

ANNUAL REPORT

2017



شركة السينما الكويتية الوطنية
KUWAIT NATIONAL CINEMA COMPANY

**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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CHAIRMAN'S LETTER

IN THE NAME OF GOD, MOST
GRACIOUS, MOST MERCIFUL

**ESTEEMED
SHAREHOLDERS,
MAY ALLAH'S PEACE AND
BLESSINGS BE UPON YOU.**

**IT IS WITH GREAT PLEASURE
THAT I PRESENT TO YOU, ON
BEHALF OF MYSELF AND ON
BEHALF OF MY COLLEAGUES
ON THE BOARD OF
DIRECTORS, THE EXECUTIVE
MANAGEMENT AND ALL
THE EMPLOYEES OF KUWAIT
NATIONAL CINEMA COMPANY-
CINESCAPE, THE ANNUAL
REPORT FOR THE YEAR ENDED
ON 31 DECEMBER 2017.**

THIS REPORT SETS FORTH OUR
KEY ACHIEVEMENTS FOR THE YEAR
AND OUR PLANS THAT HAVE BEEN
DRAWN IN LINE WITH THE STRATEGY
TO DEVELOP THE COMPANY'S
SERVICES AND EXECUTE ITS
EXPANSION PLANS TO COVER ALL
PARTS OF THE STATE OF KUWAIT
AND AREAS OUTSIDE THE COUNTRY,
WITH A VIEW TO CONSOLIDATE ITS
LEADING POSITION IN THE LOCAL AND

REGIONAL MARKETS. THE REPORT
ALSO PRESENTS THE FINANCIAL
STATEMENTS OF THE COMPANY FOR
THE YEAR ENDED ON 31 DECEMBER
2017 AND THE REPORT OF THE
INDEPENDENT AUDITORS.

ESTEEMED BROTHERS,

The Company continues to execute its plans that had been drawn in light of trends in economy and indicators of the local economy, market performance and the competition environment. In this regard, Kuwait National Cinema Company, thanks to the qualifications and experience of its employees and its on-going efforts to introduce the latest cinema showing technologies, succeeded in maintaining its large market share despite expected economic challenges. As a result, it has developed into one of the most successful cinema companies not only in the GCC region but in the entire Middle East and North Africa region as well. This achievement fits well within our vision of offering the best services to our customers and ensuring a high-quality and unique cinema going experience.

ESTEEMED BROTHERS,

I am happy to report on the achievements of Kuwait National Cinema Company during the past year.

The year 2017 witnessed the launch of the new identity of Kuwait National Cinema Company, inspired by our glorious past and our future vision, re-affirming our position as a company with a long history of undeniable success and remarkable success in the world of cinema. The new identity goes hand in hand with the desired change and continuous development of the services and ideas that have made the company so unique.

The latest development in our services was the introduction of our e-ticketing system which has been effective in facilitating seat reservation and accessing the cinema theaters without the need to wait in long lines and print tickets. We have also upgraded our backend booking system, our website and all our automated booking platforms.

It is worth mentioning that Kuwait National Cinema Company (Cinescape) has signed a lease contract with Salhia Real Estate Company, one of the leading real estate developers in the region, to open a new cinema at Al-Asimah Tower, the largest real estate project at the heart of Kuwait City. These theaters will have an ultra-modern design and a spacious area. The plan is to have 13 cinema screens equipped with state-of-the-art cinema exhibition technologies.

Your company showed 214 English films, 163 Indian, 17 Arabic and 20 Kuwaiti and GCC films, a total of 414 films, an addition of 15 more films in comparison to 2016.

ESTEEMED BROTHERS,

The cooperation between your company and civil society institutions, public sector, and embassies of foreign countries forms a cultural bridge between Kuwait and the world; we have, in cooperation with these institutions, entities and embassies held 10 cinema and cultural evenings that were received with high appreciation by the public.

ESTEEMED BROTHERS,

In 2018, we will continue the implementation of our plans in order to realize the desired growth and maintain our leading position in the Kuwaiti market and exceed the expectations of our customers by maintaining the charming atmosphere, and state-of-the-art technologies thereby deepening our impact on the local and regional market. To this end, we will launch a new brand cinema in the Kuwaiti market to operate side by side to "Cinescape" under Kuwait National Cinema Company. This mark will be totally inspired by the history of Kuwait, drawing on the golden era of art in the Gulf region and the Arab World. On the same note, 2018 will also witness the rebranding of "Cinescape" with a change to its logo for a more modern and innovative style without straying too far away from our present logo.

Underscoring Cinescape's position as the premier entertainment destination in the State of Kuwait, several of our present locations will be developed with the introduction of the most sophisticated technologies and services. This includes the development of Cinescape's theaters in 360 Mall and The Avenues.

In addition to enhancing the services provided to our customers by diversifying the showing content, increasing the numbers of IMAX, 4DX, Cinescape 11, and VIP screens, also, adding Premium class seats, we will provide the feature of advance ordering of food and beverage through our web site and applications.

We will, during 2018, continue the implementation of our development plans with an aim to maintain our position as a pioneer and leading company that has always embraced technological and architectural advances. To achieve this, "Cinescape Al-Kout Mall" will enter the final preparation phase and become ready to welcome movie goers during the third quarter of this year. "Cinescape Al-Kout Mall" will be a key addition to the world of entertainment at "Al-Kout Mall", with 9 cinema screens and cinematic experiences of the highest standard, in addition to 3 cinema screens that will be opened at Souq Al Kout to provide a differentiated cinema experience to those who appreciate excellence and have a fine taste of quality. This addition will raise the number of cinema screens at Al-Kout project to 12.

On this occasion, I am pleased to say that our future expansion plans include the opening of cinema screens outside Kuwait for the first time in the company's history, in the Kingdom of Saudi Arabia where the market is similar to the Kuwaiti market in terms of observance of customs and traditions.

Our presence in the Kingdom of Saudi Arabia emphasizes our position as the region's leading provider of entertainment services in general and cinema entertainment in particular.

ESTEEMED BROTHERS,

In the year 2017, your company achieved a net profit of KD 10,167,707, and earnings per share amounted to KD 107.89 Fils compared to a net profit of KD 9,332,630 and 99.05 Fils in earnings per share for 2016.

At the end of 2017, total assets amounted to KD 109.6 million compared to KD 99.5 million for 2016, with a growth of 10% approximately over the year, while shareholders' equity rose to KD 73.5 million at the end of 2017 compared to KD 68.9 million for 2016, thereby recording an increase of 7% approximately.

In light of these results, the Board of Directors recommends the distribution of a cash dividend of 55% of the nominal value of the share, or 55 Fils per share for the financial year ended on 31 December 2017.

The Board also recommends payment of a remuneration of KD 60,000 to the members of the Board of Directors for the year ended on 31 December 2017.

IN CONCLUSION,

I would like to take this opportunity to present our deepest thanks and appreciation to His Highness the Amir, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, His Highness the Crown Prince, Sheikh Nawaf Al-Ahmad Al-Jaber Al Sabah, and His Highness the Prime Minister, Sheikh Jaber Al-Mubarak Al-Hamad Al Sabah, for their care, support and patronage of the private sector and national institutions. Also, I would like to express my thanks to you for your trust and support and wish to thank and express my appreciation to the members of the Company's Board of Directors for their continuous contribution and support. Last but not least, I wish to thank the members of the executive team and all the employees of the company for their fruitful efforts that have been instrumental in enabling the company to achieve the desired results during 2017.

ALLAH IS PROVIDER OF ALL GOOD FORTUNE

MAY ALLAH'S PEACE AND
BLESSINGS BE UPON YOU.

ABDULWAHAB MARZOUQ
AL MARZOUQ
CHAIRMAN



BOARD OF DIRECTORS **EXECUTIVE MANAGEMENT**

Abdulwahab Marzouq Al Marzouq
CHAIRMAN

Ahmad Abdulaziz Al Sarawi
VICE CHAIRMAN

Ahmad Dakheel Al Osaimi
BOARD MEMBER

Sheikh Duaij Al Khalifa Al Sabah
BOARD MEMBER

Marzouq Jassim Al Marzouq
BOARD MEMBER

Osama Rashed Al Armali
BOARD MEMBER

Nasser Bader Al Rowdan
SECRETARY OF THE
BOARD OF DIRECTORS

Ahmad Dakheel Al Osaimi
CHIEF EXECUTIVE OFFICER

Nasser Bader Al Rowdan
GENERAL MANAGER
ADMINISTRATION & SERVICES

Talal Youssef Al Marzouq
GENERAL MANAGER OF OPERATIONS

Wael Abdullah Al Hamlan
GENERAL MANAGER
DEVELOPMENT AND MAINTENANCE

Sami Ali Hindi
FINANCE MANAGER

CORPORATE GOVERNANCE BRIEF

BRIEF OUTLINE OF THE GROUP'S CORPORATE GOVERNANCE

- **Kuwait National Cinema Company** is keen to implement the best practices of the principles of wise governance. During 2017, the Company continued to comply with all the instructions issued in this regard by the Capital Markets Authority. The Company has also been keen to develop the governance system and spread the culture of governance at the level of its departments, through reviewing and updating the relevant policies and procedures to comply with the best practices and in line with the instructions issued by the Capital Market Authority.
- During the year, the Company continued to activate the role of internal control through the Internal Audit Office of the Audit Committee. The Risk Management Department has performed the tasks entrusted to it efficiently and effectively by analyzing and measuring the risks to which the Company is exposed and verifying the existence of effective procedures to ensure that such risks are mitigated.
- During the year, a number of modern automated systems were implemented to ensure controlling the Company's transactions and to increase the quality and comprehensiveness of the financial and operational reports.
- The Investors Affairs Unit has also activated its role by providing all required data to current and potential investors in an easy and lucid manner to respond to any queries, either through the Company's e-mail or by direct contact.

BOARD OF DIRECTORS' COMMITMENT

We, the chairman and members of the Board of Directors of Kuwait National Cinema Company (Kuwaiti public shareholding company) (the mother company and the subsidiary companies), hereby declare and warrant the accuracy and integrity of the financial statements as at 31 DECEMBER 2017 that have been provided to the auditor and that the financial reports of the company have been presented fairly, properly and according to the International Financial Reporting Standards applicable in the State of Kuwait and approved by the CMA and that represent the financial position of the company as at 31 DECEMBER 2017 according to such information and reports as have been received by us from the Executive Management and the auditors and that due care has been made to verify the integrity and accuracy of those reports.

Member Name	Position
Abdulwahab Marzouq Al Marzouq	Chairman of the Board of Directors Non-Executive member
Ahmad Abdulaziz Al Sarawi	Vice Chairman of the Board of Directors Non-Executive member
Ahmad Dakheel Al Osaimi	Member of the Board of Directors Chief Executive Officer
Shaikh Duaij Al Khalifa Al Sabah	Member of the Board of Directors Non-Executive member
Marzouq Jassim Al Marzouq	Member of the Board of Directors Non-Executive member
Osama Rashed Al Armali	Member of the Board of Directors Independent

Signed by the Board of Directors on 13 February 2018

EXECUTIVE MANAGEMENT'S COMMITMENT

The Chairman and Members of the Board of Directors Of Kuwait National Cinema Company

With reference to the above-mentioned subject, and in accordance with the requirements of the Kuwaiti Capital Markets Authority and Boursa Kuwait, we hereby declare and warrant that the consolidated financial statements of Kuwait National Cinema Company (Kuwaiti public shareholding company) (the mother company and its subsidiary companies) (hereinafter referred to as "the Group") for the financial year ended 31 DECEMBER 2017 are presented in a sound and fair manner, that they show all the financial aspects of the Company in terms of operating data and results, and have been prepared according to the International Financial Reports Standards as approved by the Kuwaiti Capital Markets Authority.

Name	Position
Ahmad Dakheel Al Osaimi	Chief Executive Officer
Sami Hindi	Finance Manager

Signed by the Executive Management on 13 February 2018

BOARD OF DIRECTOR'S FORMATION

Member Name	Position	Date of Election/ Assignment
Abdulwahab Marzouq Al Marzouq	Chairman of the Board of Directors - Non-Executive member	05/04/2016
Ahmad Abdulaziz Al Sarawi	Vice Chairman of the Board of Directors - Non-Executive member	
Ahmad Dakheel Al Osaimi	Member of the Board of Directors - Chief Executive Officer	
Shaikh Duaij Al Khalifa Al Sabah	Member of the Board of Directors - Non-Executive member	
Marzouq Jassim Al Marzouq	Member of the Board of Directors - Non-Executive member	
Osama Rashed Al Armali	Member of the Board of Directors - Independent	
Nasser Bader Al Rowdan	Secretary of the Board of Directors	

BOARD OF DIRECTORS' RESPONSIBILITIES

The Company's Board of Directors performs its core functions and responsibilities, which includes the following:

- Approves the company's key objectives, strategies, and policies.
- Approves the capital structure that best suits the company and its financial objectives.
- Approves the organizational and functional structures in the company and review them on a regular basis.
- Approves the estimated annual budgets and approves the interim and annual financial statements.
- Supervises the main capital expenditure and ownership and disposal of assets.
- Determines the dividend policy.
- Ensures that the company complies with the policies and procedures designed to observe the regulations in force in the company and the internal regulations.
- Ensures the accuracy and integrity of the data and information that should be disclosed according to the policies and laws of disclosure and transparency in the company.

- Setting-up the Company's corporate governance system, which does not conflict with the corporate governance rules issued by the CMA, have a full review on it, and supervise its effectiveness whenever necessary.
- Ensures the accuracy of financial and accounting systems including all related systems to financial reports.
- Ensures the implementation of regulatory systems to measure and manage risks.
- Develops a policy to regulate the relationship with the stakeholders to preserve their rights.
- Develops a mechanism to regulate the relationship with all relevant parties.
- Verifies the transparency and clarity of the organization structure of the company, which allows a decision making process, achieving the principles of the governance, and splitting between the authorities and the power of the board of directors and the executive management.
- Supervises, and monitors the performance of the executive management's members, and ensures that they are executing all the duties assigned to them.
- Issuance of the granted remuneration regulations to the employees.
- Assigns or eliminates any member of the executive management, CEO or any member reporting to him.

EXECUTIVE MANAGEMENT'S RESPONSIBILITIES

The company's executive management, represented by the Chief Executive Officer and key executives, execute a set of tasks that may be summarized as follows:

- Implements all policies, and internal regulations of the company as approved by the board of directors.
- Implements the general strategy and the approved detailed plans by the board of directors.
- Prepares periodic reports (financial and non-financial reports) regarding developing the company's activities in light of the strategic plans and the objectives of the company, and submitting those reports to the board of directors.
- Develops an integrated accounting system that keeps records, registers and accounts that reflect in a detailed and accurate manner the financial data and the income statement in order to save the company's assets.
- Prepares the financial statements according to the International Accounting Standards approved by the Capital Markets Authority.
- Manages the daily work and management activities, managing the company's resources in an appropriate way, increasing the profit, and minimizing the expenses in accordance with the company's objectives and strategy.
- Effectively participates in the building and developing the culture of moral values within the company.
- Setting-up internal control systems and risk management systems and ensures the effectiveness and the efficiency of those systems.

BOARD OF DIRECTORS' MEETINGS DURING 2017

Meeting Date	Meeting Number	Number of Attendees
05.02.2017	01/2017	6
14.02.2017	02/2017	6
26.04.2017	03/2017	6
25.07.2017	04/2017	6
31.10.2017	05/2017	6
19.12.2017	06/2017	6

In accordance with the requirements of the Capital Market Authority, the Company maintains a special register in which the minutes of the Board meetings shall be recorded and kept and the register is kept by Secretary of the Board.

ACCESS INFORMATION AND DATA ACCURATELY

Kuwait National Cinema Company provides the mechanisms and tools that enable the Board members to obtain the required information and data in a timely manner through the continuous development of the IT environment within the Company, in addition to establishing channels of direct communication between the Board's Secretary and members and submitting the reports and topics of discussion prior the meetings with sufficient time for discussion and decision-making thereto.

BOARD OF DIRECTORS' ACHIEVEMENTS

- Follow up the implementation of the plans, objectives and strategy of the Company.
- Follow up the work of the Company with the Executive Management, discussing all the observations received from the regulatory bodies.
- General supervision in terms of the implementation of all procedures related to corporate governance in the Company.
- Review and approve all periodic reports issued by the committees emanating from the Board of Directors.

BOARD OF DIRECTORS' COMMITTEES

The board of directors of Kuwait National Cinema Company enjoys a flexible and smooth management model that enables it to perform its functions. This model is based on three specialized committees: Nominations and Remuneration Committee, Audit Committee, and Risk Management Committee. These committees are playing an important role in supporting the board of directors to do its duties.

NOMINATIONS AND REMUNERATION COMMITTEE

The committee was established to assist the board of directors of the company to do its supervisory responsibilities related to the effective and integrity of adherence to the policies and procedures of nomination and remuneration in the company. In addition, the committee reviews and approves the selection criteria and assigning procedures of the members of the board of directors and executive management and to ensure that the nomination and remuneration policy and methodology complies with the strategic objectives of the company. Therefore, the remuneration policy was established to attract competent, qualified and experienced employees. Accordingly, the board of directors has approved this policy as per the recommendation of the committee.

During 2017, the Committee:

- Reviewed and approved the job description.
- Evaluated the key performance indicators (KPI) for the Board of Directors and the Executive Management and prepared an annual report for them.
- Proposed the remuneration for the members of the Board of Directors and the Chief Executive Officer.
- Prepared the Bonus report.

FORMATION

The Nomination and Remuneration Committee has been formed in accordance with the requirements of the Capital Market Authority, on 12 April 2016 with the membership of:

- | | |
|----------------------------------|---------------------------------------|
| 1. Abdulwahab Marzouq Al Marzouq | Chairman of the committee |
| 2. Ahmad Dakheel Al Osaimi | Member of the committee |
| 3. Osama Rashed Al Armali | Member of the committee - Independent |
| 4. Nasser Bader Al Rowdan | Secretary of the committee |

The membership of the Committee ends with the expiration of the Board membership.

COMMITTEE'S MEETINGS DURING 2017

Meeting Date	Minutes No.	Number of Attendees
01.02.2017	01/2017	3

In accordance with the requirements of the Capital Market Authority, the Company shall maintain a special register in which the minutes of the meetings of the Committee shall be recorded and the register shall be kept by the Secretary of the Committee.

STATEMENT OF THE GRANTED REMUNERATION TO THE BOARD OF DIRECTORS' MEMBERS AND EXECUTIVE MANAGEMENT IN 2017

Remunerations of the members of the Board of Directors	60,000
Remunerations of the executive management and the finance manager	42,200

There is a recommendation to pay remuneration to the members of the board of directors for KD 60,000 for the year ended 31 DECEMBER 2017. This recommendation is subject to be approved by the general assembly of the shareholders.

AUDIT COMMITTEE

The committee was formed in order to assist the board of directors to do its supervision responsibilities regarding the adequacy of the internal audit regulations within the company, following up the internal and external audits process, verifying the adequacy of the company's procedures related to compliance with the laws, regulations and rules of professional conduct and moral values, reviewing accounting and financial reports to ensure its transparency and justice and assessing the performance of the internal audit department.

In this regard, the Committee:

- Follow-up the internal audit plan during the year and review the results of the internal audit reports, ensuring taking the corrective actions on the remarks included in the report.
- Review the quarterly interim financial statements and recommend their approval to the Board of Directors.
- Prepare and submit the report of the Audit Committee to the Board of Directors, to be presented to the General Assembly.
- Recommending to the Board of Directors to reappoint the External Auditor after verifying their independence and reviewing their letters of appointment.

FORMATION

The Audit Committee was formed on April 12, 2016 from the following members.

Name	Position
1. Ahmad Abdulaziz Al Sarawi	Chairman of the committee
2. Marzouq Jassim Al Marzouq	Member of the committee
3. Osama Rashed Al Armali	Member of the committee - Independent
4. Fawaz Abdulaziz Al Fadhalah	Secretary of the committee

Membership of the Committee ends upon the expiry of the term of the Board of Directors.

COMMITTEE'S MEETINGS DURING 2017

Meeting Date	Minutes No.	Number of Attendees
01.02.2017	01/2017	3
12.02.2017	02/2017	3
24.04.2017	03/2017	3
24.07.2017	04/2017	3
29.10.2017	05/2017	3

The Company shall maintain a special register to record the minutes of the Committee's meetings. That register shall be kept by the Secretary of the Committee in accordance with the requirements of the Capital Markets Authority.

There was no conflict between the recommendations of the Audit Committee and the Board of Directors.

RISK MANAGEMENT COMMITTEE

The role of risk management committee is to help the company's board of directors in performing its supervisory responsibilities related to current and new risk issues associated with the activities of the company.

During 2017, the Committee:

- Approved the risk management plan.
- Reviewed the results of the risk management report and ensured that corrective actions are taken concerning the remarks contained in the report.

FORMATION

The Risk Management Committee was formed on April 12, 2016 of the following members:

Name	Position
1. Marzouq Jassim Al Marzouq	Chairman of the committee
2. Ahmad Dakheel Al Osaimi	Member of the committee
3. Osama Rashed Al Armali	Member of the committee - Independent
4. Fawaz Abdulaziz Al Fadhalah	Secretary of the committee

Membership of the Committee ends upon the expiry of the term of the Board of Directors

COMMITTEE'S MEETINGS DURING 2017

Meeting Date	Minutes No.	Number of Attendees
14.02.2017	01/2017	3
24.04.2017	02/2017	3
29.10.2017	03/2017	3
17.12.2017	04/2017	3

In accordance with the requirements of the Capital Market Authority, the Company shall maintain a special register in which the minutes of the meetings of the Committee shall be recorded and the register shall be kept by the Secretary of the Committee.

INTERNAL CONTROL AND SUPERVISION SYSTEMS:

The Board of Directors seeks to guarantee the sufficiency and effectiveness of the internal supervision systems that are necessary to safe keep the company's operations and verify applying these systems. The organizational structure of the company reflects the internal control and supervision systems through the following:

1. Checking well-defined system for the responsibilities and authorities.
2. Guarantees splitting between the tasks and non-conflict of interests.
3. Implementing the dual supervision principle.

The board verified the availability of effective internal supervision systems in light of the internal audit department that has enough independency, authorities and all necessary resources to undertake all relevant tasks.

In addition, the audit committee is in charge of supervising the scope of the work of the internal supervision systems to select and rotate the external auditor in compliance with the regulatory requirements.

However, an independent audit office was assigned to review and assess the internal supervision systems in the company and prepare a report thereof provided to be submitted to the Capital Market Authority each year.

PROFESSIONAL CONDUCT AND MORAL VALUES

The company is keen to promote the culture of professional conduct and moral values within the company and strengthen the confidence of investors in the company's financial and operational statements by ensuring that the entire staff at the company, whether members of the board of directors or executive management comply with the internal policies and regulations of the company and its legal and supervisory requirements in order to achieve the interests of all parties related to the company, particularly the shareholders, without any conflict of interest and with a high level of transparency.

STAKEHOLDERS

The company has implemented some clear procedures to ensure transparency, open dialogue, and communication with stakeholders in order to provide them with all information on a regular basis and in a timely manner through regular financial statements and continuous disclosures with a high level of transparency.

The company has also set special mechanisms to protect the rights of stakeholders as per as the operational contracts and policies in force in the company.

TRAINING PROGRAMS AND COURSES

Kuwait National Cinema Company is keen to provide the members of the board of directors and executive management with all necessary training programs in order to develop skills and increase knowledge in view of achieving a better level of management and competence. In this regard, in 2017, the company has coordinated with training and consultancy authorities in various fields.

REPORTING POLICY FOR VIOLATIONS AND EXCESSES

Kuwait National Cinema Company strictly observes the policy of reporting violations and excesses. The policy enables company employees to express internally their suspicions concerning any unsound practices or matters that raise suspicion in the financial reports, internal control systems or any other matters. In addition to setting up appropriate arrangements that allow the conduct of independent and fair investigations of these matters while guarantees the whistleblower protection from any negative reaction or damage that he may suffer as a result of having reported such practices.

RESPECT FOR THE RIGHTS OF SHAREHOLDERS

The company is keen to respect the rights of its shareholders and this is why it treats them with a high level of transparency in a serious and continuous manner. To this end, the board of directors constantly communicates with shareholders through the means available, through:

1. Following up on delivering the invitation for and documents of the ordinary and extraordinary general assembly, delivering cash through the approved means, inviting shareholders and encouraging them to exercise their rights through direct communication and follow-up or any other available means.
2. Adopting open door policy to receive any proposals and complaints that are constantly announced in the chairman's letter during the meetings of the general assemblies.

3. Sending regular bulletins and invitations for participation and/or perusing the activities and events organized by the company.
4. The company's website that provides all information, data and advertising on a regular basis.

The company has a register maintained by the clearing agency which allows investors to inspect this register. All dealings with the data recorded in the register are treated with the highest standards of protection and confidentiality, without conflicting with the applicable laws and controls.

In addition to that, KNCC encourages its shareholders to attend the general assembly meeting and gives them the opportunity to vote and exercise all their rights.

DISCLOSURE AND TRANSPARENCY

Governance criteria include promoting of the disclosure mechanism with utmost accuracy and in a timely manner for all matters related to the establishment of the company, its financial position, its performance and its financial structure. The relevant departments approved by the board of directors are responsible for verifying the disclosure of the core information related to the company to the Boursa Kuwait and the Capital Market Authority.

The company's website is considered one of the disclosure means in addition to the annual reports, financial statements, its clarifications and all information relevant to the company's activities.

The company has a register that includes all operations related to the members of the board of directors and executive management for the year 2017 maintained by the Investors' Affairs Unit and shareholders have the right to peruse this register without paying any fees.

CORPORATE SOCIAL RESPONSIBILITY

Kuwait National Cinema Company has always been committed to its social responsibility and deeply concerned with developing the community. Inspired by its unshakable belief in the importance of developing individuals and society through proper societal behaviors with a view to achieving a sustainable development of society as a whole. To this end, the Company has been providing continuous support to all social and charitable initiatives, participations and events, being an active member of and a key sponsor of effective communication with all segments of society.

Over the past 6 decades, Kuwait National Cinema Company lent support to huge number of social issues by displaying awareness increasing messages through all its channels: through the screens of all its movie theatres spread in all the important parts of Kuwait, through social media sites, such as the Waie campaign for increasing awareness of the dangers of drugs and the "Eyalna Bi-Uyounna" at the start of every school year, and other awareness increasing campaigns.

In addition, we have provided supported individuals with special needs within our society, strengthened the efforts of civil society public benefit organizations and non-profit associations by providing movie shows, let alone our sponsorship of civil society societies and key youth programs, empowering society volunteering work and qualifying young Kuwaitis by providing them with training opportunities in various fields.

Initiatives

The Spirit of Kuwait

In May 2017, Kuwait National Cinema Company launched an awareness campaign under the theme The Spirit of Kuwait. The campaign seeks to strengthen the human, legal and ethical bases on which the State of Kuwait was built, including its modern, well-balanced constitution. The company expressed thanks, without discrimination, to all those who contributed to the country's building and development.

Basically, the initiative was inspired by Article 29 of the Kuwaiti Constitution which guarantees the dignity of every national and resident, without discrimination. The campaign celebrates and honors all those who have contributed to and participated in the state and society of Kuwait.

Partnership

LOYAC

Kuwait National Cinema Company has always provided support to the non-profit organization, LOYAK, prompted by its deep belief in the need to support civil societies in order to help attain the aspirations of young Kuwaitis who are the key foundation of society. This support took the form of developing and training young individuals at the various departments and sections of Kuwait National Cinema Company.

LOYAK's work focuses on developing the capabilities of Kuwaitis within the 16 – 30 years age group by introducing and implementing educational, training and volunteering programs and projects designed specifically for this age group.

Sponsorships

4SHBAB KUWAIT

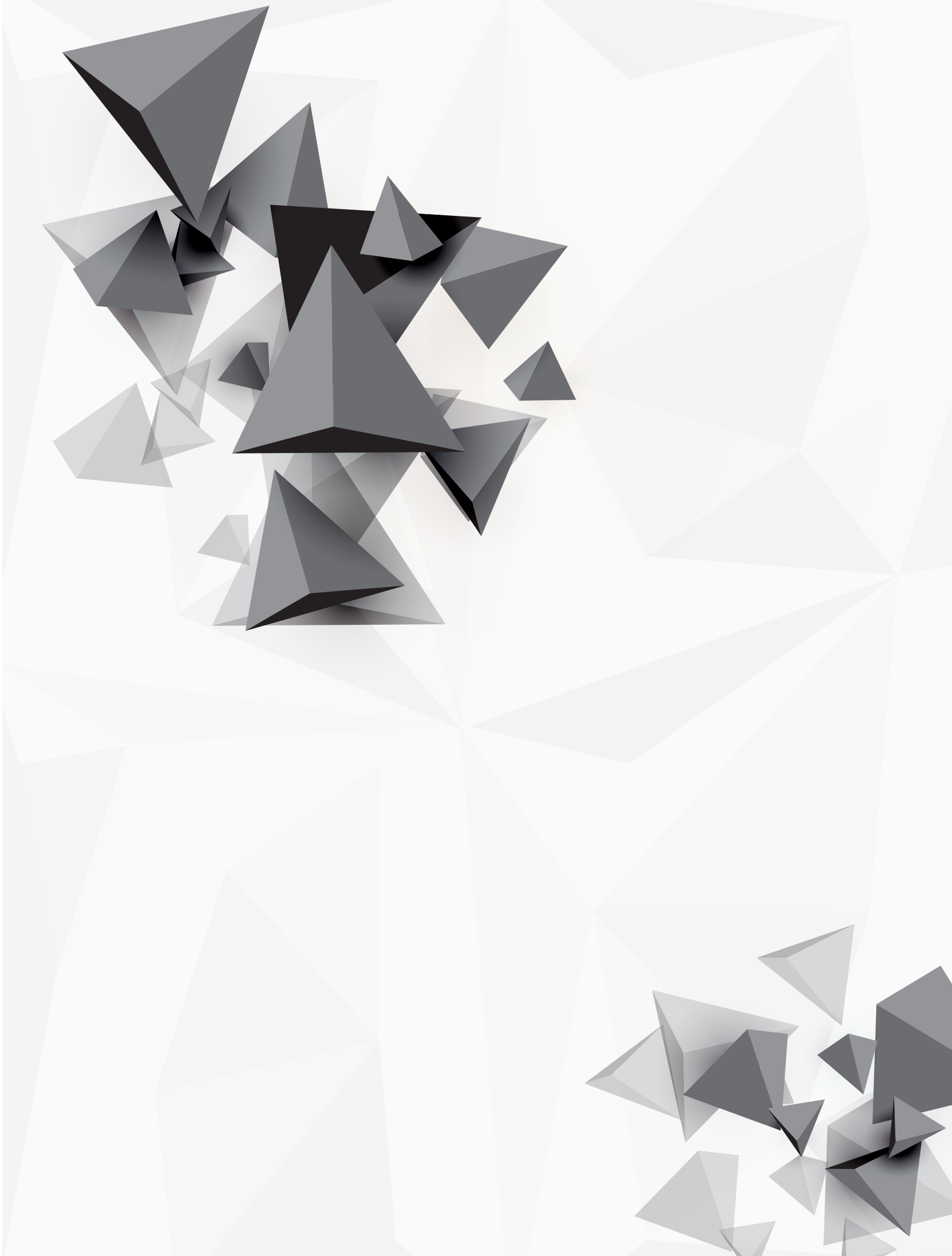
Strongly believing in the value of increasing young people's awareness of the benefits of volunteering work, Kuwait National Cinema Company implements a policy of providing ongoing support For Kuwait Youth Institution whose objective is to promote the principles of positive citizenship and encouraging initiatives.

KUWAIT ASSOCIATION FOR THE CARE OF CHILDREN IN HOSPITALS (KACCH)

Kuwait National Cinema Company continues to support the Kuwait Association for the Care of Children in Hospitals (KACCH) as part of its ongoing commitment to this humanitarian initiative and participation in the efforts designed to relieve the suffering of sick children, reduce their fear of the doctor's visit and provide entertainment for children who have to stay for long periods at the hospital.

THE PROTEGES

The seventh season of the Proteges Program in Kuwait started in 2017 with support from Kuwait National Cinema Company. The Program seeks to train young people and prepare them to undertake new experience and situations in life, and includes training sessions, workshops, lectures and activities that take place in Kuwait and abroad in order to provide them with the tools of success in their careers and to make positive contributions to society.



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS

REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of the Kuwait National Cinema – K.P.S.C (“Parent Company”) and its subsidiaries (referred collectively as “the Group”) which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

REVENUE RECOGNITION – MOVIES SHOWS

Revenue from movie shows is recognized when the service is rendered to the customers. (Refer to Accounting Policy 2.3.13 and Note 19 of these consolidated financial statements).

Revenue from movie shows is recognized using manual and automated tools. Revenue recognition includes an inherent risk of material misstatements because of dependency on IT systems for processing large volumes of transactions. Accordingly, we considered it as the key audit matter.

Our audit procedures included considering the appropriateness of the Group's accounting policy on revenue recognition and assessing compliance with the policies in terms of applicable accounting standards. We evaluated the relevant IT systems and the design of controls and tested the operating effectiveness of controls over the capture and recording of revenue transactions. In addition, we also performed substantive test on revenue recorded.

OTHER INFORMATION

Management is responsible for the other information. The other information consist of information included in the Annual Report of the Group for the year ended 31 December 2017, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Annual Report of 2017 after the date of the auditor's report.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out; and that, to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016 and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2017 that might have had a material effect on the business of the Group or on its consolidated financial position.



Talal Yousef Al-Muzaini
(Licence No. 209A)
Deloitte & Touche - Al-Wazzan & Co.

Kuwait, 13 February 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	<u>2017</u>	<u>2016</u>
Assets			
Non-current assets			
Property, plant and equipment	5	9,330,088	17,050,341
Investments property	6	7,077,887	-
Intangible assets	7	1,084,709	536,117
Investment in an associate	8	37,488,774	35,993,349
Available for sale investments	9	18,149,580	21,897,475
		<u>73,131,038</u>	<u>75,477,282</u>
Current assets			
Inventories		742,842	274,906
Trade and other receivables	10	2,133,679	1,654,137
Cash on hand, at banks and investment portfolios	11	33,656,363	22,119,607
		<u>36,532,884</u>	<u>24,048,650</u>
Total assets		<u>109,663,922</u>	<u>99,525,932</u>
Equity and Liabilities			
Equity			
Share capital	12	10,106,250	10,106,250
Treasury shares	13	(6,504,855)	(6,698,660)
Statutory reserve	14	5,065,834	5,053,125
Voluntary reserve	15	12,475,047	11,414,197
Other reserves	16	18,016,480	18,768,492
Retained earnings		34,378,713	30,280,037
Equity attributable to shareholders of the Parent Company		73,537,469	68,923,441
Non-controlling interests		32,558	31,666
Total equity		<u>73,570,027</u>	<u>68,955,107</u>
Liabilities			
Non-current liabilities			
Post-employment benefits		1,619,794	1,457,775
Current liabilities			
Trade and other payables	17	9,469,689	9,230,101
Loans and bank facilities	18	25,004,412	19,882,949
		<u>34,474,101</u>	<u>29,113,050</u>
Total liabilities		<u>36,093,895</u>	<u>30,570,825</u>
Total equity and liabilities		<u>109,663,922</u>	<u>99,525,932</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 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2017	2016
Operating revenues	19	17,850,613	18,647,096
Operating costs		(14,517,452)	(14,812,547)
Gross profit		3,333,161	3,834,549
Other operating income	20	7,778,924	7,113,513
Administrative and general expenses		(2,728,600)	(2,353,947)
Other operating expenses	20	(3,331,610)	(2,418,803)
Income from valuation of investments property	6	57,470	-
Net income from available for sale investments	21	3,032,759	957,719
Group's share in an associate's results	8	3,332,067	3,365,484
Finance charges		(864,405)	(742,338)
Net profit before deductions		10,609,766	9,756,177
Contribution to Kuwait Foundation for the Advancement of Sciences		(69,140)	(58,812)
National Labour Support Tax		(247,854)	(242,941)
Zakat		(63,798)	(58,001)
Board of Directors' remuneration	23	(60,000)	(60,000)
Net profit for the year		10,168,974	9,336,423
Attributable to:			
Shareholders of the Parent Company		10,167,707	9,332,630
Non-controlling interests		1,267	3,793
		<u>10,168,974</u>	<u>9,336,423</u>
Basic and diluted earnings per share (fiIs)	22	107.89	99.05

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2017	2016
Net profit for the year		10,168,974	9,336,423
Other comprehensive income items:			
Items that may be reclassified subsequently to statement of income:			
Change in fair value of available for sale investments		589,772	(2,629,628)
Transferred to statement of income from sale of available for sale investments		(1,398,395)	(9,793)
Group's share from changes in fair value reserve of an associate	8	381	(184,515)
Group's share from differences of foreign currency reserve of an associate	8	(37,023)	18,473
Exchange differences on translation of a subsidiary		(10,320)	(20,325)
Total other comprehensive income items		(855,585)	(2,825,788)
Total comprehensive income for the year		9,313,389	6,510,635
Attributable to:			
Shareholders of the Parent Company		9,312,122	6,506,842
Non-controlling interests		1,267	3,793
		<u>9,313,389</u>	<u>6,510,635</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS)

Equity attributable to shareholders of the Parent Company

	Share Capital	Treasury Shares	Statutory Reserve	Voluntary Reserve	Other Reserves (note 16)	Retained Earnings	Total	Non- controlling Interests	Total
Balance as at 1 January 2016	10,106,250	(6,467,849)	5,053,125	10,438,959	20,051,658	26,915,449	66,097,592	27,873	66,125,465
Net profit for the year	-	-	-	-	-	9,332,630	9,332,630	3,793	9,336,423
Other comprehensive income items	-	-	-	-	(2,825,788)	-	(2,825,788)	-	(2,825,788)
Cash dividends	-	-	-	-	-	(4,992,804)	(4,992,804)	-	(4,992,804)
Purchase of treasury shares	-	(231,529)	-	-	-	-	(231,529)	-	(231,529)
Sale of Treasury Shares	-	718	-	-	616	-	1,334	-	1,334
Revaluation of lands	-	-	-	-	1,542,006	-	1,542,006	-	1,542,006
Transferred to reserves (Note 15)	-	-	-	975,238	-	(975,238)	-	-	-
Balance as at 31 December 2016	<u>10,106,250</u>	<u>(6,698,660)</u>	<u>5,053,125</u>	<u>11,414,197</u>	<u>18,768,492</u>	<u>30,280,037</u>	<u>68,923,441</u>	<u>31,666</u>	<u>68,955,107</u>
Balance as at 1 January 2017	10,106,250	(6,698,660)	5,053,125	11,414,197	18,768,492	30,280,037	68,923,441	31,666	68,955,107
Net profit for the year	-	-	-	-	-	10,167,707	10,167,707	1,267	10,168,974
Other comprehensive income items	-	-	-	-	(855,585)	-	(855,585)	-	(855,585)
Cash dividends (Note 23)	-	-	-	-	-	(4,995,472)	(4,995,472)	(375)	(4,995,847)
Purchase of Treasury shares	-	(15,075)	-	-	-	-	(15,075)	-	(15,075)
Sale of Treasury Shares	-	208,880	-	-	103,573	-	312,453	-	312,453
Transferred to reserves (Notes 14, 15)	-	-	12,709	1,060,850	-	(1,073,559)	-	-	-
Balance as at 31 December 2017	<u>10,106,250</u>	<u>(6,504,855)</u>	<u>5,065,834</u>	<u>12,475,047</u>	<u>18,016,480</u>	<u>34,378,713</u>	<u>73,537,469</u>	<u>32,558</u>	<u>73,570,027</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017
(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	<u>2017</u>	<u>2016</u>
Cash flow from operating activities			
Net profit for year		10,168,974	9,336,423
Adjustments for:			
Depreciation and amortization	5, 7	1,667,278	1,519,390
Loss on disposal of property, plant and equipment		531,990	-
Change in fair value of investment property		(57,470)	-
Group's share in an associate's results	8	(3,332,067)	(3,365,484)
Net profit of available for sale investments	21	(3,032,759)	(957,719)
Post-employment benefits		207,673	204,068
Provision for doubtful debts	10	173,870	-
Finance charges		864,405	742,338
Operating profit before changes in working capital		7,191,894	7,479,016
Change in inventories		(467,936)	(19,822)
Change in trade and other receivables		(663,821)	(492,301)
Change in trade and other payables		124,221	517,053
Cash generated from operating activities		6,184,358	7,483,946
Post-employment benefits paid		(45,654)	(66,534)
Net cash generated from operating activities		<u>6,138,704</u>	<u>7,417,412</u>
Cash flows from investing activities			
Paid for acquisition of property, plant and equipment	5	(529,135)	(1,162,986)
Net change in intangible assets	7	(1,512,857)	(990,555)
Paid for available for sale investments		-	(77,638)
Proceeds from sale of available for sale investments		4,921,482	669,302
Dividends received and interest income	8, 21	2,863,160	2,801,350
Net cash generated from investing activities		<u>5,742,650</u>	<u>1,239,473</u>
Cash flows from financing activities			
Paid for acquisition of treasury shares		(15,075)	(231,529)
Proceeds from sale of treasury shares		312,453	1,334
Proceeds from loans and bank facilities		5,121,463	323,944
Dividends paid		(4,936,739)	(4,972,051)
Finance charges paid		(826,700)	(733,867)
Net cash used in financing activities		<u>(344,598)</u>	<u>(5,612,169)</u>
Net increase in cash and cash equivalents		11,536,756	3,044,716
Cash and cash equivalents at the beginning of the year	11	22,109,607	19,064,891
Cash and cash equivalents at the end of the year	11	<u>33,646,363</u>	<u>22,109,607</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(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. The company has the right also to establish and participate such entities and carries out its all objectives inside and outside Kuwait.

The registered office of the Company is located at Al-Zahraa area, 360 Mall, fourth floor, P.O. Box 502 Safat, 13006 Safat, Kuwait.

These Consolidated financial statements include the financial statements of the Parent Company and its following Subsidiaries (collectively “the Group”).

	Ownership percentage (%)	Activity	Incorporation country
International Film Distribution Company - KSCC	99.25	Publishing and film distribution	Kuwait
Al Kout Film Production and Distribution Company - SAE	100	Production and film distribution	Egypt

As at 31 December 2017, the total assets of the subsidiaries was amounted to KD 5,755,580 (KD 5,375,378 – as at 31 December 2016). In addition, its revenues and net profit were amounted to KD 581,593 and KD 267,316 respectively for the year ended 31 December 2017 (KD 977,719 and KD 177,837 respectively for the year ended 31 December 2016).

The consolidated financial statements were authorised for issue by the Board of Directors of the Parent Company on 13 February 2018.

The general assembly for the shareholders of the Parent Company has the authority to amend the consolidated financial statements after issuance.

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 investments property and certain financial instruments that are measured at fair value, as explained in the accounting policies below.

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

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

2.2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 7 Statement of Cash Flows that require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendments to IAS 12 Income Taxes relating to recognition of deferred tax assets for unrealized losses.
- Annual improvements to IFRSs 2014 – 2016 cycle - IFRS 12.

2.2.2 New and revised IFRS in issue but not yet effective

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

New and revised IFRSs

Annual Improvements to IFRS Standards 2014 – 2016: Cycle amending IFRS 1 and IAS 28. Effective for annual periods beginning on or after 1 January 2018.

Annual Improvements to IFRS Standards 2015–2017: Cycle

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(ALL AMOUNTS ARE IN KUWAITI DINARS UNLESS OTHERWISE STATED)

amending IFRS 3, IFRS 11, IAS 12 and IAS 23. Effective for annual periods beginning on or after 1 January 2019.

IFRIC 22: Foreign Currency Transactions and Advance Consideration. Effective for annual periods beginning on or after 1 January 2018.

IFRIC 23: Uncertainty over Income Tax Treatments. Effective for annual periods beginning on or after 1 January 2019.

Amendments to IFRS 2: Share Based Payment regarding classification and measurement of share based payment transactions. Effective for annual periods beginning on or after 1 January 2018.

Amendments to IFRS 4: Insurance Contracts: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard. Effective for annual periods beginning on or after 1 January 2018.

Amendments to IAS 40: Investment Property. Effective for annual periods beginning on or after 1 January 2018.

IFRS 9: Financial Instruments (revised versions in 2009, 2010, 2013 and 2014). Effective for annual periods beginning on or after 1 January 2018.

IFRS 9 contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 15: Revenue from Contracts with Customers. Effective for annual periods beginning on or after 1 January 2018.

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

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

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 16 Leases. Effective for annual periods beginning on or after 1 January 2019.

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Amendments to IAS 28: Investment in Associates and Joint Ventures. Effective for annual periods beginning on or after 1 January 2019.

Amendments to IFRS 7: Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9. Effective when IFRS 9 is first applied

Amendments to IFRS 10: Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture. Effective date deferred indefinitely. Adoption is still permitted.

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

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that IFRS 16 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2019. The application of IFRS 9, 15 and 16 may have significant impact on amounts reported and disclosures made in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Group performs a detailed review which is expected to be completed during the coming period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(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 Group 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, revenues and expenses are eliminated in full on consolidation.

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

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

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

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

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

Business combinations

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

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

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

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

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

Goodwill

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

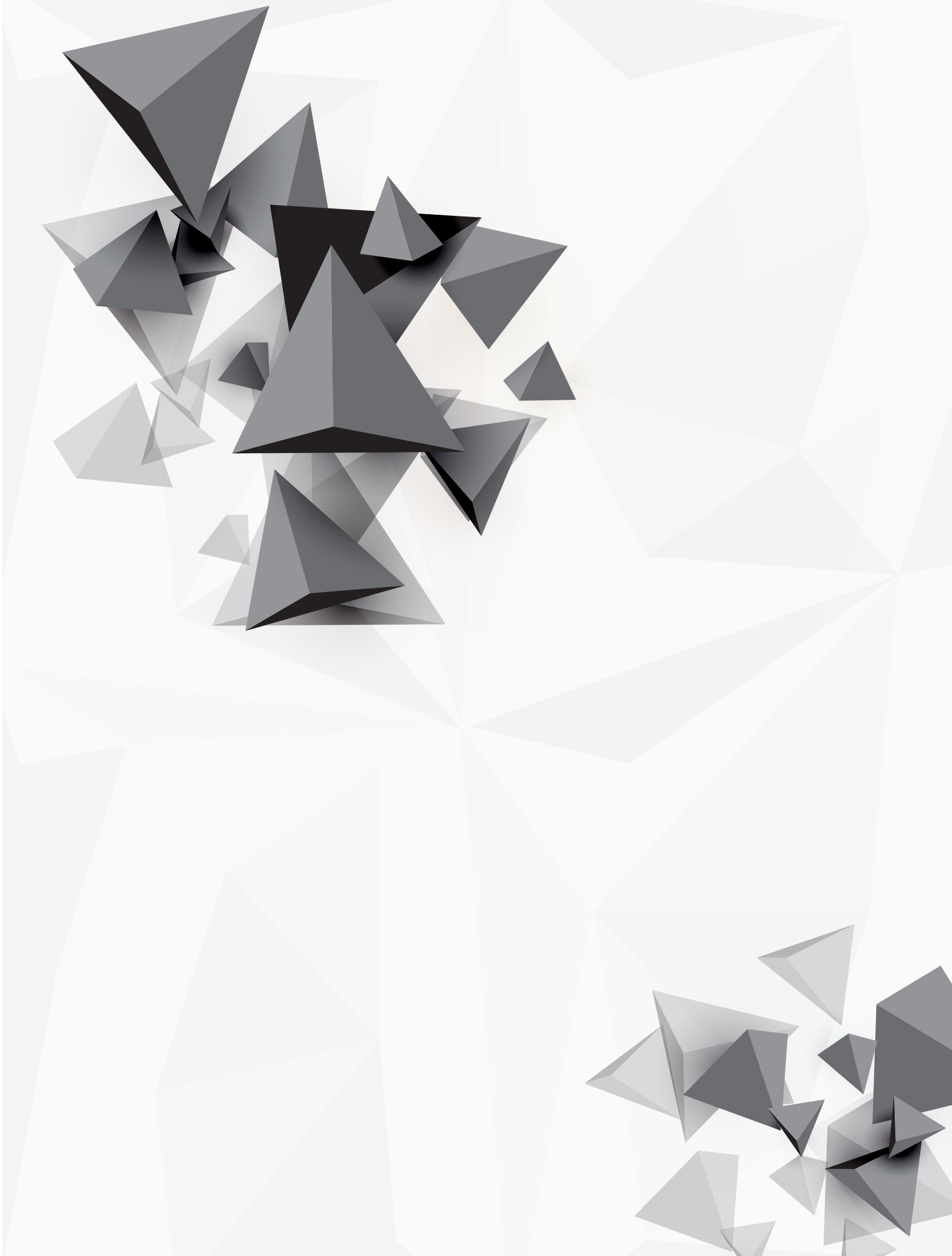
For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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.



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Investments in associates and joint ventures

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

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

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

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

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

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

2.3.2 Property, plant and equipment

Property, plant and equipment, other than lands, are stated at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance,

repairs and immaterial renewal are recognized in the consolidated statement of income for the period in which the expenses are incurred.

Land is stated at fair value based on periodic valuations by independent real estate experts usually every three to five years or at early periods if significant or volatile change in fair value are experienced. Any valuation increase arising on revaluation of land is recognised directly in equity under revaluation reserve except to the extent that it reverses a revaluation decrease for the same asset previously recognized in the profit or loss, in which case the increase is credited to profit and loss to the extent of the decrease previously expensed.

Decline in carrying amount arising as a result of the revaluation is directly charged to the consolidated statement of income to the extent that it exceeds the balance, if any held in the revaluation reserve relating to a previous revaluation on the land.

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

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

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

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

2.3.3 Intangible assets

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

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

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

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

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

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2.3.4 Investments property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the period in which the property is derecognised.

2.3.5 Impairment of tangible and intangible assets other than goodwill

The Group annually, reviews the tangible assets and intangible assets to determine whether there is objective evidence that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of the asset's fair value less costs to sell or value in use. Impairment losses are recognised in the consolidated statement of income for the year in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

2.3.6 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.

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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 re-measured at amortised cost using the effective yield method.

Derecognition

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

2.3.7 Inventories

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

2.3.8 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.

2.3.9 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 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.

2.3.10 Treasury shares

Treasury shares represent the Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled till the date of the consolidated financial statements. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares acquired is reported as a contra account within equity. When the treasury shares are reissued; gains resulted are recognized within a separate un-distributable account in equity "treasury shares reserve". 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.

2.3.11 Dividends

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

2.3.12 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 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.

2.3.13 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 shows revenues are recognized when the service is rendered for the customers.
- Films distribution reserves are recognised when the film starts showing to the customers.
- Buffets revenue are recognised when the food and beverages are rendered for the customers.
- Advertising revenues are recognised based on contractual conditions with the advertiser and based on time distribution.
- 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.

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- Rent revenues are recognised based on accounting policy 2.3.14.
- Other reserves are recognised when the service is rendered.

2.3.14 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.

2.3.15 Borrowing costs

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

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk

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

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

Market risk

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

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

Foreign currency risk

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

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

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

The Group follows up the foreign currency risks through:

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

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

	<u>2017</u>	<u>2016</u>
US Dollars	<u>18,899,953</u>	<u>7,001,499</u>

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

	<u>2017</u>	<u>2016</u>
Net profit	<u>1,889,995</u>	<u>700,150</u>

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.

As at 31 December 2017, if the market price index changes by 5% in excess or less, with all other variables held constant, the effect on other comprehensive income (as a result of changes in the fair value of financial assets available for sale) as a result of the 5% potential change in the market index, with all other variables held constant will be in the range of KD 828,545 as at 31 December 2017 (KD 990,038 as at 31 December 2016).

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Interest rate risks

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

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

The financial Instruments held by the Group which are exposed to this risk are represented in loans and bank facilities (note 18). Borrowings granted to the Group are at variable interest rate.

As at 31 December 2017, had interest rates been 1% higher/lower, net profits of the year would have been lower/higher by KD 348,669 (KD 204,926 - 2016) 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:

	<u>2017</u>	<u>2016</u>
Trade and other receivables (note 10)	1,922,768	1,462,783
Current accounts and deposits and cash at investment portfolios (note 11)	33,512,118	22,004,516

Liquidity risks

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

The Group's financial obligations as at 31 December 2017 and 2016 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.

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 2017, the Group's strategy does not change from 2016; 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 the fair value of the financial assets and liabilities of the Group, which are measured at fair value on a periodic basis according to the above mentioned hierarchy:

	Fair value as at		Evaluation date	Fair value level	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/2017	31/12/2016					
Available for sale investments							
Quoted Shares	16,570,901	19,800,767	31 December	Level 1	Quoted prices from stock exchange	N/A	N/A
Investment Funds	4,168	15,199	31 December	Level 2	Net asset value	N/A	N/A

There is no movements for level 3 during the year.

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

4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS & KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Judgements:

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

Classification of investments

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

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

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CLASSIFICATION OF REAL ESTATE

The management will decide on the acquisition of a real estate whether it should be classified as held for trading, property under development or investment property.

On acquisition, such judgments will determine whether these properties will be measured subsequently at cost less impairment, or a cost or realizable value, whichever is lower, or at fair value, and whether changes in the fair value of such properties will be recorded in the statement of income or in the other comprehensive income.

The Group classifies property as held for trading property if acquired principally for sale in the ordinary course of business.

The Group classifies property as property under development when acquired for the purpose of development.

The Group classifies property as investment property if acquired to generate rental income or for capital appreciation, or for undetermined future use.

SOURCES OF ESTIMATION UNCERTAINTY

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

FAIR VALUE MEASUREMENT AND VALUATION TECHNIQUES

Certain assets and liabilities of the Group are measured at fair value for preparing the financial statements. The Group's management determines the appropriate key methods and inputs required for the fair value's measurement. Upon determining the fair value of assets and liabilities, the management uses an observable market data. In case no market observable data is available, the Group shall assign an external qualified valuer to carry out the valuation process. Information about the evaluation methods and necessary inputs, which are used to determine the fair value of assets and liabilities, has been disclosed in notes 3.3, 5 and 6.

EVIDENCE OF IMPAIRMENT OF INVESTMENTS

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

IMPAIRMENT OF ASSOCIATE

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

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

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

IMPAIRMENT OF INTANGIBLE ASSETS

The Group reviews 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.

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IMPAIRMENT OF RECEIVABLES

The Group's management determines impairment of receivables in the light of the Group's previous experience about collectability, overdue period, change in global and local economies which led the customers to default in payment. Impairment of receivables is recorded for receivables when there is a certainty that these other parties will not be able to pay according to the contractual agreement.

CONTINGENT LIABILITIES/LIABILITIES

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

5. PROPERTY, PLANT AND EQUIPMENT

	Lands	Buildings	Machinery, Equipment & Vehicles	Furniture & Computers	Projects in progress	Total
Cost or valuation						
As at 1 January 2016	8,067,893	9,021,842	5,692,987	3,416,032	3,022,040	29,220,794
Re-valuation of lands	1,542,006	-	-	-	-	1,542,006
Additions during the year	-	-	435,132	58,711	669,143	1,162,986
Transferred from projects under process	-	89,248	157,544	259,807	(506,599)	-
Disposals	-	-	(94,940)	-	-	(94,940)
As at 31 December 2016	9,609,899	9,111,090	6,190,723	3,734,550	3,184,584	31,830,846
Additions during the year	-	2,000	162,735	960	363,440	529,135
Transferred from projects under process	-	18,000	5,600	5,678	(29,278)	-
Disposals	-	(990,365)	-	-	-	(990,365)
Transferred to investments property	(4,257,900)	-	-	-	(2,762,517)	(7,020,417)
As at 31 December 2017	5,351,999	8,140,725	6,359,058	3,741,188	756,229	24,349,199
Total depreciation and impairment						
As at 1 January 2016	-	5,325,190	5,454,632	3,257,690	-	14,037,512
Depreciation for the year	-	491,279	256,220	90,434	-	837,933
Disposals	-	-	(94,940)	-	-	(94,940)
As at 31 December 2016	-	5,816,469	5,615,912	3,348,124	-	14,780,505
Depreciation for the year	-	482,389	137,738	76,854	-	696,981
Disposals	-	(458,375)	-	-	-	(458,375)
As at 31 December 2017	-	5,840,483	5,753,650	3,424,978	-	15,019,111
Net book value						
As at 31 December 2017	5,351,999	2,300,242	605,408	316,210	756,229	9,330,088
As at 31 December 2016	9,609,899	3,294,621	574,811	386,426	3,184,584	17,050,341
Useful lives (year)		5-40	4-15	5-15		

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- The historical cost of lands, that are measured at fair value is KD 650,000 as at 31 December 2017 (KD 650,000 as at 31 December 2016). Last valuation of lands was made in 31 December 2016.

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

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

	2017	2016
Operating costs	408,593	687,125
Other operating expense	204,187	67,067
Administrative and General expenses	84,201	83,741
	696,981	837,933

6. INVESTMENTS PROPERTY

	2017	2016
Transferred from property, plant and equipment (note 5)	7,020,417	-
Change in fair value	57,470	-
	7,077,887	-

Investments property represent in real estate owned by the Group that has been newly constructed for use in accordance with the Articles of Association and its amendments.

The fair value of the Group's investment properties as at 31 December 2017 are estimated based on valuations carried out by independent valuers not related to the Group.

The independent valuers are licensed from the relevant regulatory bodies and they have appropriate qualifications and recent experiences in valuation of properties at the relevant locations.

The fair value of investment properties was determined based on capitalisation of net income method, where the market rental of all units of the properties. (Level 3 "Note 3.3"). The capitalisation rate adopted is made by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties, the valuation model used involves significant unobservable inputs include average capitalisation rate (taking into account the capitalisation of rental income, nature of the property and current market conditions) and monthly rents (taking into account the site, descriptions and area).

The increase in the unobservable inputs would result in a decrease in the fair value in general, and vice versa.

In estimating the fair value, their current use was assumed to be the best use of these properties.

7. INTANGIBLE ASSETS

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

	2017	2016
Balance as at 1 January	536,117	495,049
Foreign currency exchange differences	6,032	(268,030)
Additions during the year	1,588,426	990,555
Disposals during the year	(75,569)	-
Amortization for the year	(970,297)	(681,457)
Balance as at 31 December	1,084,709	536,117

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8. 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:

	<u>2017</u>	<u>2016</u>
Balance as at 1 January	35,993,349	34,593,907
Group's share in an associate's results	3,332,067	3,365,484
Group's share from changes in fair value reserve	381	(184,515)
Group's share from difference of foreign currency reserve	(37,023)	18,473
Dividends	(1,800,000)	(1,800,000)
Balance as at 31 December	<u>37,488,774</u>	<u>35,993,349</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:

	<u>2017</u>	<u>2016</u>
Current assets	86,286,816	66,059,916
Non-current assets	239,896,207	227,489,472
Current liabilities	(46,435,544)	(38,453,829)
Non-current liabilities and non-controlling interests	(123,135,575)	(103,468,407)

	<u>2017</u>	<u>2016</u>
Revenues	36,160,560	30,121,428
Profit from continued operations	11,152,435	11,200,793
Profit for the year	11,152,435	11,200,793
Other comprehensive income for the year	(122,139)	(553,472)
Total comprehensive income for the year	11,030,296	10,647,321
Effect in retain earnings of an associate	(45,544)	-
Cash dividends received from an associate during the year	1,800,000	1,800,000

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

	<u>2017</u>	<u>2016</u>
Net assets of an associate	156,611,904	151,627,152
Group's share in net assets (30%)	46,983,571	45,488,146
Unrealized gain on elimination of inter-company transactions	(9,494,797)	(9,494,797)
Book value of Tamdeen Shopping Centres K.S.C.C	<u>37,488,774</u>	<u>35,993,349</u>

9. AVAILABLE FOR SALE INVESTMENTS

	<u>2017</u>	<u>2016</u>
Quoted shares	16,570,901	19,800,767
Unquoted shares	1,574,511	2,081,509
Investment funds	4,168	15,199
	<u>18,149,580</u>	<u>21,897,475</u>

- Quoted investments and investment funds were valued based on valuation techniques disclosed in note 3.3.

- Unquoted investments were carried at cost less impairment since its fair value cannot be reliably measured.

Group's management has determined that there are no indications of impairment in the value of these unquoted investments.

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10. TRADE AND OTHER RECEIVABLES

	<u>2017</u>	<u>2016</u>
Trade receivables	664,812	417,785
Due from related parties (note 24)	<u>493,031</u>	<u>532,330</u>
	1,157,843	950,115
Provision for Impairment	<u>(676,898)</u>	<u>(503,028)</u>
	480,945	447,087
Prepaid expenses	210,911	191,354
Refundable deposits	774,038	604,021
Staff receivables	434,480	391,675
Other	<u>233,305</u>	<u>20,000</u>
	<u><u>2,133,679</u></u>	<u><u>1,654,137</u></u>

- The balances that are past due and not impaired were amounted to KD 480,945 as at 31 December 2017 (KD 447,087 - 2016). The average aging of these balances is 90 days

- The balances that are past due, impaired and for which full provision has been made, were amounted to KD 676,898 as at 31 December 2017 (KD 503,028 as at 31 December 2016).

The movement of provision for impairment is as follows:

	<u>2017</u>	<u>2016</u>
Balance as at 1 January	503,028	503,028
Provide provision of impairment	<u>173,870</u>	-
Balance as at 31 December	<u><u>676,898</u></u>	<u><u>503,028</u></u>

11. CASH ON HAND, AT BANKS AND INVESTMENT PORTFOLIOS

	<u>2017</u>	<u>2016</u>
Cash on hand	144,245	115,091
Banks current accounts	14,388,792	19,573,149
Time deposits	12,583,475	10,514
Cash in investment portfolios	<u>6,539,851</u>	<u>2,420,853</u>
Cash, current accounts and deposits	<u>33,656,363</u>	<u>22,119,607</u>
Less: deposits more than 3 months	<u>(10,000)</u>	<u>(10,000)</u>
Cash and cash equivalents	<u><u>33,646,363</u></u>	<u><u>22,109,607</u></u>

The average yield rate on time deposits is 1.29% for the year 2017 (1.01% - 2016).

12. SHARE CAPITAL

The Parent Company's authorized, issued and paid up share capital is amounted to KD 10,106,250 as at 31 December 2017 (KD 10,106,250 as at 31 December 2016) comprising of 101,062,500 shares of 100 fils per share, all shares are in cash.

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13. TREASURY SHARES

	<u>2017</u>	<u>2016</u>
Number of treasury shares (share)	6,765,123	6,969,850
Percentage to issued shares (%)	6.69	6.90
Market value	8,524,055	7,806,232

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.

14. STATUTORY RESERVE

In accordance with Company's Law and the Parent Company's Articles of Association, 10% of annual net profit is transferred to statutory reserve. The General Assemble may resolve to discontinue such annual transfers when the reserve reaches 50% of the share capital. This reserve is not available for distribution except for the cases stipulated by Companies Law.

On 14 April 2010, the ordinary general assembly decided to stop the deduction from net profit to statutory reserve as exceeds 50% of the share capital during 2017, and at the request of the Ministry of Commerce and Industry, the Board of Directors decided to transfer KD 12,709 from the retained earnings to statutory reserve, Which represents the completion of 10% of the net profit for 2009 which should have been transferred from the statutory reserve for the year ended 31 December 2009. This is due to display this matter to the general assembly.

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

On 13 February 2018, the Board of Directors proposed to transfer an amount of KD 1,060,850 to the voluntary reserve for the year ended 31 December 2017 (KD 975,238 - 31 December 2016).

16. OTHER RESERVES

	<u>Lands revaluation reserve</u>	<u>Investments fair value reserve</u>	<u>Currency translation reserve</u>	<u>Treasury shares reserve</u>	<u>Total</u>
Balance as at 1 January 2016	8,524,134	11,151,746	352,874	22,904	20,051,658
Total other comprehensive income items	-	(2,823,936)	(1,852)	-	(2,825,788)
Items sale of treasury shares	-	-	-	616	616
Transferred to lands revaluation	1,542,006	-	-	-	1,542,006
Balance as at 31 December 2016	<u>10,066,140</u>	<u>8,327,810</u>	<u>351,022</u>	<u>23,520</u>	<u>18,768,492</u>
Balance as at 1 January 2017	10,066,140	8,327,810	351,022	23,520	18,768,492
Total other comprehensive income items	-	(808,242)	(47,343)	-	(855,585)
Items sale of treasury shares	-	-	-	103,573	103,573
Balance as at 31 December 2017	<u>10,066,140</u>	<u>7,519,568</u>	<u>303,679</u>	<u>127,093</u>	<u>18,016,480</u>

Land revaluation reserve includes the following:

	<u>2017</u>	<u>2016</u>
Land revaluation reserve within property, plant and equipment	4,701,999	8,959,899
Land revaluation reserve reclassified to investment properties	4,257,900	-
Land revaluation reserve sold to an associate	1,106,241	1,106,241
	<u>10,066,140</u>	<u>10,066,140</u>

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17. TRADE AND OTHER PAYABLES

	<u>2017</u>	<u>2016</u>
Trade payables	2,882,192	2,718,768
Expenses and accrued leaves	1,924,552	1,646,722
Dividends payables	926,823	867,715
Others' deposits	379,151	355,168
Deferred income	657,197	882,367
Due to related parties (note 24)	-	51,103
Provision for claims	2,154,065	2,154,065
Board of Directors' remuneration (note 23)	60,000	60,000
Taxes and deductions	384,327	394,296
Other payables	101,382	99,897
	<u>9,469,689</u>	<u>9,230,101</u>

18. LOANS AND BANK FACILITIES

	<u>2017</u>	<u>2016</u>
Short term loans	24,550,000	19,550,000
Banks - Overdrafts	454,412	332,949
	<u>25,004,412</u>	<u>19,882,949</u>

Loans and bank facilities are granted to the Group from local banks against promissory notes and are matured within one year. The average effective interest rate on loans and bank facilities was 3.99% during 2017 (3.69% - 2016).

19. OPERATING INCOME

This item represent revenues from movies shows and from distribution of movies.

20. OTHER OPERATING INCOME/EXPENSES

This item includes revenue and expenses of cinema's buffets and cafeterias, and any other revenue and expenses other than those resulted from the main activity.

21. NET GAINS FROM AVAILABLE FOR SALE INVESTMENTS

	<u>2017</u>	<u>2016</u>
Cash dividends and interest income	1,063,160	1,001,350
Gains/ (losses) from sale of investments	1,982,209	(27,697)
Portfolio management fees	(12,610)	(15,934)
	<u>3,032,759</u>	<u>957,719</u>

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22. BASIC AND DILUTED EARNINGS PER SHARE TO SHAREHOLDERS OF THE PARENT COMPANY

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). Diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares to be issued upon conversion of all dilutive potential ordinary shares into ordinary shares. The parent company had no diluted shares as at 31 December 2017/2016.

The information necessary to calculate basic and diluted earnings per share based on the weighted average number of shares outstanding less treasury shares, during the year is as follows:

	<u>2017</u>	<u>2016</u>
Net profit for the year attributable for shareholders of the Parent Company	10,167,707	9,332,630
Weighted average number of outstanding shares less treasury shares (share)	<u>94,241,404</u>	<u>94,223,002</u>
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (fils)	<u>107.89</u>	<u>99.05</u>

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

23. DIVIDENDS

- On 18 April 2017, the General Assembly of the Parent Company's Shareholders approved the consolidated financial statements for the year ended 31 December 2016 and approved cash dividends of 53 fils per share from profits of 2016. In addition, the proposed Board of Director's remuneration of KD 60,000 has been approved for the year ended 31 December 2016.

- On 13 February 2018, the Parent Company's Board of Directors proposed cash dividends of 55 fils per share from profits of 2017. In addition, Board of Director's remuneration of KD 60,000 has been proposed for the year ended 31 December 2017. This proposal is subject to approval of the shareholder's General Assembly.

24. 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:

	<u>2017</u>	<u>2016</u>
Related parties transactions		
Key management compensation	344,860	342,898
Expenses (rents, consultancy and others) charged in statement of income	1,388,044	1,306,064
Other income	185,254	124,400

The balances resulting from those transactions:

	<u>2017</u>	<u>2016</u>
Due from related parties (note 10)	493,031	532,330
Due to related parties (note 17)	-	51,103
Cash at investment portfolios	6,539,851	2,420,853
Long-term key management compensation	179,489	160,109
Short-term key management compensation	20,531	12,192

A related party manages investment portfolios on behalf of the company. The book value of such portfolio is amounted to KD 18,145,412 as at 31 December 2017 (KD 21,882,276 as at 31 December 2016).

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

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25. SEGMENTS INFORMATION

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

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

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

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

	2017				
	Cinema Division	Buffets Division	Investments Division	Unallocated Items	Total
Net revenues	17,850,613	5,594,070	7,118,423	1,488,727	32,051,833
Costs	(14,517,452)	(2,233,940)	(318,909)	(4,812,558)	(21,882,859)
Segment profits/ (loss)	3,333,161	3,360,130	6,799,514	(3,323,831)	10,168,974
Assets	10,968,177	609,260	66,956,027	31,130,458	109,663,922

	2016				
	Cinema Division	Buffets Division	Investments Division	Unallocated Items	Total
Net revenues	18,647,096	5,652,692	4,323,203	1,460,821	30,083,812
Costs	(14,812,547)	(2,418,803)	-	(3,516,039)	(20,747,389)
Segment profits/ (loss)	3,834,549	3,233,889	4,323,203	(2,055,218)	9,336,423
Assets	15,064,585	304,799	57,890,824	26,265,724	99,525,932

26. CONTINGENT LIABILITIES

The letters of guarantee issued for third parties were amounted to KD 385,796 as at 31 December 2017

(KD 167,220 as at 31 December 2016).

27. FUTURE COMMITMENTS

27.1 Capital expenditure commitments

	<u>2017</u>	<u>2016</u>
Estimated capital expenditure contracted for at the financial position date	2,867,032	945,007
Future commitments for purchasing films	859,764	311,476

27.2 Operating lease commitments

	<u>2017</u>	<u>2016</u>
Future minimum operating lease payments:	3,011,042	2,955,576
Less than one year	11,298,557	10,548,583
Between one year and five years	11,652,871	13,689,055
Over five years	25,962,470	27,193,214