
Net revenues	19,929,196	5,734,185	3,340,459	1,369,143	30,372,983
Costs	(15,298,779)	(2,032,740)	-	(3,198,041)	(20,529,560)
Segment profits	4,630,417	3,701,445	3,340,459	(1,828,898)	9,843,423
Assets	13,159,169	155,153	60,102,803	22,503,181	95,920,306

Notes to the Consolidated Financial Statement for the Year Ended 31 December 2016

(All amounts are in Kuwaiti Dinars unless otherwise stated)

25. Contingent liabilities

The letters of guarantee issued for third parties were amounted to KD 167,220 as at 31 December 2016 (KD 167,220 - 2015).

26. Future commitments

	<u>2016</u>	<u>2015</u>
<b>Capital expenditure commitments</b>		
Estimated capital expenditure contracted for at the financial position date	945,007	350,734
Future commitments for purchasing films	311,476	334,366
<b>Operating lease commitments</b>		
Future minimum operating lease payments:		
Less than one year	2,955,576	2,796,809
Between one year and five years	10,548,583	10,143,466
Over five years	13,689,055	17,964,689
	<u>27,193,214</u>	<u>30,904,964</u>