ANNUAL REPORT

2011

سينسكيب cinescape

شركة السينما الكويتية الوطنية (ش.م.ك)

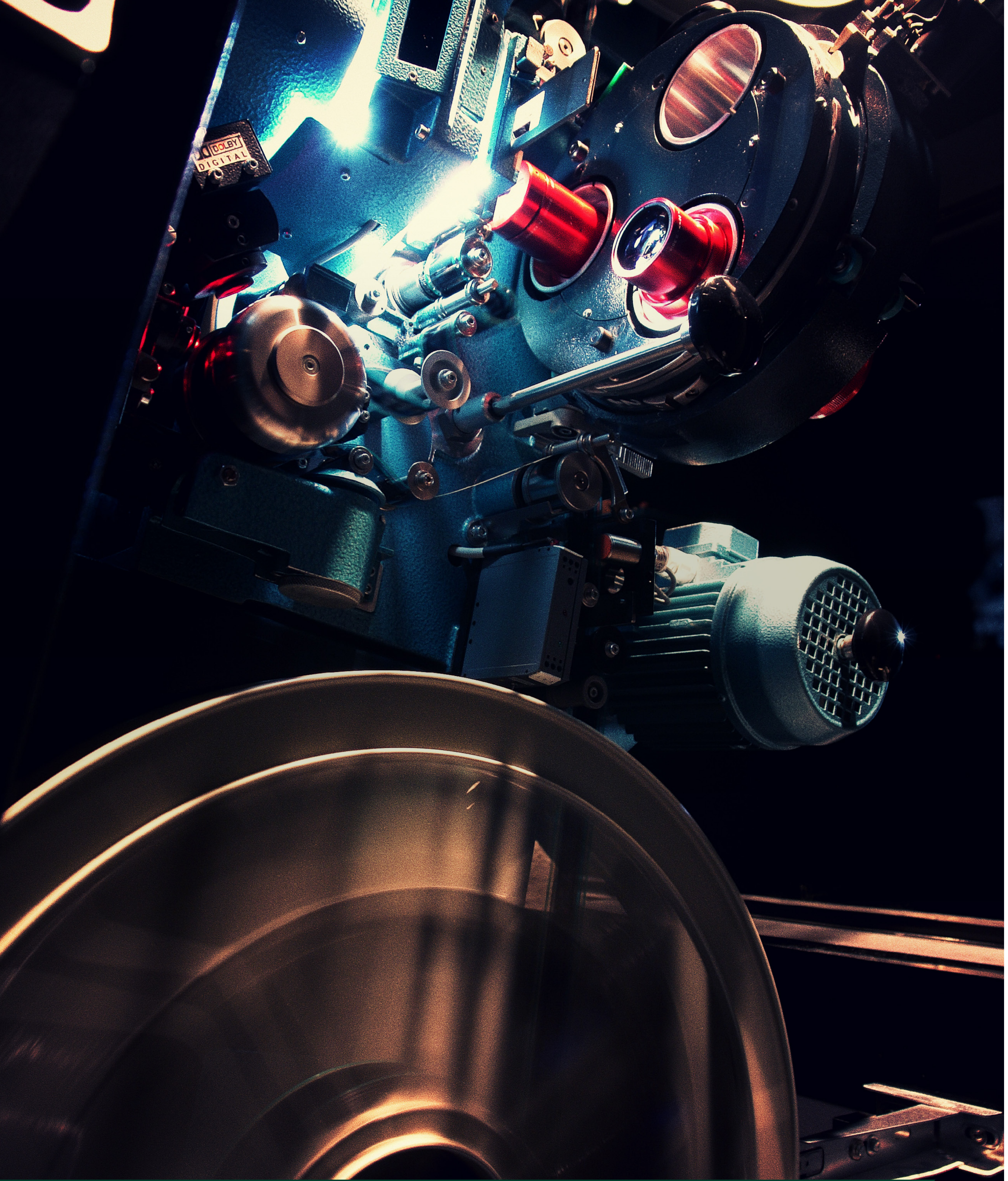
Kuwait National Cinema Co. (S.A.K)

IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL

H.H. Sheikh Nawaf Al Ahmad Al Jaber Al Sabah
Crown prince of the State of Kuwait

H.H. Sheikh Sabah Al Ahmad Al Jaber Al Sabah
Amir of the State of Kuwait

H.H. Sheikh Jaber Mubarak Al Hammad Al Sabah
Prime minister of the state of Kuwait



Every time I go to a movie, it's magic, no matter what the movie's about. - ***Steven Spielberg*** -

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BOARD MEMBERS

Nawaf Ahmed Al Marzouq
CHAIRMAN & CEO

Ahmad Abdulaziz Al Sarawi
VICE CHAIRMAN

Osama Jawad Bukhamseen
BOARD MEMBER

Sheikh Duaij Al Khalifa Al Sabah
BOARD MEMBER

Raed Jawad Bukhamseen
BOARD MEMBER

Mohammed Mustafa Al Marzouq
BOARD MEMBER

Marzouq Jassim Al Marzouq
BOARD MEMBER

Meshal Jassim Al Marzouq
BOARD MEMBER

Nayef Bander Al Lafi
BOARD MEMBER

EXECUTIVE MANAGEMENT

Hisham Fahad Al Ghanim
GENERAL MANAGER PROGRAMES & OPERATIONS

Nasser Bader Al Rowdan
GENERAL MANAGER ADMINISTRATION & SERVICES

Sami Qasim Sbeiti
PROGRAMS MANAGER

Hamad Abdulaziz Al Sayegh
SERVICES MANAGER

Sami Ali Hindi
FINANCE MANAGER

Essam Mohammed Abdul Kader
STORES & PURCHASE MANAGER

Photography is truth. And cinema is truth twenty-four times a second. ***- Jean-Luc Godard -***

CHAIRMAN'S LETTER

HONORABLE SHAREHOLDERS

MAY PEACE AND ALLAH'S MERCY AND BLESSINGS BE UPON YOU,

I AM PLEASED, FOR MYSELF AND ON BEHALF OF MY COLLEAGUES ON THE BOARD OF DIRECTORS AND ALL THE EMPLOYEES OF THE KUWAIT NATIONAL CINEMA COMPANY TO PRESENT TO YOU THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011. THE REPORT OUTLINES THE KEY ACHIEVEMENTS MADE DURING THE PAST YEAR AND OUR VISION FOR THE COMING YEARS. IT ALSO SETS FORTH THE COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 AND THE REPORT OF THE INDEPENDENT AUDITORS ON THOSE STATEMENTS.

HONORABLE SHAREHOLDERS,

AS PROMISED PREVIOUSLY, WE WERE KEEN TO KEEP ABREAST WITH THE LATEST ADVANCES IN THE FIELD OF CINEMA EXHIBITION, PARTICULARLY THESE RELATED TO THE STATE-OF-THE-ART TECHNOLOGIES IN ORDER TO COMPETE AGAINST THE WORLD'S LEADING CINEMA COMPANIES.

With Allah's grace, your company has become a leader among the finest in the Middle East, as attested by most of the Major Film Studios in Hollywood and Film Producers in the Middle East region, thanks to our continuous efforts to develop our movie projection systems and equipping our halls with the latest sophisticated equipment that enable us to provide viewers in the State of Kuwait with the best viewing experience in terms of image purity and sound and visual effects.

HONORABLE SHAREHOLDERS,

We have concluded negotiations with the Major companies to develop a digital movie system for all our Theaters which are owned by your company, as we promised last year to attain the 100% level by mid-2012, according to world-class standards within a record time, and, in fact, ahead of the scheduled time.

In order to maintain the company's position as a major entertainment and cultural channel in society, 327 films were shown during 2011, 31 films more than in 2010, representing an increase of 10%, approximately. This increase is the highest achieved by any other cinema company.

HONORABLE SHAREHOLDERS,

Yet another good year, 2011 saw your company achieve a net profit of KD 5,385,373 and earnings per share amounting to 53.89 Fils, compared to KD 5,016,833 and 50.21 Fils respectively, last year, representing an increase of approximately 7%.

The company's total assets rose to KD 73.9 million at the end of 2011 from KD 69.8 million in the previous year, with an increase of 6%, while equity rose by 2% from KD 45 million at the end of 2010 to KD 46 million at the end of 2011.

In light of these positive results, the Board of Directors recommends the distribution of a cash dividend of 42% of the nominal value of the share, i.e. 42 Fils per share, for the year ended 31 December 2011.

IN CONCLUSION,

I take this opportunity to express my deepest thanks to His Highness the Amir, Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, His Highness the Crown Prince, Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah and His Highness the Prime Minister, Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah for their patronage and support of the private sector and our national institutions.

I also thank our honorable shareholders for their valuable trust and effective support to your company.

Finally, I would like to express my deepest thanks and appreciation to the members of the Board of Directors for their contribution to the success of the company and their continuous support. I wish in particular to thank all the employees of your company for their loyal and continuous efforts that were quite instrumental ion enabling your company to achieve the desired results in 2011.

I pray to the all might Allah to protect our beloved country, bless its people with security and guide us all toward further progress and prosperity.

PEACE BE UPON YOU, WITH GOD'S MERCY AND BLESSINGS,,,

NAWAF AHMED AL MARZOUQ
CHAIRMAN & CEO

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Kuwait National Cinema Company (K.S.C.), “the Parent Company” and its subsidiary (collectively referred to as “the Group”) which comprise the consolidated statement of financial position as of 31 December 2011, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT’S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Furthermore, in our opinion, proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the Parent Company’s Articles of Association; that an inventory was duly carried out; and that to the best of our knowledge and belief, no violation of the Commercial Companies Law of 1960, as amended, or of the Parent Company’s Articles of Association have occurred during the year ended 31 December 2011 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 Fahad, Al Wazzan & Co.

Dr. Saud Hamad Al-Humaidi
(Licence No. 51 A)
Dr. Saud Al-Humaidi & Partners
Member of Baker Tilly International

Kuwait - 14 March 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011
(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2011	2010
Assets			
Non- current assets			
Property, plant and equipment	5	15,416,343	14,690,903
Intangible assets	6	1,120,160	928,017
Investments in associates	7	31,454,538	30,078,654
Available for sale investments	8	8,573,731	9,240,853
Trade and other receivables	11	401,827	121,540
		56,966,599	55,059,967
Current assets			
Inventories	9	337,297	292,228
Properties held for trading	10	5,397,927	6,995,318
Trade and other receivables	11	2,615,015	997,412
Cash, current accounts and deposits	12	8,571,857	6,499,645
		16,922,096	14,784,603
Total assets		73,888,695	69,844,570
Equity and Liabilities			
Equity			
Share capital	13	10,106,250	10,106,250
Treasury shares	14	(853,764)	(853,764)
Statutory reserve	15	5,053,125	5,053,125
General reserve	16	7,085,656	6,515,651
Lands revaluation reserve	17	8,524,134	8,143,894
Change in fair value reserve		(812,531)	(260,994)
Foreign currency translation reserve		(39,914)	22,607
Retained earnings		16,778,511	15,960,143
		45,841,467	44,686,912
Liabilities			
Non-current liabilities			
Post employment benefits		735,330	669,765
Current liabilities			
Trade and other payables	18	6,197,394	6,399,089
Loans and bank facilities	19	21,114,504	18,088,804
		27,311,898	24,487,893
Total liabilities		28,047,228	25,157,658
Total equity and liabilities		73,888,695	69,844,570

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

Nawaf Ahmed Al Marzouq
Chairman and CEO

Ahmed Abdulaziz Al Sarawi
Vice Chairman

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011
(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2011	2010
Operating revenues		14,044,816	14,598,157
Operating costs		(11,785,392)	(12,052,716)
Gross profit		2,259,424	2,545,441
Other operating income		5,394,083	4,392,416
General and administrative expenses		(1,411,311)	(1,290,494)
Other operating expenses	20	(1,409,274)	(1,547,406)
Impairment of trade and other receivables	11	-	(60,229)
Operating profit		4,832,922	4,039,728
Net gain from financial investments	21	123,759	619,447
Gains from associates	7	1,515,730	1,461,012
Gains on sale of investment property	7	175,496	82,733
Gains on liquidation of a subsidiary		-	(1,009)
Finance costs		(947,859)	(872,206)
Board of Directors' remuneration		(90,000)	(90,000)
Net profit before deductions		5,610,048	5,239,705
Contribution to Kuwait Foundation for the Advancement of Sciences		(39,940)	(41,590)
National Labour Support Tax		(144,140)	(137,849)
Zakat		(40,595)	(43,433)
Net profit for the year		5,385,373	5,016,833
Earnings per share (fils)	22	53.89	50.21

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2011	2010
Net profit for the year		5,385,373	5,016,833
Other comprehensive income:			
Change in fair value of available for sale investments		(413,118)	(568,876)
Transferred to statement of income on sale of available for sale investments		7,663	(97,183)
Impairment of available for sale investments	21	62,713	244,904
Group's share from associates' reserves	7	(270,653)	(16,790)
Lands revaluation surplus	5	380,240	-
Subsidiary's foreign currency translation reserve		(663)	-
Total other comprehensive income		(233,818)	(437,945)
Total comprehensive income for the year		5,151,555	4,578,888

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	Share capital	Treasury shares	Statutory reserve	General reserve	Land revaluation reserve	Change in fair value reserve	Foreign currency translation reserve	Retained earnings	Total
Balance as at 1 January 2010	10,106,250	(903,488)	5,053,125	5,982,680	8,143,894	(304,104)	503,662	15,109,662	43,691,681
Net profit for the year	-	-	-	-	-	-	-	5,016,833	5,016,833
Other comprehensive income items:									
Change in fair value of available for sale investments	-	-	-	-	-	(568,876)	-	-	(568,876)
Transferred to statement of income on sale of available for sale investments	-	-	-	-	-	(97,183)	-	-	(97,183)
Impairment of available for sale investments	-	-	-	-	-	244,904	-	-	244,904
Group's share from change in associates' reserves	-	-	-	-	-	464,265	(481,055)	-	(16,790)
Total other comprehensive income items	-	-	-	-	-	43,110	(481,055)	-	(437,945)
Purchase of treasury shares	-	(1,151,176)	-	-	-	-	-	-	(1,151,176)
Sale of treasury shares	-	1,200,900	-	-	-	-	-	(36,081)	1,164,819
Cash dividends	-	-	-	-	-	-	-	(3,597,300)	(3,597,300)
Transferred to reserves	-	-	-	532,971	-	-	-	(532,971)	-
Balance as at 31 December 2010	10,106,250	(853,764)	5,053,125	6,515,651	8,143,894	(260,994)	22,607	15,960,143	44,686,912
Balance as at 1 January 2011	10,106,250	(853,764)	5,053,125	6,515,651	8,143,894	(260,994)	22,607	15,960,143	44,686,912
Net profit for the year	-	-	-	-	-	-	-	5,385,373	5,385,373
Other comprehensive income items:									
Change in fair value of available for sale investments	-	-	-	-	-	(413,118)	-	-	(413,118)
Transferred to statement of income on sale of available for sale investments	-	-	-	-	-	7,663	-	-	7,663
Impairment of available for sale investments	-	-	-	-	-	62,713	-	-	62,713
Group's share from change in associates' reserves	-	-	-	-	-	(208,795)	(61,858)	-	(270,653)
Lands revaluation surplus	-	-	-	-	380,240	-	-	-	380,240
Subsidiary's foreign currency translation reserve	-	-	-	-	-	-	(663)	-	(663)
Total other comprehensive income items	-	-	-	-	380,240	(551,537)	(62,521)	-	(233,818)
Cash dividends (note 23)	-	-	-	-	-	-	-	(3,997,000)	(3,997,000)
Transferred to reserves	-	-	-	570,005	-	-	-	(570,005)	-
Balance as at 31 December 2011	10,106,250	(853,764)	5,053,125	7,085,656	8,524,134	(812,531)	(39,914)	16,778,511	45,841,467

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2011	2010
Net cash generated from operating activities	26	6,277,744	8,873,883
Cash flows from investing activities			
Acquisition of property and equipment		(938,284)	(707,214)
Acquisition of intangible assets		(1,863,150)	(1,484,079)
Acquisition of available for sale investments		-	(5,459,207)
Net proceeds from sale of available for sale investments		273,648	1,952,323
Proceeds from sale of property and equipment		-	62,787
Time deposits		(10,000)	-
Dividends received		174,494	20,033
Net cash used in investing activities		(2,363,292)	(5,615,357)
Cash flows from financing activities			
Paid for purchase of treasury shares		-	(1,151,176)
Proceeds from sale of treasury shares		-	1,164,819
Loans and bank facilities		3,025,700	(1,088,288)
Dividends paid		(3,925,032)	(3,654,536)
Finance costs paid		(952,908)	(872,206)
Net cash used in financing activities		(1,852,240)	(5,601,387)
Net increase / (decrease) in cash and cash equivalents		2,062,212	(2,342,861)
Cash and cash equivalents at the beginning of the year		6,499,645	8,842,506
Cash and cash equivalents at the end of the year	12	8,561,857	6,499,645

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

1. CONSTITUTION & ACTIVITIES

Kuwait National Cinema Company K.S.C. "the Parent Company" is a Kuwaiti shareholding company registered and incorporated in Kuwait on 5 October 1954. The Parent Company is licensed to engage in all activities relating to the film industry, entertainment and cultural events, in addition to theater activities, leasing restaurants and coffee shops, and the right to operate and perform the publishing and printing activities and utilize the financial surpluses available of the Company through investing in financial and real estate portfolios managed by specialized companies and organizations.
The registered office of the Parent 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 - KSCC	100	Publishing and film distribution	Kuwait
Al Kout Film Production and Distribution Company - SAE	100	Publishing and film distribution	Egypt

The consolidated financial statements were authorized for issue by the Board of Directors on 14 March 2012.

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 IFRS. These consolidated financial statements have been prepared on the historical cost basis except for lands and certain financial instruments that are measured at fair values, as explained in the accounting policies below.

2.2 Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of the following new and amended IFRSs that are effective from 1 January 2011.

New and revised IFRSs that have been applied in the current year

IAS 1: Presentation of Financial Statements

The amendment clarifies that an entity may present an analysis of each component of equity either in the statement of changes in equity or in the notes, an analysis of other comprehensive income items. The Group provides this analysis in the statement of changes in equity.

IAS 24: Related party disclosures (Revised)

The amended standard clarifies the definition of related parties and lays down additional requirements for disclosure of outstanding commitments to related parties. The adoption of the amendment does not have any material impact on the financial statements of the Group.

IFRS 3: Business Combination

IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards.

IAS 32: Financial Instruments (Amended)

The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights issued by an entity for the holders to acquire a fixed number of the entity's shares for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners. The amendments require retrospective application. The application of the amendments has had no effect on the financial statements of the Group.

Other improvements to IFRSs

The application of other improvements to IFRSs issued in 2010 has not had any material effect on the financial statements of the Group.

Standards and Interpretations issued but not yet effective

The following new and revised IASB Standards and IFRIC Interpretations have been issued but are not yet effective and have not been early adopted by the Group:

For annual periods beginning on or after 1 July 2011

IFRS 7: Financial Instruments

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the entity's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user of the financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

For annual periods beginning on or after 1 July 2012

IAS 1: Financial Statement Presentation

The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.

For annual periods beginning on or after 1 January 2013.

IFRS 10: Consolidated Financial Statements

IFRS 10 replaces the consolidation guidance in IAS 27: Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.

IFRS 11: Joint Arrangements

IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31: Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures.

IFRS 12: Disclosure of Interests in Other Entities

IFRS 12 requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.

IFRS 13: Fair Value Measurement

IFRS 13 Fair Value Measurement replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

For annual periods beginning on or after 1 January 2015

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture. The application of IFRS 9 is under local regulatory review for early adoption in the State of Kuwait.

2.2.1 Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal. 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 those used by other members of the Group.

All intra-group transactions, balances, income 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 owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Any related accumulated items in equity will be accounted for as if the Group had directly disposed of the relevant assets (reclassified to profit or loss or transferred directly to retained earnings). 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.

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 profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except 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 the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts 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 acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as purchase gain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(ALL AMOUNTS ARE IN KUWAITI DINARS UNLESS OTHERWISE STATED)

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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

Goodwill

Goodwill arising on an acquisition of a business 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.

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 recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in associates

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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate 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. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised immediately in the profit or loss. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group reclassifies all amounts previously recognised in other comprehensive income in relation to that associate to profit or loss when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

2.2.2 Property, plant and equipment

Property, plant and equipment, other than land, are stated at cost less accumulated depreciation and impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as 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 an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalized.

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

Depreciation is calculated based on estimated useful life of the applicable assets except for lands on a straight line basis.

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(ALL AMOUNTS ARE IN KUWAITI DINARS UNLESS OTHERWISE STATED)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount 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 for on a prospective 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 income statement.
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.

2.2.3 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 disposal proceeds and the carrying amount of the asset and recognised in profit or loss when the asset is derecognised.

2.2.4 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are recognised in the income statement for the period 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.2.5 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.
Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

Financial assets are classified into the following 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'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. The Group has determined the classification of its financial assets as follows:

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in (note 3.3).

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 (including trade and other receivables and cash and cash equivalent) are measured at amortised cost using the effective interest method, less any impairment.

Available for sale (AFS)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.
The financial assets available for sale is re-measured at fair value. The fair value is determined in the manner described in note (3.3)
Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of changes in fair value reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.
AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Foreign exchange gains and losses are recognised in other comprehensive income.

Impairment in value

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period.
Financial assets are considered to be impaired 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 have been affected.
For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.
Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.
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 the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the income statement.
When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in 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 previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in 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.
On derecognition of a financial asset in its entirety, 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 profit or loss.

Financial liabilities

Financial liabilities (including borrowings) are recognised initially at fair value, net of transaction costs incurred subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.2.6 Inventories

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

2.2.7 Properties held for trading

Properties and lands held for trading are classified under current assets and are valued at the lower of cost or net realizable value on an individual basis. Net realizable value is determined on the basis of estimated sale value, less the estimated expenses necessary to complete the sale.

2.2.8 End of service's indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment, regarding the labour in other countries; the indemnity is calculated based on law identified in these countries. 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 balance sheet date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2.2.9 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 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 rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.2.10 Treasury shares

Treasury shares represent the Parent Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled. 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 disposed; gains are credited to 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 and then to reserves. 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.

2.2.11 Dividends

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

2.2.12 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 consolidated financial statements are presented in 'Kuwaiti Dinars' (KD), which is the Company's, functional and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency (except for companies which are operated in countries with very high inflation rates) are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of other comprehensive income.

2.2.13 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.
- 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 payment has been established.
- Interest income from deposits is recognized on time basis, and other revenues and expenses are recognized on an accrual basis.
- Gain from sale of property and investments are recognized when risks and rewards associated with ownership transferred to the buyer.

2.2.14 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 so as 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.

2.2.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to 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 in profit or loss in the period in which they are incurred.

3.FINANCIAL RISK MANAGEMENT

3.1 Financial risk

The activities of the Group expose it to a series of financial risks, market risks, which include foreign currency risks and risks of change in fair value resulting from the change in interest rates, and risks of fluctuations in cash flows resulting from changes in interest rates, and risks of market prices in addition to credit risk and liquidity risks.
The Group is managing these financial risks by focusing on a continuous evaluation of market conditions and its trends and the management's assessments of the changes for long and short-term market factors.

Market risk

Market risk is the risk of loss resulting from fluctuations in the fair value or the future cash flows of financial instrument as a result of changes in market prices. Market risk comprises of: 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 currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates that affects the Group's cash flows or the valuation of the monetary assets and liabilities denominated in foreign currency.
The Group is exposed to foreign currency risks resulted mainly from the Group's dealings in financial instruments denominated in foreign currency. Foreign currency risks result 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. Financial liabilities in foreign currencies are represented in loans and bank facilities.
The Group tracks and manages these risks by:
- Monitoring the changes in foreign currency exchange rates on regular basis.
- Set up tide limits for dealing in foreign currencies for the basic objectives of the Group's activities.
As of 31 December 2011, had the USD weakened / strengthened by 10% against the Kuwaiti Dinar, the net equity of the Group would have changed by KD 266,257 (2010 : KD 296,664).
This increase or decrease in equity would have occurred as the Group maintains investments in equity and investment funds denominated in USD classified as financial assets available for sale.

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 interest rate risk or currency risk). The Group is exposed to this risk as the Group owns investments classified in the consolidated financial position as available for sale investments and investments at fair value through profit or loss.
As at 31 December 2011, 45% of the Group's investments classified as available for sale financial assets are unquoted (42% as at 31 December 2010), while 55% of the Group's investments classified as available for sale financial assets are represented in quoted investments or investments in investment funds with a declared Net Asset Value (58% as at 31 December 2010). The Group's management monitors and manages these 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 dividends and with well performing investment funds.
- Investments in unquoted securities should be on companies that carry similar activities where such investments should be studied and approved by the senior management.
- Periodic tracking of changes in market prices.

Interest rate risk

Interest rate risk is 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 time deposits (note 12), loans and bank facilities (note 19).
Borrowings issued to the Group are at variable interest rate.
As at 31 December 2011, had interest rates been 1% higher, net profits of the year would have been lower by KD 196,017 approximately (2010: KD 174,441), due to the increase of financing interest on loans and banking facilitates.
The Group management monitors and manages interest rate risk by:
- Regular tracking of market interest rates.
- Obtain borrowings for short terms which help mitigating interest rate risks.
- Holding short term 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 equivalent are considered the most of the assets exposed to credit risk. The Group monitors and manages this risk by:-
-Dealing with high net worth and reputable customers.
-Dealing with highly credit rated financial institutions.
The management of the Group believes that the maximum exposure to credit risk as at 31 December is as follows:-

	2011	2010
Trade and other receivables (note 11)	1,951,118	335,315
Cash, current accounts and deposits (note 12)	8,374,241	6,391,732
	10,325,359	6,727,047

Liquidity risks

The risk that Group will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk management mainly represents 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 2011 and 2010 mature within one year and accordingly equal their cash value as at that date as the impact of discounting is not significant.

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 stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents balances) and equity (comprising issued capital, reserves, retained earnings and non-controlling interests).

The gearing ratio as at 31 December was as follows:

	2011	2010
Total loans and bank facilities (note 19)	21,114,504	18,088,804
Less : cash, current accounts and deposits (note 12)	(8,571,857)	(6,499,645)
Net debt	12,542,647	11,589,159
Total equity	45,841,467	44,686,912
Total capital	58,384,114	56,276,071
Gearing ratio (%)	21	21

3.3 FAIR VALUE ESTIMATION

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

- **Level one:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level two:** Inputs other than 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.

The table below represents the financial instrument's analysis that recorded at fair value on the levels above mentioned:

	2011			
	Level one	Level tow	Level three	Total
Assets				
Available for sale investments (note 8)	4,655,370	83,053	3,735,308	8,473,731

	2010			
	Level one	Level two	Level three	Total
Assets				
Available for sale investments (note 8)	5,005,774	399,773	3,735,306	9,140,853

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In the application of the Group's accounting policies, the Management is required to make judgments, 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 in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources concerning current period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years.

VALUATION OF FINANCIAL INSTRUMENTS

As described in note (3.3), the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. The management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Group reviews the property, plant and equipment and intangible assets on a continuous basis to determine whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

EVIDENCE OF IMPAIRMENT OF INVESTMENTS

Management determines the impairment in equity instruments classified as "available for sale" when there is a significant or prolonged decline in the fair value of these investments. Determination of what is significant or prolonged requires judgment from management. 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.

5. PROPERTY AND EQUIPMENT

	2010					
	Lands	Buildings	Machinery, equipment & vehicles	Furniture & computers	Projects in progress	Total
Cost or revaluation						
As at 1 January	7,687,653	7,242,316	4,691,111	3,263,847	1,236,887	24,121,814
Additions during the year	-	124,071	52,473	46,524	484,146	707,214
Disposals	-	-	-	-	(62,787)	(62,787)
As at 31 December	7,687,653	7,366,387	4,743,584	3,310,371	1,658,246	24,766,241
Accumulated depreciation and impairment loss						
As at 1 January	-	3,477,694	3,473,323	2,590,049	-	9,541,066
Charge for the year	-	263,256	181,671	89,345	-	534,272
As at 31 December	-	3,740,950	3,654,994	2,679,394	-	10,075,338
Net book value						
As at 31 December	7,687,653	3,625,437	1,088,590	630,977	1,658,246	14,690,903

	2011					
	Lands	Buildings	Machinery, equipments & vehicles	Furniture & computers	Projects in progress	Total
Cost or revaluation						
As at 1 January	7,687,653	7,366,387	4,743,584	3,310,371	1,658,246	24,766,241
Additions during the year	-	142,570	78,185	10,778	740,741	972,274
Disposals	-	-	-	(33,990)	-	(33,990)
Land revaluation surplus	380,240	-	-	-	-	380,240
Transferred from projects in progress	-	1,321,648	28,076	136,146	(1,485,870)	-
As at 31 December	8,067,893	8,830,605	4,849,845	3,423,305	913,117	26,084,765
Accumulated depreciation and impairment loss						
As at 1 January	-	3,740,950	3,654,994	2,679,394	-	10,075,338
Depreciation for the year	-	281,719	192,390	118,975	-	593,084
Disposals	-	4,022,669	3,847,384	2,798,369	-	10,668,422
As at 31 December						
Net book value						
As at 31 December	8,067,893	4,807,936	1,002,461	624,936	913,117	15,416,343
Useful lives (year)	-	5 - 40	4 - 15	5 - 15	-	

- The historical cost of lands at fair value is KD 650,000 as at 31 December 2011 and 2010.
- The lands were valued during the year by independent valuators.

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

	2011	2010
Operating costs	487,743	518,586
Other operating expense	27,792	13,420
General and administrative expenses	77,549	2,266
	593,084	534,272

6. INTANGIBLE ASSETS

	2011			2010
	Film Costs	Land Utiliza-tion right	Total	Total
Balance as at 1 January	390,282	537,735	928,017	1,176,519
Additions during the year	1,582,863	-	1,582,863	2,314,567
Amortization for the year	(1,360,420)	(30,300)	(1,390,720)	(2,563,069)
Balance as at 31 December	612,725	507,435	1,120,160	928,017

7. INVESTMENT IN ASSOCIATES

	Incorporation Country	Share percentage	2011	2010
Tamdeen Shopping Centers Co. K.S.C.C	Kuwait	30%	26,264,841	24,673,321
Tamdeen Holding Company K.S.C.H	Kuwait	20%	5,189,697	5,405,333
			31,454,538	30,078,654

Following is the movement of investment in associates during the year:

	2011	2010
Balance as at 1 January	30,078,654	28,551,699
Group's share in associates' results	1,515,730	1,461,012
Group's share from change in fair value reserve of an associate	(208,795)	464,265
Group's share from foreign currency translation reserve of a an associate	(61,858)	(481,055)
Realized gains on sale of investment properties	175,496	82,733
Unrealized gains	(44,689)	-
Balance as at 31 December	31,454,538	30,078,654

- Unrealized gains from investments of Tamdeen Shopping Center of KD 9,771,382 and KD 9,902,189 have been disposed as of 31 December 2011 and 2010 respectively.
- During the year, Tamdeen Shopping Centers Company (an associate) sold part of its investment properties which was previously acquired from the Parent Company to a third party. Accordingly, the Group recorded the unrealized gain of KD 175,496, which was previously calculated in the consolidated statement of income for the year ended 31 December 2011 (2010: KD 82,733).
- The associates' securities are unquoted. Following are the Group's share in assets, liabilities and revenues of the associates according to the financial statements of those companies:

	2011			
Associate's name	Total assets	Total liabilities	Total revenues	Net profit / (loss)
Tamdeen Shopping Centers Co. K.S.C.C	71,861,021	(35,824,798)	6,117,382	1,541,006
Tamdeen Holding Company K.S.C.H	6,027,086	(837,389)	80,863	(25,276)
	77,888,107	(36,662,187)	6,198,245	1,515,730

	2010			
Associate's name	Total assets	Total liabilities	Total revenues	Net profit / (loss)
Tamdeen Shopping Centers Co. K.S.C.C	69,776,729	(35,201,219)	5,202,695	993,039
Tamdeen Holding Company K.S.C.H	5,787,848	(382,515)	544,340	467,973
	75,564,577	(35,583,734)	5,747,035	1,461,012

8. AVAILABLE FOR SALE INVESTMENTS

Available for sale investments as at 31 December are represented in the following:

	2011	2010
Quoted shares	4,655,370	5,005,774
Unquoted shares	3,835,308	3,835,306
Investment funds	83,053	399,773
	8,573,731	9,240,853

- Available for sale investments are valuated based on valuation techniques disclosed in (note 3.3).
- Unquoted investments include investments of KD 100,000 carried at cost as of 31December 2011 (2010: KD 100,000) since its fair value cannot be reliably measured. The Group's management believes that there are no indications of impairment for these investments.

Available for sale investments as at 31 December are denominated in the following currencies:

	2011	2010
Kuwaiti Dinars	4,914,425	5,327,540
US Dollar	3,620,653	3,874,660
Emirates Dirham	38,653	38,653
	8,573,731	9,240,853

9. INVENTORIES

	2011	2010
Food and beverages	91,902	65,855
Spare parts	148,944	125,143
Goods in transit	96,451	101,230
	337,297	292,228

10. PROPERTIES HELD FOR TRADING

This item represents properties recorded in real estate portfolio managed by specialized regulatory.

11. RECEIVABLES

	2011	2010
Non-current		
Advance payments for purchase of intangible assets	401,827	121,540
Current		
Trade receivables	784,586	269,288
Due from related parties	1,605,839	516,986
	2,390,425	786,274
Impairment	(439,307)	(450,959)
	1,951,118	335,315
Prepaid expenses	162,350	132,639
Refundable deposits	408,678	360,385
Staff receivables	60,154	66,907
Other debit balances	32,715	102,166
	2,615,015	997,412
	3,016,842	1,118,952

- Trade receivables and due from related parties that are past due and not impaired amounted to KD 1,951,118 as at 31 December 2011 (KD 335,315 as at 31 December 2010).
- Trade receivables and due from related parties that are impaired and have fully provisioned for amounted to KD 439,307 as at 31 December 2011 (2010: KD 450,959).
- The movement of impairment provision is represented in the following:

	2011	2010
Balance as of 1 January	450,959	390,730
Provided during the year	-	60,229
Used during the year	(11,652)	-
Balance as of 31 December	439,307	450,959

receivable are denmonated in the following currencies :

	2011	2010
Kuwaiti Dinar	2,642,033	1,448,371
US Dollar	222,581	-
Egyptian Pound	189,708	-
	3,054,322	1,448,371

12. CASH, CURRENT ACCOUNTS AND DEPOSITS

	2011	2010
Cash on hand	197,616	107,913
Banks current accounts	6,332,495	4,355,947
Time deposits (mature within three months)	2,010,031	2,000,000
Cash in investment portfolios	31,715	35,785
Cash, current accounts and deposits	8,571,857	6,499,645
Less: deposits pledged for a bank (note 19)	(10,000)	-
Cash and cash equivalents	8,561,857	6,499,645

The effective interest rate on time deposits is 1.25% as at 31 December 2011 (1.8% as at 31 December 2010).

13. SHARE CAPITAL

The Parent Company's issued and paid up share capital is KD 10,106,250 as at 31 December 2011 comprising of 101,062,500 shares of 100 fils per share, all shares are cash as at 31 December 2011 and 2010.

14. TREASURY SHARES

	2011	2010
Number of treasury shares (share)	1,137,500	1,137,500
Percentage to issued capital (%)	1.13	1.13
Market value	1,126,125	978,250

15. STATUTORY RESERVE

In accordance with the Commercial Companies Law, and the Parent Company's Articles of Association, 10% of annual net profit is being transferred to legal 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 in the cases stipulated by Commercial Companies Law.
The transfer ceased according to the resolution of the Ordinary General Assembly meeting held on 14 April 2010,

16. GENERAL RESERVE

As required by 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.
The Board of Directors proposed to transfer an amount of KD 570,005 to the general reserve for the year ended 31 December 2011 (2010: KD 532,971)

17. LAND REVALUATION RESERVE

The balance of land revaluation reserve includes an amount of KD 1,106,241 as at 31 December 2011 (2010: KD 1,106,241) represents the remaining balance of revaluation surplus of lands, which were sold to an associate during 2006 and 2005.

18. TRADE AND OTHER PAYABLES

	2011	2010
Trade payables	1,454,301	1,566,968
Accrued expenses and leave	1,130,785	1,029,647
Distribution payables	620,002	548,034
Customers' advance payments	408,240	600,587
Board of directors' remuneration	90,000	90,000
Taxes and deductions	246,867	222,872
Other credit balances	26,710	141,465
Due to related parties	66,424	45,451
Provision for claims	2,154,065	2,154,065
	6,197,394	6,399,089

19. LOANS AND BANK FACILITIES

	2011	2010
Short term loans	20,127,660	15,634,500
Overdrafts	986,844	2,454,304
	21,114,504	18,088,804

- All loans and bank facilities are obtained by the Group from local banks against promissory notes (note 12).
- The weighted effective interest rate on loans and bank facilities is 4.75% as at 31 December 2011 (5% as at 31 December 2010).
- All loans and bank facilities are due within one year.

20. OTHER OPERATING EXPENSES

Other operating expenses include expenses of cinema's cafeterias and buffets, marketing expenses.

21. NET GAINS FROM FINANCIAL INVESTMENTS

	2011	2010
Investments at fair value through profit or loss		
Realized gain	-	358,887
Dividend income	-	20,033
	-	378,920
Investments available for sale		
Impairment	(62,713)	(244,904)
Realized gains	15,682	488,647
Cash dividends and interest income	174,494	-
Management fees	(3,704)	(3,216)
	123,759	240,527
	123,759	619,447

22. EARNINGS PER SHARE

	2011	2010
Net profit for the year	5,385,373	5,016,833
Weighted average number of outstanding shares (share)	99,925,000	99,916,781
Earnings per share (fils)	53.89	50.21

23. DIVIDEND

On 27 April 2011, the General Assembly of Parent Company's Shareholders approved the consolidated financial statement for the year ended 31 December 2010 and approved cash dividends of 40 fils per share for the profit of 2010.
On 14 March 2012, the Parent Company's Board of Directors proposed cash dividends of 42 fils per share for the profit of 2011. This proposal is subject to the approval of the General Assembly of shareholders.

24. RELATED PARTIES TRANSACTIONS

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

	2011	2010
Gain on sale of investment property	175,496	82,733
Sale of properties held for trading	1,597,391	-
Key management compensation		
Salaries and wages	141,000	156,000
Board of directors remuneration	90,000	90,000
Leave and post employment benefits	31,510	42,460

The balances resulting from those transactions as at 31 December are as follows:

	2011	2010
Due from related parties	1,605,839	516,986
Due to related parties	66,424	45,451

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

25. SEGMENTS FINANCIAL 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 segment information which is consists with the internal reporting presented to management:
- Cinema division: Represents all activities related to cinema shows.
- Concession division: Represents all activities related to concessions supplemented to theaters.
- Investments division: Represents investments in shares and funds in addition to investment properties.

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

	2011			
	Cinema division	Concession division	Investments division	Total
Net Revenues	14,044,816	3,910,020	1,814,985	19,769,821
Costs	(11,785,392)	(1,409,275)	-	(13,194,667)
Segment profits	2,259,424	2,500,745	1,814,985	6,575,154
Assets	16,514,986	284,803	46,785,493	63,585,282

	2010			
	Cinema division	Concession division	Investments division	Total
Net Revenues	14,598,157	3,353,556	2,162,183	20,113,896
Costs	(12,052,716)	(1,417,685)	-	(13,470,401)
Segment profits	2,545,441	1,935,871	2,162,183	6,643,495
Assets	14,545,150	228,699	47,089,341	61,863,190

Net profit for the year ended 31 December represents the following:

	2011	2010
Segment profits	6,575,154	6,643,495
Other income	1,484,063	1,038,860
Expenses and other costs	(2,673,844)	(2,605,293)
Provisions	-	(60,229)
Net profit for the year	5,385,373	5,016,833

Net profit for the year ended 31 December represents the following:

	2011	2010
Assets for segment	63,585,282	61,863,190
Property and equipment	1,155,963	1,304,608
Trade and other receivables	607,308	212,912
Cash and cash equivalents	8,540,142	6,463,860
	73,888,695	69,844,570

26. CASH FLOWS FROM OPERATING ACTIVITIES

	2011	2010
Net profit for year	5,385,373	5,016,833
Adjustments to:		
Depreciation and amortization	1,983,804	3,097,341
Group's share in associates' results	(1,515,730)	(1,461,012)
Net gain from investments	(123,759)	(619,447)
Gain on sale of investment properties	(175,496)	(82,733)
Provision for doubtful debts	-	60,229
Post employment benefits	138,800	158,953
Finance costs	947,859	872,206
Operation profit before changes in working capital	6,640,851	7,042,370
Inventories	(45,069)	(73,886)
Trade and other receivables	24,477	305,163
Investments at fair value through profit or loss	-	1,084,607
Trade and other payables	(269,280)	550,542
Cash generated from operating activities	6,350,979	8,908,796
Paid from post employment benefits	(73,235)	(34,913)
Net cash generated from operating activities	6,277,744	8,873,883

27. CONTINGENT LIABILITIES

The letters of guarantee issued for third parties amounted to KD 167,220 as at 31 December 2011 (2010: KD 167,220).

28. FUTURE COMMITMENTS

	2011	2010
Capital expenditure commitments		
Estimated capital expenditure contracted for at the financial position date	76,500	124,506
Uncalled capital of investment in associate	-	38,831
Future commitments for purchasing films	225,958	475,635
	302,458	638,972
Operating lease commitments		
Future minimum operating lease payments:		
Less than one year	2,660,857	2,356,113
From one year to five years	9,557,145	9,424,452
More than five years	25,160,241	28,383,415
	37,378,243	40,163,980