



**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





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## BOARD MEMBERS

**Abdulwahab Marzouq Al Marzouq**  
CHAIRMAN

**Ahmad Abdulaziz Al Sarawi**  
VICE CHAIRMAN

**Ahmed Dakheel Al Osaimi**  
BOARD MEMBER

**Sheikh Duaij Al Khalifa Al Sabah**  
BOARD MEMBER

**Marzouq Jassim Al Marzouq**  
BOARD MEMBER

**Osama Jawad Bukhamseen**  
BOARD MEMBER

## EXECUTIVE MANAGEMENT

**Ahmed Dakheel Al Osaimi**  
CEO

**Hisham Fahad Al Ghanim**  
GENERAL MANAGER PROGRAMS &  
OPERATIONS

**Nasser Bader Al Rowdan**  
GENERAL MANAGER  
ADMINISTRATION & SERVICES

**Talal Youssef Al Marzouq**  
DEPUTY GENERAL MANAGER  
ADMINISTRATION

**Sami Qasim Sbeiti**  
PROGRAMS MANAGER

**Hamad Abdulaziz Al Sayegh**  
SERVICES MANAGER

**Sami Ali Hindi**  
FINANCE MANAGER



# CHAIRMAN'S LETTER

**ESTEEMED SHAREHOLDERS,**

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

**ON BEHALF OF MYSELF AND MY COLLEAGUES ON  
THE BOARD OF DIRECTORS AND ALL THE EMPLOYEES  
OF KUWAIT NATIONAL CINEMA COMPANY -  
CINESCAPE I AM PLEASED TO PRESENT TO YOU  
THE ANNUAL REPORT FOR THE YEAR ENDED 31  
DECEMBER 2015. THE REPORT OUTLINES THE MAIN  
ACHIEVEMENTS MADE DURING THE YEAR, PRESENTS  
OUR PLANS AND ASPIRATIONS FOR FUTURE YEARS,  
FINANCIAL STATEMENTS OF THE COMPANY FOR  
THE YEAR 2015 AS WELL AS THE REPORT OF THE  
INDEPENDENT AUDITORS.**

**ESTEEMED BROTHERS,**

YOUR COMPANY ADOPTED A CLEAR STRATEGY  
YEARS AGO WHICH HEAVILY RELIES ON THE  
EFFICIENCY OF STAFF WITH EXPERIENCE IN FILM  
DISTRIBUTION AND PROJECTION IN ORDER TO  
COPE WITH THE GREAT DEVELOPMENT IN THE  
FILM INDUSTRY WORLDWIDE. THIS RESULTED IN  
BECOMING ONE OF THE MOST IMPORTANT AND  
MOST SUCCESSFUL FILM DISTRIBUTION AND  
PROJECTION COMPANIES IN THE MIDDLE EAST.

The excellence in the services provided plus the type and number of films shown has contributed to the achievement of record results that we aspire to maintain and develop.

During 2015, the Kuwait National Cinema Company – Cinescape, has ambitiously updated its strategy for the coming years and mainly relying on the expansion of sites and various projects in Kuwait along with renovating the existing sites in a way through which we hope to go beyond the expectations of our valued clients in terms of the quality of services provided and the technology used, in addition to the elegant creativity in decoration work

## ESTEEMED BROTHERS,

**Y**our company has always been considered an important cultural bridge linking the state of Kuwait with the world. That being said, it continues to cooperate with all parties of the civil society, embassies, various Authorities and Ministries in allocating evenings, workshops and Kuwaiti and foreign cultural cinematic courses. A number of (11) evenings were held in 2015 at a total of (63) movies mostly classified by Art House Cinema. In 2015, we were able to show (238) English movies, (134) Indian movies of its various kinds and (19) Arabic movies with a total of (391) movies which results to an increase of 34 films from the preceding year.

## ESTEEMED BROTHERS,

**Y**our company achieved an excellent performance during 2015, achieving net profit of KD 9,833,294 and the earning per share amounted to 102.19 Fils, compared to KD 8,717,625 and 88.04 Fils per share in 2014, representing a 16% increment for the year.

Total assets amounted to KD 96 million at the end of 2015 compared with KD 85 million for 2014, thereby registering growth of 13% approximately, and shareholders' equity stood at KD 66 million approximately as at 31.12.2015 compared with KD 63 million at the end of 2014, thereby registering growth of 5% approximately.

In light of these positive results, the Board of Directors has recommended the distribution of a cash dividend for the year ended 31 December 2015 at the rate of 53% of the nominal value of each share, representing 53 Fils per share.

The board of directors also recommended the payment of KD 60,000 as remuneration for the members of the Board of Directors for the year ended on 31 December 2015.

## IN CONCLUSION,

I would like to take this opportunity to present our expression of the deepest thanks and appreciation to His Highness the Amir, Sheikh Sabah Al-Ahmad Al-Jaber Al Sabah, to His Highness the Crown Prince, Sheikh Nawaf Al-Ahmad Al-Jaber Al Sabah and to His Highness the Prime Minister, Sheikh Jaber Al-Mubarak Al-Hammad Al Sabah for their valuable patronage, support and care extended to the private sector and the national institutions

I also wish to thank the honorable shareholders of the Company for their continued trust and support.

And finally, I extend my thanks to the members of the Company's Board of Directors for their endless contribution and support and special thanks to the Chief Executive Officer and all the employees of the company for their steady and fruitful efforts that have been crucial in enabling the Company to achieve the excellent results of 2015.

We pray to Allah Almighty to protect our dear country and to shower His blessings, security, peace, progress and prosperity to Kuwait and its people.

**ABDULWAHAB MARZOUQ AL MARZOUQ**  
CHAIRMAN

# 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 (KPSC), “the Parent Company” and its Subsidiaries (collectively “the Group”) which comprise the consolidated statement of financial position as at 31 December 2015, 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.

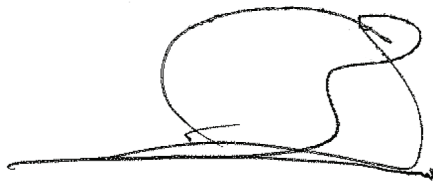
### RESPONSIBILITY OF THE PARENT COMPANY’S MANAGEMENT FOR THE CONSOLIDATED FINANCIAL STATEMENTS

**T**he Parent Company’s 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

**O**ur 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.



**Bader A. Al-Wazzan**  
( License No. 62-A )  
Deloitte & Touche  
Al Wazzan & Co.



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

Kuwait - 16 February 2016

## OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, 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 the information that we deemed necessary 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 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 violation of the Companies Law No. 1 of 2016, or the Parent Company's Memorandum of Incorporation and Articles of Association as amended have occurred during the financial year ended 31 December 2015 that might have had a material effect on the business of the Group or on its consolidated financial position.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2015	2014
<b>Assets</b>			
<b>Non- current assets</b>			
Property, plant and equipment	5	15,183,282	14,540,324
Intangible assets	6	495,049	311,148
Investments in an associate	7	34,593,907	32,362,993
Available for sale investments	8	25,156,257	24,719,584
		<u>75,428,495</u>	<u>71,934,049</u>
<b>Current assets</b>			
Inventories		255,084	233,366
Trade and other receivables	9	1,161,836	1,294,753
Cash on hand and at banks	10	19,074,891	11,239,637
		<u>20,491,811</u>	<u>12,767,756</u>
<b>Total assets</b>		<u><u>95,920,306</u></u>	<u><u>84,701,805</u></u>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	11	10,106,250	10,106,250
Treasury shares	12	(6,467,849)	(2,029,453)
Statutory reserve	13	5,053,125	5,053,125
General reserve	14	10,438,959	9,414,038
Other reserves	15	20,051,658	17,920,227
Retained earnings		26,915,449	22,938,906
Equity attributable to shareholders of the Parent Company		<u>66,097,592</u>	<u>63,403,093</u>
Non-controlling interests		27,873	17,744
<b>Total equity</b>		<u>66,125,465</u>	<u>63,420,837</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Post-employment benefits			
<b>Current liabilities</b>			
Trade and other payables		1,208,834	1,166,691
Loans and bank facilities	16	9,027,002	7,119,959
<b>Total liabilities</b>	17	<u>19,559,005</u>	<u>12,994,318</u>
<b>Total equity and liabilities</b>		<u><u>28,586,007</u></u>	<u><u>20,114,277</u></u>
		<u>29,794,841</u>	<u>21,280,968</u>
		<u><u>95,920,306</u></u>	<u><u>84,701,805</u></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 2015

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2015	2014
Operating revenues		19,929,196	17,970,227
Operating costs		(15,298,779)	(14,528,161)
Gross profit		4,630,417	3,442,066
Other operating income	18	7,103,328	6,239,721
Administrative and general expenses		(2,078,538)	(1,729,112)
Other operating expenses	18	(2,032,740)	(1,959,586)
Net (losses)/ gains from financial investments	19	(418,152)	923,429
Group's share in an associate's results	7	3,758,611	2,682,550
Finance charges		(703,583)	(480,422)
Net profit before deductions		10,259,343	9,118,646
Contribution to Kuwait Foundation for the Advancement of Sciences		(51,401)	(59,522)
National Labour Support Tax		(254,496)	(228,369)
Zakat		(50,023)	(59,545)
Board of Directors' remuneration	21	(60,000)	(50,000)
Net profit for the year		9,843,423	8,721,210
Attributable to:			
Shareholders of the Parent Company		9,833,294	8,717,625
Non-controlling interest		10,129	3,585
		9,843,423	8,721,210
Earnings per share (fils)	20	102.19	88.04

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 31 DECEMBER 2015

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2015	2014
Net profit for the year		9,843,423	8,721,210
Other comprehensive income items:			
<b>Items that may be reclassified subsequently to statement of income</b>			
Change in fair value of available for sale investments		2,046,282	7,801,886
Transferred to statement of income from sale of available for sale investments		(184,485)	(974)
Group's share from other comprehensive income of an associate	7	272,303	836,102
Exchange differences on translation of a subsidiary		(2,669)	288
Total other comprehensive income items		2,131,431	8,637,302
		11,974,854	17,358,512
Total comprehensive income for the year			
Attributable to:			
Shareholders of the Parent Company		11,964,725	17,354,927
Non-controlling interests		10,129	3,585
		11,974,854	17,358,512

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2015

(ALL AMOUNTS ARE IN KUWAITI DINARS)

### Equity attributable to shareholders of the Parent Company

	Share Capital	Treasury Shares	Statutory Reserve	General Reserve	Other Reserve (note 15)	Retained Earnings	Total	Non- controlling Interest	Total
<b>Balance as at 1 January 2014</b>	10,106,250	(1,437,716)	5,053,125	8,502,532	9,260,021	19,994,379	51,478,591	14,159	51,492,750
Net profit for the year	-	-	-	-	-	8,717,625	8,717,625	3,585	8,721,210
Other comprehensive income items	-	-	-	-	8,637,302	-	8,637,302	-	8,637,302
Cash dividends	-	-	-	-	-	(4,861,592)	(4,861,592)	-	(4,861,592)
Purchase of treasury shares	-	(649,813)	-	-	-	-	(649,813)	-	(649,813)
Sale of treasury shares	-	58,076	-	-	22,904	-	80,980	-	80,980
Transferred to reserves	-	-	-	911,506	-	(911,506)	-	-	-
<b>Balance as at 31 December 2014</b>	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
<b>Balance as at 1 January 2015</b>	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 (Note 21)	-	-	-	-	-	(4,831,830)	(4,831,830)	-	(4,831,830)
Purchase of treasury shares	-	(4,438,396)	-	-	-	-	(4,438,396)	-	(4,438,396)
Transferred to reserves	-	-	-	1,024,921	-	(1,024,921)	-	-	-
<b>Balance as at 31 December 2015</b>	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

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2015

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2015	2014
Net cash generated from operating activities	24	10,724,872	8,727,133
<b>Cash flows from investing activities</b>			
Paid for acquisition of property, plant and equipment		(2,109,773)	(1,015,001)
Paid for acquisition of intangible assets		(1,063,056)	(1,358,220)
Paid for available for sale investments		(1,180,018)	(8,544,902)
Proceeds from sale of available for sale investments		1,274,006	2,036,083
Dividends received		2,723,851	2,292,707
Net cash used in investing activities		(354,990)	(6,589,333)
<b>Cash flows from financing activities</b>			
Paid for acquisition of treasury shares		(4,438,396)	(649,813)
Proceeds from sale of treasury shares		-	80,980
Loans and bank facilities		7,343,188	3,034,738
Dividends paid		(4,763,369)	(4,793,991)
Finance charges paid		(676,051)	(386,971)
Net cash used in financing activities		(2,534,628)	(2,715,057)
Net increase / (decrease) in cash and cash equivalents		7,835,254	(577,257)
<b>Cash and cash equivalents at the beginning of the year</b>		11,229,637	11,806,894
<b>Cash and cash equivalents at the end of the year</b>	10	19,064,891	11,229,637

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2015

(ALL AMOUNTS ARE IN KUWAITI DINARS UNLESS OTHERWISE STATED)

## 1. INCORPORATION & 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 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 - KSCC	99.25	Publishing and film distribution	Kuwait
Al Kout Film Production and Distribution Company - SAE	100	Production and film distribution	Egypt

The total assets of the subsidiaries was amounted to KD 5,154,090 as at 31 December 2015 (KD 3,222,307 as at 31 December 2014). In addition, its revenues and net profit were amounted to KD 3,028,357 and KD 1,326,977 respectively for the year ended 31 December 2015 (KD 2,009,422 and KD 480,360 respectively for the year ended 31 December 2014).

On 1 February 2016, the new Companies Law no. 1/2016 was published in the Official Gazette which is effective from 26 November 2012.

According to the new law, the companies law No. 25 of 2012 and its amendments have been cancelled however, its Executive Regulations will continue until a new set of Executive Regulations are issued.

The consolidated financial statements were authorized for issue by the Board of Directors on 16 February 2016.

## 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.

### 2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

#### Amendments to IFRSs that are mandatory effective for the current year

##### Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments should applied retrospectively. This amendment is not relevant to the Group, since none of the Group's entities has defined benefit plans with contributions from employees or third parties.

##### Annual improvements 2010-2012 Cycle

- IFRS 2 Share-based Payment
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- IAS 24 Related Party Disclosures

##### Annual improvements 2011-2013 Cycle

- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement
- IAS 40 Investment Property
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 27: Equity Method in Separate Financial Statements

The Group has applied the amendments to IFRSs included in the annual improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle for the first time in the current year. The application of these amendments had no impact on the disclosures or amounts recognized in the Group's consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2015

(ALL AMOUNTS ARE IN KUWAITI DINARS UNLESS OTHERWISE STATED)

### **New and revised IFRSs in issue but not yet effective**

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

#### **IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is in the process of assessment the impact of IFRS 9 on its consolidated financial statements.

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014 and introduced a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied. Furthermore, extensive disclosures are required by IFRS 15.

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. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is in the process of assessment the impact of IFRS 15 on its consolidated financial statements.

#### **Amendments to IFRS 11 Accounting for Acquisitions of Interest in Joint Operations**

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations.

The amendments should be applied prospectively to acquisitions of interests in joint operations occurring from the beginning of annual periods beginning on or after 1 January 2016. These amendments are not expected to have any impact on the Group.

#### **Amendments to IAS 1 Disclosure Initiative**

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. These amendments are not expected to have any impact on the Group.

#### **Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation**

The Amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property,

plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset except for certain cases. The Amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group use the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Group's management believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets.

The Group has amortized the cost of obtaining the utilization rights of lands which have been capitalized within intangible assets in accordance with their estimated economic lives. The Group has amortized the cost of movies which have been capitalized within intangible assets on periods of time in accordance with estimated future benefits. These amendments are not expected to have any impact on the Group.

#### **Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

#### **Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception**

The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. These amendments are not expected to have any impact on the Group.

#### **Annual Improvements 2012-2014 Cycle**

These improvements are effective for annual periods beginning on or after 1 July 2016 and are not expected to have a material impact on the Group. They include:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
- IAS 19 Employee Benefits

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2015

(ALL AMOUNTS ARE IN KUWAITI DINARS UNLESS OTHERWISE STATED)

### 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 Company reassesses 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.

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, revenue 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 recognised 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 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, 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.

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







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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 investee 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 with respect to the Group's investment in the associates or joint ventures. The entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with 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 an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalized.

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.

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

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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:

##### **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. 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 subsequently 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

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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 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 Parent 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 disposed; gains are credited to a separate undistributable 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 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.

### **2.3.11 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.

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 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.

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### 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.

#### 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. Financial liabilities in foreign currencies are represented in loans and bank facilities 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:

	2015	2014
US Dollars	(542,650)	(89,773)

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

	2015	2014
Net profit	57,378	9,598
Equity	57,378	9,598

#### 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 time deposits (note 11), and loans and bank facilities (note 17).

Borrowings granted to the Group are at variable interest rate.

As at 31 December 2015, had interest rates been 1% higher, net profits of the year would have been lower by KD 162,767 (2014: KD 114,769) 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:

	2015	2014
Trade receivables and due from related parties (note 9)	1,024,338	1,138,474
Current accounts and deposits and cash at investment portfolios (note 10)	19,021,654	11,174,343



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### Liquidity risks

Liquidity risk is the risk that the Group may not be able to meet its funding obligations. 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 2015 and 2014 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.

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 2015, the Group's strategy does not change from 2014; which is to maintain lowest possible gearing ratio.

### 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 an analysis for registered financial instruments of fair value according to the above mentioned:

	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
	31/12/2015	31/12/2014					
<b>Available for sale investments</b>							
- Quoted Shares	22,354,323	20,096,224	31 December	Level 1	Quoted prices from stock exchange Net assets value	N/A	N/A
- Investment Funds	38,565	48,915	31 December	Level 2	Net quoted unit value of the fund	N/A	N/A

The carrying amount of other financial assets and liabilities is not materially different from their fair value as at the date of the financial statements.

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## 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.

### ***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 note 3.3.

### ***IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS***

The Company reviews the tangible 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 the available for sale instruments when there is a long-term or material impairment in the value of investments classified as available for sale investments. Determination of the long-term or material impairment 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.

### ***IMPAIRMENT OF ASSOCIATES***

Estimation for impairment losses of associate is made when there is an indication for such impairment. Determination of the impairment is made for the full book value of the Group's investment in associate including goodwill and therefore, the impairment of goodwill is not separately determined.

### ***CONTINGENT 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.



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## 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 2014	8,067,893	9,012,332	5,420,391	3,404,244	215,100	26,119,960
Additions during the year	-	9,510	142,556	10,125	863,810	1,026,001
Disposals	-	-	-	-	(11,000)	(11,000)
As at 31 December 2014	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
<b>Total depreciation and impairment</b>						
As at 1 January 2014	-	4,359,249	4,387,344	2,909,758	-	11,656,351
Depreciation for the year	-	377,639	404,562	156,085	-	938,286
As at 31 December 2014	-	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
<b>Net book value</b>						
As at 31 December 2015	8,067,893	3,696,652	238,355	158,342	3,022,040	15,183,282
As at 31 December 2014	8,067,893	4,284,954	771,041	348,526	1,067,910	14,540,324
Useful lives (year)		5-40	4-15	5-15		

- The historical cost of lands, that are measured at fair value is KD 650,000 as at 31 December 2015 and 2014. The last lands valuation was made in 2011.

- Certain of the Group's buildings are constructed on lands leased from the State on a utilization right basis.

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

	2015	2014
Operating costs	1,278,764	752,141
Other operating expense	85,116	62,800
Administrative and General expenses	94,371	123,345
	<u>1,458,251</u>	<u>938,286</u>

## 6. INTANGIBLE ASSETS

	2015	2014
Balance as at 1 January	311,148	516,779
Foreign currency exchange differences	(8,614)	1,594
Additions during the year	1,063,056	1,358,220
Amortization for the year	(870,541)	(1,565,445)
Balance as at 31 December	<u>495,049</u>	<u>311,148</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 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:

	2015	2014
Balance as at 1 January	32,362,993	30,344,341
Group's share in an associate's results	3,758,611	2,682,550
Group's share from change in fair value reserve of an associate	165,870	734,566
Group's share from foreign currency translation reserve of a an associate	106,433	101,536
Dividends	(1,800,000)	(1,500,000)
Balance as at 31 December	<u>34,593,907</u>	<u>32,362,993</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:

	2015	2014
Current assets	<u>81,203,147</u>	<u>62,861,473</u>
Non-current assets	<u>198,933,343</u>	<u>187,530,055</u>
Current liabilities	<u>(33,369,796)</u>	<u>(23,004,411)</u>
Non-current liabilities and non-controlling interests	<u>(99,804,347)</u>	<u>(87,861,150)</u>

	2015	2014
Revenues	<u>30,624,466</u>	<u>22,725,788</u>
Profit from continued operations	<u>12,528,705</u>	<u>8,941,834</u>
Profit for the year	<u>12,528,705</u>	<u>8,941,834</u>
Other comprehensive income for the year	<u>1,144,391</u>	<u>3,022,197</u>
Total comprehensive income for the year	<u>13,436,380</u>	<u>11,728,839</u>
Cash dividends received from an associate during the year	<u>1,800,000</u>	<u>1,500,000</u>

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:

	2015	2014
Net assets of an associate	<u>146,962,347</u>	<u>139,525,967</u>
Group's share in net assets (30%)	<u>44,088,704</u>	<u>41,857,790</u>
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>34,593,907</u>	<u>32,362,993</u>

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## 8. AVAILABLE FOR SALE INVESTMENTS

The balance of available for sale investments as at 31 December represents the following:

	2015	2014
Quoted shares	22,354,323	20,096,224
Unquoted shares	2,763,369	4,574,445
Investment funds	38,565	48,915
	<u>25,156,257</u>	<u>24,719,584</u>

- Available for sale investments were valued based on valuation techniques disclosed in note 3.3.
- Unquoted investments were carried at cost since its fair value cannot be reliably measured. The Group's management believes that there are no indications of impairment for such investments as at 31 December 2015 and 2014.

## 9. TRADE AND OTHER RECEIVABLES

	2015	2014
Trade receivables	407,009	580,001
Due from related parties	617,329	558,473
	<u>1,024,338</u>	<u>1,138,474</u>
Provision for Impairment	(503,028)	(462,202)
	<u>521,310</u>	<u>676,272</u>
Prepaid expenses	50,337	52,730
Refundable deposits	412,805	407,805
Staff receivables	155,891	137,946
Other receivables	21,493	20,000
	<u>1,161,836</u>	<u>1,294,753</u>

- The balances that are past due and not impaired were amounted to KD 521,310 as at 31 December 2015 (KD 676,272 as at 31 December 2014). Average age of these amounts 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 2015 (KD 462,202 as at 31 December 2014).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 10. CASH ON HAND AND AT BANKS

	2015	2014
Cash on hand	53,237	65,294
Banks current accounts	18,111,469	10,718,783
Time deposits (mature within three months)	10,387	10,316
Cash in investment portfolios	899,798	445,244
Cash, current accounts and deposits	19,074,891	11,239,637
Less: deposits more than 3 months	(10,000)	(10,000)
Cash and cash equivalents	19,064,891	11,229,637

The effective interest rate on time deposits is 0.78% for the year 2015 (1.25% - 2014).

### 11. SHARE CAPITAL

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

### 12. TREASURY SHARES

	2015	2014
Number of treasury shares (share)	6,750,852	2,411,055
Percentage to issued shares (%)	6.68	2.39
Market value	6,143,275	2,362,834

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. STATUTORY RESERVE

In accordance with Company's Law and the Company's Articles of Association, 10% of annual net profit is 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 for the cases stipulated by Companies Law.

The transfer ceased according to the resolution of the Ordinary General Assembly meeting held on 14 April 2010.

### 14. GENERAL RESERVE

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 general reserve. The General Assembly may resolve to discontinue such transfer based on a proposal by the Board of Directors.

On 16 February 2016, the Board of Directors proposed to transfer an amount of KD 1,024,921 to the general reserve for the year ended 31 December 2015 as at 31 December 2014: KD 911,506).

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## 15. OTHER RESERVES

	Lands revaluation reserve	Change in fair value reserve	Currency translation reserve	Treasury shares reserve	Total
Balance as at 1 January 2014	8,524,134	588,601	147,286	-	9,260,021
Total other comprehensive income items	-	8,535,478	101,824	-	8,637,302
Sale of treasury shares	-	-	-	22,904	22,904
Balance as at 31 December 2014	8,524,134	9,124,079	249,110	22,904	17,920,227
Balance as at 1 January 2015	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
Balance as at 31 December 2015	8,524,134	11,151,746	352,874	22,904	20,051,658

The balance of lands revaluation reserve includes an amount of KD 1,106,241 as at 31 December 2015 and 2014, which represents the remaining balance of revaluation surplus of lands sold by the Group to an associate during 2006 and 2005.

## 16. TRADE AND OTHER PAYABLES

	2015	2014
Trade payables	2,674,038	1,828,414
Expenses and accrued leaves	1,793,492	1,302,229
Dividends payables	846,962	778,501
Others' deposits	341,359	3,016
Deferred income	644,642	535,584
Due to related parties	36,801	19,001
Provision for claims	2,154,065	2,154,065
Board of Directors' remuneration	60,000	50,000
Taxes and deductions	391,743	383,297
Other payables	83,900	65,852
	<u>9,027,002</u>	<u>7,119,959</u>

## 17. LOANS AND BANK FACILITIES

	2015	2014
Short term loans	19,550,000	12,450,000
Banks - Overdrafts	9,005	544,318
	<u>19,559,005</u>	<u>12,994,318</u>

- Loans and bank facilities are granted to the Group from local banks against promissory notes and are matured within one year.
- The weighted effective interest rate on loans and bank facilities was 3.55% during 2015 (3.87% - 2014).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2015

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## 18. REVENUES / OTHER OPERATING 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.

## 19. NET (LOSSES) / GAINS FROM FINANCIAL INVESTMENTS

	2015	2014
Cash dividends and interest income	923,851	793,044
Impairment	(1,512,898)	-
Gain from sale of investments	181,762	142,673
Portfolio management fees	(10,867)	(12,288)
	<u>(418,152)</u>	<u>923,429</u>

## 20. 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:

	2015	2014
Net profit for the year attributable for shareholders of the Parent Company	9,833,294	8,717,625
Weighted average number of outstanding shares (share)	96,227,403	99,021,357
Earnings per share (fils)	<u>102.19</u>	<u>88.04</u>

## 21. DIVIDENDS

On 15 April 2015, the General Assembly of the Parent Company's Shareholders approved the consolidated financial statement for the year ended 31 December 2014 and approved cash dividends of 51 fils per share from the profit of 2014. In addition, the proposed Board of Director's remuneration of KD 50,000 has been approved for the year ended 31 December 2014.

On 16 February 2016, the Company's Board of Directors proposed cash dividends of 53 fils per share from the profit of 2015. In addition, Board of Director's remuneration of KD 60,000 has been proposed for the year ended 31 December 2015. This proposal is subject to the approval of the General Assembly of shareholders.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2015

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## 22. 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:

	2015	2014
Key management compensation		
Salaries and remuneration	322,200	224,700
Board of Directors' remuneration	60,000	50,000
Post-employment benefits and leaves	36,309	44,132

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

	2015	2014
Due from related parties	617,329	558,473
Due to related parties	36,801	19,001

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

## 23. 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.

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 in addition to investment properties.

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

	2015			
	Cinema Division	Buffets Division	Investments Division	Unallocated Items
Net revenues	19,929,196	5,734,185	3,340,459	1,369,143
Costs	(15,298,779)	(2,032,740)	-	(3,198,041)
Segment profits	4,630,417	3,701,445	3,340,459	(1,828,898)
Assets	13,159,169	155,153	60,102,803	22,503,181
	2014			
	Cinema Division	Buffets Division	Investments Division	Unallocated Items
Net revenues	17,970,227	4,771,273	3,605,979	1,468,448
Costs	(14,528,161)	(1,959,586)	-	(2,606,970)
Segment profits	3,442,066	2,811,687	3,605,979	(1,138,522)
Assets	14,227,611	180,734	57,351,050	12,942,410

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## 24. CASH FLOWS FROM OPERATING ACTIVITIES

	2015	2014
Net profit for year	9,843,423	8,721,210
Adjustments for:		
Depreciation and amortization	2,328,792	2,503,731
Group's share in an associate's results	(3,758,611)	(2,682,550)
Net gain from financial investments	418,152	(923,429)
Post-employment benefits	160,178	165,005
Provision for doubtful debts	40,826	-
Finance charges	703,583	480,422
Operating profit before changes in working capital	9,736,343	8,264,389
Inventories	(21,718)	211,121
Trade and other receivables	92,091	88,980
Trade and other payables	1,036,191	216,667
Cash generated from operating activities	10,842,907	8,781,157
Post-employment benefits paid	(118,035)	(54,024)
Net cash generated from operating activities	10,724,872	8,727,133

## 25. CONTINGENT LIABILITIES

The letters of guarantee issued for third parties were amounted to KD 167,220 as at 31 December 2015 (KD 167,220 - 2014).

## 26. FUTURE COMMITMENTS

	2015	2014
<b>Capital expenditure commitments</b>		
Estimated capital expenditure contracted for at the financial position date	350,734	1,610,855
Future commitments for purchasing films	334,366	553,438
	685,100	2,164,293
<b>Operating lease commitments</b>		
Future minimum operating lease payments:		
Less than one year	2,796,809	2,804,472
Between one year and five years	10,143,466	10,775,337
Over five years	17,964,689	20,137,754
	30,904,964	33,717,563