

2018 ANNUAL REPORT



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

**ON BEHALF OF ME, MY
COLLEAGUES ON THE
BOARD OF DIRECTORS, THE
EXECUTIVE MANAGEMENT,
AND ALL THE EMPLOYEES OF
KUWAIT NATIONAL CINEMA
COMPANY IT GIVES US GREAT
PLEASURE TO PRESENT TO
YOU OUR ANNUAL REPORT
FOR THE YEAR ENDED ON THE
31ST OF DECEMBER 2018.**

IT SETS FORTH AN ACCOUNT OF
YOUR COMPANY'S MOST IMPORTANT
ACHIEVEMENTS FOR THE YEAR
AND OUR PLANS FOR THE FUTURE.

DRAWN TO BE IN LINE WITH A
WELL-CONSIDERED STRATEGY,
SPECIFICALLY DEVELOPED TO
THE COMPANY'S SERVICES AND
EXECUTE ITS VARIOUS EXPANSION
AND DEVELOPMENT PROJECTS IN
ALL PARTS OF THE STATE OF KUWAIT
WITH A VIEW TO STRENGTHEN ITS
LEADERSHIP IN THE LOCAL MARKET.
THE REPORT ALSO ADDRESSES THE
COMPANY'S FINANCIAL STATEMENT
FOR THE YEAR ENDED ON THE 31ST OF
DECEMBER 2018 AND THE REPORT OF
THE INDEPENDENT AUDITOR.

ESTEEMED BROTHERS,

The Company has embraced the challenge to maintain our market share in an environment of an increasingly tough competition, and the development of its services in order to cater to the aspirations of the public. For our Company competes against several international companies in the field of cinema displays, with modern and sophisticated technologies through the capabilities and experience of national personnel of whom we are truly proud.

ESTEEMED BROTHERS,

It honor's me to review with you the key achievements of your company for the past year. Which includes the launching of the new brand name of our cinema theaters "Cinescape",

a positive qualitative shift that underlines the history and achievements of Kuwait National Cinema Company and reaffirms its commitment to offer the highest quality of services and products to its customers in the coming years.

"Cinescape Al-Kout" was opened at "Al-Kout Mall", fitted with the most modern cinematic design in the region. Containing 9 cinema theaters including the latest in cinematic experience: The Imax with Laser, the "Eleven" theater with Atmos technology and Laser, and the 4DX theater.

We have also launched the first Screen X in the State of Kuwait at the Cinescape Avenues, the latest experience from 4DX corporation. Which consists of three projection devices that allow cinema goers to watch the film in a different way – from an angle of 270 degrees.

Cinescape Al-Muhallab re-opened with a totally new look: The cinema theaters have been equipped with the latest world-class cinema designs, and the most sophisticated projection and sound systems that give the viewers the ultimate cinematic experience.

In addition, six cinema theaters have been renovated at Cinescape 360 and a new food and beverages corner has been opened, thereby raising the total of points of sale to 22 for food and beverages and 6 for ticketing. Furthermore, the Cinescape 360, Cinescape Al-Kout, Cinescape Al-Sharqiah, and Cinescape Al-Muhallab have been equipped with Premium leather seats with a larger capacity and occupy a prime location inside the theater, it also includes a recline feature and a USB ports. To add to that, self-sale machines have been developed and equipped with a food and beverages pre-order feature, for the first time in Kuwait.

Your company showed 297 foreign films, 180 Indian films, 27 Arab films and 19 Kuwaiti and GCC films, with a total of 523 films, 109 films more than the total the Company had shown in 2017. In addition, 61 international sports matches were shown live during the year.

ESTEEMED BROTHERS,

Cooperation between Kuwait National Cinema Company and the civil society institutions, government authorities, various ministries, and the embassies of sister and friendly countries was a real cultural bridge between the State of Kuwait and the rest of the world. In cooperation with these bodies, we organized 6 cinematic and cultural "nights" that were well received and appreciated by the public.

During 2018, aware of its social responsibility, Kuwait National Cinema Company organized special shows for children with Down Syndrome, autism, hyperactivity, and attention deficit hyperactivity disorder (ADHD) in cooperation with the Applied Behavior Center. KNCC was keen to provide an appropriate and safe environment for the children and their families. 12 such shows were conducted during the year, in addition to special shows organized by the Kuwaiti Society of the Parents of Children with Special Needs, and 52 other shows for public benefit societies and specialized societies.

Cinescape movie theaters also hosted interns of the social care institutions of the Ministry of Social Affairs and Labor and the Ministry of Health. In addition to media participations in campaigns designed for the benefit of people with diabetes, victims of family abuse and entities concerned with children's rights and combating electronic crimes.

ESTEEMED BROTHERS,

The year 2019 will see the Company initiating expansion and development plans to re-affirm its market leadership and pioneering spirit in Kuwait and the entire region. We will even exceed the expectations of our customers by providing the latest innovations in cinematic shows and the highest levels of luxury. Kuwait National Cinema Company will give viewers an experience unlike they've seen before rich with delight, excitement, and suspense.

The wheel of development continues steadily at several of our present locations to provide them with the most advanced technologies and services. To this end, your company signed a contract with Dolby Corporation, a leader in cinema and sound experience to open three "Dolby Cinema" movie theaters for the first time in the State of Kuwait, equipped with "Dolby Vision" surround technology "Dolby Atmos" at Cinescape 360, Cinescape Avenues, and Cinescape Al-Asimah.

With regards to our new expansion locations, including Cinescape Al-Asimah located within Al-Asimah Project of Salhiyah Real Estate Company, the design stage has been completed and we are starting work on the construction. This expansion includes 13 movie theaters with more than 1300 seats, the best technology for 4DX with Screen X experience the first of its kind in the Middle East and the leading "Dolby Cinema", also 4 VIP movie theaters.

This report would be incomplete without mentioning our plan to open Cinescape movie theaters at Khairan Project in Sabah Al-Ahmed Sea City of Al-Tamdeen Group. The main entertainment and touristic destination in the South of Kuwait, serving the governorates of Mubarak Al-Kabir, Ahmadi, and the inhabitants of the areas adjacent to the Kingdom of Saudi Arabia. The new Cinescape addition will house eight movie theaters of which two are VIP theaters, with more than 1370 seats.

I am honored to announce the forthcoming launch of the brand name "1954 Film House" as part of the Kuwait National Cinema Company family. The first location of the new brand name will be at "Al-Kout Mall", an added experience of the "Al-Kout Project". It will contain three theaters inspired by the history of the Kuwaiti and world cinema, and the golden age of art in the Gulf region and the Arab World. As well as an oriental style restaurant with an atmosphere and designs from the Arab and world cinema, in addition to the "Cinescape" brand.

It is our ambition to achieve during the coming years the widest geographic expansion in the State of Kuwait, by increasing the number of movie theaters to 105 with creative designs and sophisticated technologies that would enrich the entertainment sector in the State of Kuwait.

ESTEEMED BROTHERS,

In 2018, the company achieved a net profit of KD 8,340,685 and earnings per share of 89.29 Fils compared to KD 10,167,707 and 107.89 Fils respectively in 2017. The total assets amounted to KD 111.9 million in 2018 compared to KD 109.6 million in 2017, with an increase of 2% approximately. Shareholders' equity rose to KD 74.6 million roughly in 2018 compared to KD 73.5 million in 2017, with a growth rate about 1.5%.

In light of these results, the Board of Directors has recommended the distribution of a cash dividend to the shareholders for the year ended on the 31st of December 2018 at the rate of 50% of the nominal value of the share, which translates into 50 Fils per share.

The Board has also recommended the payment of a remuneration in the amount of KD 60,000 to the members of the Board of Directors for the year ended on the 31st of December 2018.

IN CONCLUSION,

I would like to express gratitude to His Highness the Amir, Sheikh / Sabah Al-Ahmad Al-Jaber Al Sabah, His Highness the Crown Prince, Sheikh / Nawwaf Al-Ahmad Al-Jaber Al Sabah, and His Highness the Prime Minister, Sheikh / Jaber Al-Mubarak Al-Hamad Al Sabah for their constant care, support, and patronage of the private sector and the national institutions. I would also like to thank you for the valuable trust and generous support extended to us, and to express my thanks and appreciation to the members of the Board of Directors of the Company for their continuous contribution and support. In particular, I wish to thank our executive management and all the employees of the Company for their fruitful effort that enabled the company to achieve the positive results it did during 2018.

ALLAH IS THE GIVER OF ALL SUCCESS,

MAY ALLAH'S PEACE, MERCY, AND BLESSING 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 & FINANCE

Talal Youssef Al Marzouq
GENERAL MANAGER OF OPERATIONS

Sami Ali Hindi
FINANCE MANAGER

Fawaz Abdulaziz Al Fadhalah
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 2018, 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 Markets Authority.

Being keen to give effect to the role of internal control and enable Risk Management to carry on its functions, the Company has updated its systems and practices with a view to ensure the highest quality for its financial and operational reports.

The investor's 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.

A BALANCED STRUCTURE FOR THE BOARD OF DIRECTORS

BOARD OF DIRECTOR'S FORMATION

Member name	Position	Education qualification and experience	Date of election/ assignment
Abdulwahab Marzouq Al Marzouq	Chairman of the board of directors – non executive member	- Diploma in Commercial and Applied Sciences - 29 years of experience in the financial and administrative field	05/04/2016
Ahmed Abdulaziz Al Sarawi	Vice Chairman of the board of directors – non executive member	- Bachelor of Petroleum Engineering - 25 years of experience in the engineering and administrative fields	
Ahmed Dakheel Al Osaimi	Member of the board of directors – Chief Executive Officer	- Bachelor of Business Administration - 22 years of experience in the administrative field	
Shaikh Duaij Al Khalifa Al Sabah	Member of the board of directors - non executive member	- Bachelor of Political Science - 23 years of experience in the administrative field	
Marzouq Jassim Al Marzouq	Member of the board of directors - non executive member	- Bachelor of Business administration - 23 years of experience in the administrative field	
Osama Rashed Al Armali	Member of the board of directors – independent	- Bachelor of Commerce - 30 years of experience in the financial and administrative field	
Nasser Bader Al Rowdan	Secretary of the board of directors	- Diploma in Civil Engineering Technology - 27 years of experience in the administrative field	

BOARD OF DIRECTOR'S MEETINGS DURING 2018

The Board of Directors meets regularly, not less than 6 times in each year in order to perform its duties and responsibilities and discuss the subjects related to the Company's business.

Member name	Meeting number: (01/2018) Date: 25/01/2018	Meeting number: (02/2018) Date: 13/02/2018	Meeting number: (03/2018) Date: 09/05/2018	Meeting number: (04/2018) Date: 08/08/2018	Meeting number: (05/2018) Date: 25/09/2018	Meeting number: (06/2018) Date: 31/10/2018	Number of attendees
Abdulwahab Marzouq Al Marzouq Chairman	✓	✓	✓	✓	✓	✓	6
Ahmed Abdulaziz Al Sarawi Vice Chairman	✓	✓	✓	✓	✓	✓	6
Ahmed Dakheel Al Osaimi CEO	✓	✓	✓	✓	✓	✓	6
Shaikh Duaij Al Khalifa Al Sabah Board Member	✓	✓	✓	✓	✓	✓	6
Marzouq Jassim Al Marzouq Board Member	✓	✓	✓	✓	✓	✓	6
Osama Rashed Al Armali Board Member - Independent	✓	✓	✓	✓	✓	✓	6

RECORDING, ORGANIZING AND FILING THE MINUTES OF THE BOARD MEETINGS

In accordance with the requirements of the Capital Markets 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 the secretary of the board. The members of the Board are provided with the agenda of the meetings a sufficient time prior to the meeting in order to allow them to study the items on the agenda and make a decision in that concern.

PROPER SPECIFICATION OF DUTIES AND RESPONSIBILITIES

The Company has clearly specified the duties and responsibilities of the Board of Directors and the Executive Management in the adopted policies and regulations in such way as to reflect a balance in the powers and responsibilities between the Board of Directors and the Executive Management.

The Board of Directors vested the Executive Management with certain authorities for specific periods of time with regard to several financial and administrative aspects in line with the requirements of the Capital Markets Authority.

DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The company's board of directors performs its core functions and responsibilities, which includes the following:

1. Approves the company's key objectives, strategies, and policies.
2. Approves the capital structure that best suits the company and its financial objectives.
3. Approves the organizational and functional structures in the company and review them on a regular basis.
4. Approves the estimated annual budgets and approves the interim and annual financial statements.
5. Supervises the main capital expenditure and ownership and disposal of assets.
6. Determines the dividend policy.
7. Ensures that the company complies with the policies and procedures designed to observe the regulations enforced in the company and the internal regulations.
8. 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.
9. 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.
10. Ensures the accuracy of financial and accounting systems including all related systems to financial reports.
11. Ensures the implementation of regulatory systems to measure and manage risks.
12. Develops a policy to regulate the relationship with the stakeholders to preserve their rights.
13. Develops a mechanism to regulate the relationship with all relevant parties.
14. 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.
15. Supervises, and monitors the performance of the executive management's members, and ensures that they are executing all the duties assigned to them.
16. Issuance of the granted remuneration regulations to the employees.
17. Assigns or eliminates any member of the executive management, CEO or any member reporting to him.

DUTIES AND RESPONSIBILITIES OF EXECUTIVE MANAGEMENT

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:

1. Implements all policies, and internal regulations of the company as approved by the board of directors.
2. Implements the general strategy and the approved detailed plans by the board of directors.
3. 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.
4. 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.
5. Prepares the financial statements according to the International Accounting Standards approved by the Capital Markets Authority.
6. 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.
7. Effectively participates in the building and developing the culture of moral values within the company.
8. Setting-up internal control systems and risk management systems and ensures the effectiveness and the efficiency of those systems.

BOARD OF DIRECTORS ACHIEVEMENTS

1. Approval of the amendment to the constitution of the Board of Directors and the Company's organization structure.
2. Following up the implementation of the plans, objectives, and strategy of the Company.
3. Following up the work of the Company with the Executive Management, discussing all the observations received from the regulatory bodies.
4. General supervision in terms of the implementation of all procedures related to corporate governance in the Company.
5. Review and approval of all periodic reports issued by the committees emanating from the Board of Directors.
6. Following up the review and approval of all periodical reports of Finance Department.

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 to the meetings with sufficient time for discussion and decision-making thereto.

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 play a vital 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 carry out its supervisory responsibilities related to the effectiveness and integrity of adherence to the policies and procedures of nomination and remuneration in the company additionally, the committee reviews and approves the selection criteria and assigning procedures of the members of the board of directors and executive management, to ensure that the nomination and remuneration policy and methodology is carried out in compliance with the strategic objectives of the company. Thus, 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 2018, the Committee:

- 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 was formed in accordance with the requirements of the Capital Markets Authority, on the 12th of April 2016, the membership of the committee ends with the expiration of the board's membership, with the membership of:

Name

Abdulwahab Marzouq Al Marzouq
Ahmed Dakheel Al Osaimi
Osama Rashed Al Armali
Nasser Bader Al Rowdan

Position

Chairman of the committee
Member of the committee
Member of the committee - Independent
Secretary of the committee

COMMITTEE'S MEETINGS DURING 2018

Meeting Date	Minutes No.	Number of Attendees
23/01/2018	01-2018	3

In accordance with the requirements of the Capital Markets 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 2018

Remunerations of the members of the Board of Directors	60,000
Remunerations of the executive management and the finance management	31,825

There is a recommendation to pay remuneration to the members of the board of directors for KD 60,000 for the year ended on the 31st of DECEMBER 2018. This recommendation is subject to be approved by the general assembly of the shareholders.

AUDIT COMMITTEE

The Audit Committee is formed with a view to helping the Board of Directors in supervising the internal control systems at the Company, monitoring the internal audit function and the reports of the external auditor, verifying that the procedures in place at the company conform to the laws, regulations and rules of professional conduct. The members of the committee are specialized in financial matters with a long experience in reviewing accounts and financial reports in order to ensure the transparency and fairness of the reports issued by the Company's various departments. It is responsible for:

- Recommendations to the Board of Directors to re-appoint the internal audit office.
- Approval of the internal audit plan during the year, review of the internal audit report results and ensuring that corrective actions are taken concerning the remarks contained in the report.
- Review of the quarterly and annual financial statements and recommending approval thereof by the Board of Directors.
- Preparing and submitting 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 has been formed in accordance with the requirements of the Capital Markets Authority, on the 12th of April 2016, the membership of the committee ends with the expiration of the board's membership, with the membership of:

Name	Position
Ahmed Abdulaziz Al Sarawi	Chairman of the committee
Marzouq Jassim Al Marzouq	Member of the committee
Osama Rashed Al Armali	Member of the committee – Independent
Fawaz Abdulaziz Al Fadhalah	Secretary of the committee

COMMITTEE'S MEETINGS DURING 2018

Meeting Date	Minutes No.	Number of Attendees
23/01/2018	01-2018	3
11/02/2018	02-2018	3
06/05/2018	03-2018	3
20/05/2018	04-2018	3
05/08/2018	05-2018	3
28/10/2018	06-2018	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 2018, the Committee:

1. Approved the risk management plan.
2. Reviewed the results of the risk management report and ensured that corrective actions are taken concerning the remarks contained in the report.
3. Amended the risk management structure in order for the Risk Management Office to report directly to the Risk Management Committee.

FORMATION

The risk management committee has been formed in accordance with the requirements of the Capital Markets Authority, on the 12th of April 2016, the membership of the committee ends with the expiration of the board's membership, with the following members:

Name	Position
Marzouq Jassim Al Marzouq	Chairman of the committee
Ahmed Dakheel Al Osaimi	Member of the committee
Osama Rashed Al Armali	Member of the committee - Independent
Fawaz Abdulaziz Al Fadhalah	Secretary of the committee

COMMITTEE'S MEETINGS DURING 2018

Meeting Date	Minutes No.	Number of Attendees
24/01/2018	01-2018	3
06/05/2018	02-2018	3
27/05/2018	03-2018	3
05/08/2018	04-2018	3
23/09/2018	05-2018	3
28/10/2018	06-2018	3

Consistent with the requirements of the Capital Markets 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.

ENSURING THE INTEGRITY OF THE FINANCIAL REPORTS

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 of the financial year 2018 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 of the financial year 2018 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.

Name

Abdulwahab Marzouq Al Marzouq
Ahmed Abdulaziz Al Sarawi
Ahmed Dakheel Al Osaimi
Shaikh Duaij Al Khalifa Al Sabah
Marzouq Jassim Al Marzouq
Osama Rashed Al Armali

Position

Chairman of the board of directors – non executive member
Vice Chairman of the board of directors – non executive member
Member of the board of directors – Chief Executive Officer
Member of the board of directors - non executive member
Member of the board of directors - non executive member
Member of the board of directors – independent

• Signed by the board of directors on the 5th of March 2018

THE EXECUTIVE MANAGEMENT UNDERTAKES TO ENSURE THE SOUNDNESS AND INTEGRITY OF THE FINANCIAL REPORTS

The Executive Management, represented by the Chief Executive Officer and the finance managers, submitted a written declaration to the Board of Directors of the Company on the 28th of February 2019, declaring that the consolidated financial information for the fiscal year ended on the 31st of December 2018 of Kuwait National Cinema Company (Kuwaiti Public Shareholding Company) "the parent company" and its two subsidiary companies (collectively referred to as "the Group") were presented in a proper and fair manner and show all the financial aspects of the company in terms of operating data and results, and that they were prepared according to the international financial reporting standards approved by the Kuwaiti Capital Markets Authority.

EXTERNAL AUDITOR

The General Assembly appointed an auditor registered in the Auditors' Register at the Authority upon the proposal of the Board of Directors pursuant to a recommendation from the Audit Committee. This appointment of the auditor satisfies all the conditions of the Authority in terms of him being independent from the Company and its Board of Directors and him not undertaking any additional work therefore other than examination and audit so that his appointment would not affect his neutrality and independence.

LAYING DOWN SOUND SYSTEMS FOR RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT OFFICE

Kuwait National Cinema Company has a risk management office that operates and reports directly to the Risk Management Committee with assistance from the specialized consultancy company commissioned to assist the said office. The concerned departments cooperate with the Risk Management Office in providing the risk register report for approval by the Board of Directors.

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:

- Checking that the system is well-defined in terms of the responsibilities and authorities.
- Guarantees splitting between the tasks and non-conflict of interests.
- Implementing the dual supervision principle.

The effectiveness of control in Kuwait National Cinema Company is demonstrated in the multiple-phase control system adopted by the Company as a business approach through the provision of an internal audit office with adequate powers, independence and resources to enable it to perform its functions in an optimum fashion. An independent audit office has been commissioned to examine the Company's internal control system and draw-up a report in this regard, to be submitted to the Capital Markets Authority every year. The Audit Committee is responsible for supervising the framework of the internal control systems in addition to the selection and rotating of the external auditor, consistent with the supervisory requirements.

INTERNAL AUDIT OFFICE

The Company has established an Internal Audit Office, where the concerned officer enjoys full independence. The Audit Committee monitors the work of that Office. Further, the company has appointed a consulting firm to work with the Internal Audit Office to perform the tasks and responsibilities entrusted thereto.

ENHANCING PROFESSIONAL CONDUCT AND MORAL VALUES

The investor's confidence in the Company's integrity and financial soundness is derived from the deep-rooted culture of professional conduct and moral values within the Company. Kuwait National Cinema Company emphasizes its commitment to deepening this

culture through compliance by its Board of Directors and Executive Management with the corporate policies and internal regulations and observance of the legal and supervision requirements so as to serve the interests of all parties related to the Company, in particular the shareholders. This is achieved through strict adherence to the highest levels of transparency, to avoid any conflict of interests. To this end, Kuwait National Cinema Company has incorporated within its work charter a conflict of interest policy that sets out the methods and procedures necessary for addressing and managing situations in which a conflict of interests has arisen, fulfill the relevant requirements and prohibit such practices by members of the Board of Directors and the Executive Management. This objective is supported by a strict separation of personal interests from official responsibilities within the company.

REPORTING POLICY FOR VIOLATIONS AND EXCESSES

Kuwait National Cinema Company strictly observes the policy of reporting violations and excesses. This policy empowers 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 matter. As well as setting up appropriate arrangements that allow the conduct of independent and fair investigations of these matters, while guarantees the policy protection for the whistleblower from any negative reaction or damage that he may suffer arising from him having reported such practices.

DISCLOSURE AND TRANSPARENCY

Governance criteria includes 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 Markets Authority.

The company holds 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.

INVESTORS AFFAIRS UNIT

This unit ensures the ability of stakeholders to communicate with the Company in an effective manner. This Unit gave effect to its role by providing all the data that existing and prospective investors may need, in a straightforward and prompt manner and does so by responding to enquiries by email or direct personal communication.

DEVELOPING INFORMATION TECHNOLOGY

Kuwait National Cinema Company is keen to develop its information technology infrastructure to serve as the key driver of its disclosure process. To this end, the Company's website serves as an essential part of the disclosure mechanism in addition to the annual reports, financial statements, and notes to the financial statements and information related to the Company's activities.

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 by:

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 an open-door policy to receive any proposals and complaints, communicated 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. Through the way of the company's website, providing 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.

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

STAKEHOLDERS

Kuwait National Cinema Company has adopted a policy that regulates its relations with stakeholders. The policy features rules and procedures that guarantee protection and recognition of the rights of stakeholders and ensures that they are properly indemnified in the event of violation of any of their rights in strict observance of the letter and spirit of the relevant laws.

The Company guarantees stakeholder rights by providing information periodically by maintaining continuous communication with them and encouraging them to follow up the Company's activities within a framework of clear transparency and open dialogue by keeping them informed of all developments related to its periodical financial statements and on-going disclosures subject to the Company's contracts and operational policies.

PERFORMANCE ENHANCEMENT AND IMPROVEMENT

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.

PERFORMANCE APPRAISAL

The performance of the Board of Directors and the Executive Management is appraised first as a whole, and second, individually for each member separately by means of key performance indicators.

CREATING INSTITUTIONAL VALUES

At the beginning of every year, the Company identifies the values that it will seek to enhance in the short, medium and long term by laying down such mechanisms and procedures that will facilitate the achievement of the Company's strategic objectives. Furthermore, Kuwait National Cinema Company continuously develops its internal integrated reporting systems thereby reaffirming its ongoing focus on creating institutional values for all its employees in order to motivate them to strive to achieve financial prosperity for their Company.

SOCIAL RESPONSIBILITY

Fully cognizant aware of its duty toward society, Kuwait National Cinema Company continues to support those activities that are related to social responsibility; by serving the various segments of society, thereby contributing to the promotion of positive social behavior with a view to developing society as demonstrated by the provision of unlimited support to all social and volunteering initiatives and activities.

For over 65 years, the Company has adopted and supported numerous social and awareness activities by displaying them on its various publicity channels and social media sites such as "Ibsar 2" charity campaign for the treatment of the blind, environment preservation campaigns and a large number of other volunteering and awareness campaigns.

The Company has also intensified its support to ambitious and active individuals, civil society centers and non-profit charitable societies, and has always been keen to support the initiatives launched by young people and encouraged them to be involved in volunteering work. Furthermore, it continues to support the programs of national enterprises particularly in the field of training young Kuwaitis.

Kuwait National Cinema Company has provided considerable media support and participated in the social awareness campaigns of specialized social centers and government sectors such as the Ministry of Interior, Ministry of Health, Ministry of Education, Fire General Department, Kuwait Institute of Scientific Research and others.

PARTNERSHIP

LOYAC

Since the establishment of LOYAC non-profit organization, Kuwait National Cinema Company has supported it because it strongly believes in the organization's promising objectives toward developing and preparing young people for entering the labor market. It also has developed designated training programs for the employees of the organization in the various departments and sections of the Company.

SPONSORSHIPS

FOR SHABAB GLOBAL FOUNDATION FOR ORGANIZING EXHIBITIONS AND CONFERENCES

Prompted by its commitment to the growth and development of young people's ideas related to the culture of giving, Kuwait National Cinema Company provides on-going support to this Foundation which is a leading volunteering organization in the State of Kuwait seeking to promote the principles of positive citizenship and encouraging volunteering work initiatives.

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

Kuwait National Cinema Company is keen to provide sponsorship to this society promoted by its belief in the society's humanitarian principles and the need to provide assistance to this segment of society and their families in order to help them bear the pressure and negative effects of hospitalization, by reducing their anxieties and concerns providing a means of amusement.

KUWAITI CINEMA ENTHUSIASTS

The company has always been keen to support cinematic artistic talents by placing the resources of the company at their service, such as by showing and distributing their movies, providing places for shooting them in order to encourage the development of the Kuwaiti cinema industry and enable them to achieve financial returns.

THE PROTEGES

The Eighth season of the Proteges Program in Kuwait started in 2018 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 to provide them with the tools that will foster career success 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 accompanying 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 December 31, 2018, 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 December 31, 2018, 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

There is an inherent risk around the accuracy and timing of revenue recorded due to the complexity of Information Technology (IT) environment over which tickets for movie shows are sold. Under IFRS 15 revenue is recognized at point in time when the tickets are sold to the customer and service is rendered. Accordingly, we have identified revenue recognition from movie shows as a key audit matter.

We evaluated the relevant IT systems and the design and operating effectiveness of controls over the IT environment as well as the controls specific to the recording of ticket sales and the recognition of relevant revenue over point in time. Our audit procedures also included reconciliation between sales and collections and the recording of revenue from the online system for ticket sales to the general ledger.

The accounting policies for revenue recognition from movie shows is set out in Note 2.15 and the details of revenue are disclosed in Note 19 to the consolidated financial statements.

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 on December 31, 2018, 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 2018 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 on December 31, 2018 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, 5 March 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2018	2017
Assets			
Non- current assets			
Property, plant and equipment	5	15,280,339	9,330,088
Investments property	6	7,080,740	7,077,887
Intangible assets	7	1,598,840	1,084,709
Investment in an associate	8	38,564,125	37,488,774
Investments Securities	9	12,195,675	18,149,580
		<u>74,719,719</u>	<u>73,131,038</u>
Current assets			
Inventories		625,829	742,842
Trade and other receivables	10	1,951,859	2,133,679
Cash on hand, at banks and investment portfolios	11	34,631,716	33,656,363
		<u>37,209,404</u>	<u>36,532,884</u>
Total assets		<u>111,929,123</u>	<u>109,663,922</u>
Equity and Liabilities			
Equity			
Share capital	12	10,106,250	10,106,250
Treasury shares	13	(8,095,324)	(6,504,855)
Statutory reserve	14	5,065,834	5,065,834
Voluntary reserve	15	13,346,691	12,475,047
Other reserves	16	17,444,180	18,016,480
Retained earnings		36,760,616	34,378,713
Equity attributable to shareholders of the Parent Company		74,628,247	73,537,469
Non-controlling interests		36,124	32,558
Total equity		<u>74,664,371</u>	<u>73,570,027</u>
Liabilities			
Non-current liabilities			
Post-employment benefits		1,893,452	1,619,794
Current liabilities			
Trade and other payables	17	9,143,063	9,469,689
Loans and bank facilities	18	26,228,237	25,004,412
		<u>35,371,300</u>	<u>34,474,101</u>
Total liabilities		<u>37,264,752</u>	<u>36,093,895</u>
Total equity and liabilities		<u>111,929,123</u>	<u>109,663,922</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 ON DECEMBER 31, 2018

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2018	2017
Operating revenues	19	16,666,657	17,850,613
Operating costs		(14,000,182)	(14,517,452)
Gross profit		2,666,475	3,333,161
Other operating income	20	8,470,019	7,778,924
Administrative and general expenses		(2,340,768)	(2,728,600)
Other operating expenses	20	(2,841,164)	(3,331,610)
Income from valuation of investments property	6	2,853	57,470
Net profit of financial investments	21	674,530	3,032,759
Group's share in an associate's results	8	3,156,825	3,332,067
Finance charges		(1,068,389)	(864,405)
Net profit before deductions		8,720,381	10,609,766
Contribution to Kuwait Foundation for the Advancement of Sciences		(48,892)	(69,140)
National Labour Support Tax		(217,586)	(247,854)
Zakat		(49,277)	(63,798)
Board of Directors' remuneration	23	(60,000)	(60,000)
Net profit for the year		8,344,626	10,168,974
Attributable to:			
Shareholders of the Parent Company		8,340,685	10,167,707
Non-controlling interests		3,941	1,267
		8,344,626	10,168,974
Basic and diluted earnings per share (fils)	22	89.29	107.89

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED ON DECEMBER 31, 2018

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2018	2017
Net profit for the year		8,344,626	10,168,974
Other comprehensive income items:			
Items that cannot be re-classified subsequently to statement of income:			
Change in fair value of available for sale investments		(477,286)	-
Group's share from changes in fair value reserve of an associate	8	(260,370)	381
		(737,656)	381
Items can be re-classified later into statement of income:			
Transferred to statement of income from sale of available for sale investments		-	(1,398,395)
Group's share from differences of foreign currency reserve of an associate	8	14,650	(37,023)
Exchange differences on translation of a subsidiary		62,696	(10,320)
Change in fair value of available for sale investments		-	589,772
		77,346	(855,966)
Total other comprehensive income items		(660,310)	(855,585)
Total comprehensive income for the year		7,684,316	9,313,389
Attributable to:			
Shareholders of the Parent Company		7,680,375	9,312,122
Non-controlling interests		3,941	1,267
		7,684,316	9,313,389

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED ON DECEMBER 31, 2018

(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 January 1, 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 December 31, 2017	10,106,250	(6,504,855)	5,065,834	12,475,047	18,016,480	34,378,713	73,537,469	32,558	73,570,027
Balance as at January 1, 2018	10,106,250	(6,504,855)	5,065,834	12,475,047	18,016,480	34,378,713	73,537,469	32,558	73,570,027
Adjustments from adoption of IFRS 9 (Note 2.2.1)	-	-	-	-	88,010	22,639	110,649	-	110,649
Balance as at January 1, 2018 restated	10,106,250	(6,504,855)	5,065,834	12,475,047	18,104,490	34,401,352	73,648,118	32,558	73,680,676
Net profit for the period	-	-	-	-	-	8,340,685	8,340,685	3,941	8,344,626
Other comprehensive income items	-	-	-	-	(660,310)	-	(660,310)	-	(660,310)
Total comprehensive income for the period	-	-	-	-	(660,310)	8,340,685	7,680,375	3,941	7,684,316
Purchase of treasury shares	-	(1,590,469)	-	-	-	-	(1,590,469)	-	(1,590,469)
Group's share from increase of associate's contribution in a subsidiary	-	-	-	-	-	45,098	45,098	-	45,098
Cash dividends (Note 23)	-	-	-	-	-	(5,154,875)	(5,154,875)	(375)	(5,155,250)
Transferred to reserves (Note 15)	-	-	-	871,644	-	(871,644)	-	-	-
Balance as at December 31, 2018	10,106,250	(8,095,324)	5,065,834	13,346,691	17,444,180	36,760,616	74,628,247	36,124	74,664,371

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED ON DECEMBER 31, 2018

(ALL AMOUNTS ARE IN KUWAITI DINARS)

	NOTE	2018	2017
Cash flow from operating activities			
Net profit for year		8,344,626	10,168,974
Adjustments for:			
Depreciation and amortization	5 & 7	1,966,927	1,667,278
Loss on disposal of property, plant and equipment		-	531,990
Change in fair value of investment property		(2,853)	(57,470)
Group's share in an associate's results	8	(3,156,825)	(3,332,067)
Net profit of available for sale investments	21	(674,530)	(3,032,759)
Post-employment benefits		334,040	207,673
(reversal)/ provide of provision for doubtful debts	10	(119,189)	173,870
Finance charges		1,068,389	864,405
Operating profit before changes in working capital		7,760,585	7,191,894
Change in inventories		117,013	(467,936)
Change in trade and other receivables		586,166	(663,821)
Change in trade and other payables		(296,943)	124,221
Cash generated from operating activities		8,166,821	6,184,358
Post-employment benefits paid		(60,382)	(45,654)
Net cash generated from operating activities		8,106,439	6,138,704
Cash flows from investing activities			
Paid for acquisition of property, plant and equipment and projects under construction	5	(6,523,587)	(529,135)
Net change in intangible assets	7	(1,906,504)	(1,512,857)
Proceeds from sale of available for sale investments		5,476,619	4,921,482
Dividends received and interest income	8, 21	2,637,655	2,863,160
Net cash (used in) /generated from investing activities		(315,817)	5,742,650
Cash flows from financing activities			
Paid for acquisition of treasury shares		(1,590,469)	(15,075)
Proceeds from sale of treasury shares		-	312,453
Proceeds from loans and bank facilities		1,223,824	5,121,463
Dividends paid		(5,192,230)	(4,936,739)
Finance charges paid		(1,242,409)	(826,700)
Net cash used in financing activities		(6,801,284)	(344,598)
Net change in cash and cash equivalents		989,338	11,536,756
Cash and cash equivalents at the beginning of the year	11	33,656,363	22,119,607
Cash and cash equivalents at the end of the year	11	34,645,701	33,656,363

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED ON DECEMBER 31, 2018

(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 all its objectives inside and outside Kuwait.

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

These consolidated financial statements include the financial statements of the Parent Company and its following Subsidiaries (collectively "the Group").

	Ownership percentage (%)	Activity	Incorporation country
International Film Distribution Company - K.S.C.C	99.25	Publishing and film distribution	Kuwait
Al Kout Film Production and Distribution Company - S.A.E	100	Production and film distribution	Egypt

The Group has full control to its subsidiaries. There is no material non-controlling interest to be disclosed.

The consolidated financial statements were authorised for issue by the Board of Directors of the Parent Company on 5 March 2019. The general assembly of the shareholders of the Parent Company has the authority to amend the consolidated financial statements.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These consolidated financial statements are prepared under the historical cost basis of measurement, except for investments property, Lands and certain financial instruments that are measured at fair value, as explained in the accounting policies below. The consolidated financial statements are presented in Kuwaiti Dinars which is the functional currency of the Group.

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note (4).

2.2 New and amended IFRS that are effective from January 1, 2018

The accounting policies applied are consistent with those used in the previous year except for the changes arising from the adoption of IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with customers effective from January 1, 2018.

2.2.1 IFRS 9: Financial Instruments

The Group has adopted IFRS 9: Financial Instruments issued in July 2014, with a date of initial application of January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 brings fundamental changes to the accounting for financial instruments: classification and measurement, impairment and hedge accounting and certain aspects of the accounting for financial liabilities. Except for hedge accounting, retrospective application is required but restating comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group's accounting policies on financial instruments resulting from the adoption of IFRS 9 are summarized below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED ON DECEMBER 31, 2018

(ALL AMOUNTS ARE IN KUWAITI DINARS UNLESS OTHERWISE STATED)

Recognition and derecognition

- A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument.

- All regular way purchase and sale of financial assets are recognized using settlement date accounting. Changes in fair value between the trade date and settlement date are recognized in the consolidated statement of profit or loss or in the consolidated statement of profit or loss and other comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

- A financial asset (in whole or in part) is derecognized when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset. A financial liability is derecognized when the Group's obligation specified in the contract is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability.

- All financial assets are initially measured at fair value. Transaction costs are added to the cost of all financial instruments except for financial assets classified as at fair value through profit or loss. Transaction costs on financial assets classified as at fair value through profit or loss are recognized in the consolidated statement of profit or loss.

Classification and measurement of financial assets and financial liabilities

Financial Assets

The Group determines classification and measurement category of financial assets based on a combination of the entity's business model for managing the assets and the instrument's contractual cash flow characteristics except equity instruments and derivatives.

The business model assessment:

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;

- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Group's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Contractual cash flow assessment

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cashflows and to sell the financial instrument, the Group assesses whether the financial instrument's cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of 'interest' within a basic lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending risks and interest margin. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Financial assets are classified into following categories under IFRS 9:

- Amortised cost (AC)
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value Through Profit and Loss (FVTPL)

Amortised cost (AC)

The Group classifies financial assets at AC if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Financial assets classified at AC are subsequently measured at amortised cost using the effective interest method adjusted for impairment losses, if any. Interest income, foreign exchange gains/

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losses and impairment are recognized in the consolidated statement of profit or loss. Any gain or loss on derecognition is recognized in the consolidated statement of profit or loss.

Fair Value through Other Comprehensive Income (FVOCI)

Debt instruments at FVOCI

The Group classifies debt instruments at FVOCI if it meets both of the following conditions:-

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Debt instrument classified as FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in Other Comprehensive Income ("OCI"). Interest income and foreign exchange gains and losses are recognized in consolidated statement of profit or loss. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to consolidated statement of profit or loss.

Equity instruments at (FVOCI)

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as at FVOCI if they meet the definition of Equity under IAS 32 Financial Instruments: Presentation, and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Equity instruments at FVOCI are subsequently measured at their fair value. Changes in fair values including foreign exchange gains and losses are recognized in OCI. Dividends are recognized in consolidated statement of profit or loss when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. On derecognition, cumulative gains or losses are reclassified from OCI to retained earnings in the consolidated statement of changes in equity.

Fair Value Through Profit and Loss (FVTPL)

Financial assets whose business model is to acquire and sell, or whose contractual terms do not give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, are classified as FVTPL.

In addition to the above, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the

requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets classified as FVTPL are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in the consolidated statement of profit or loss. Interest income and dividends are recognized in the consolidated statement of profit or loss according to the terms of the contract, or when the right to payment has been established.

Financial liabilities

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from Group's own credit risk relating to liabilities designated as FVTPL. Such movements are presented in OCI with no subsequent reclassification to the consolidated statement of profit or loss.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'Expected Credit Loss' (ECL) model. The expected credit loss of a financial instrument is measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating range of possible outcomes; the time value of money; and past events, current conditions and forecast of future economic conditions. The ECL model applies to all financial instruments except investments in equity instruments. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

IFRS 9 introduces three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition, or on exposures that are determined to have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Stage 2: Lifetime ECL – not credit impaired

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired. When determining whether the credit risk on a financial instrument has increased significantly, management considers reasonable and supportable information available, in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument.

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Stage 3: Lifetime ECL – credit impaired.

A financial asset is considered as credit impaired when there is objective evidence that the amount due under the financial asset is uncollectible. The Group considers a financial asset as credit impaired if the amount due under the financial instrument is overdue by more than 90 days, or if it is known that the counter party has any known difficulties in payment, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. Lifetime ECL are recognized as the difference between the financial asset's gross carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12 month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time ECLs and 12 month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation.

The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

The Group applies the simplified approach to recognise lifetime expected credit losses for its trade receivables as permitted by IFRS 9. Accordingly, trade receivables which are not credit impaired and which do not have significant financing component are categorized under stage 2 and lifetime ECL is recognized.

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for AC.

Hedge Accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'.

Retrospective assessment of hedge effectiveness is no longer required.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

b) The determination of the business model within which a financial asset is held and the SPPI test for the assessment of contractual cash flows have been made on the basis of the facts and circumstances that existed at the date of initial application:

The transition impact of IFRS 9 is disclosed hereinafter.

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Disclosures in relation to the initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date

	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Differences
Investments in equity instruments	Available-for-sale investments	FA at FVTOCI	18,149,580	18,149,580	-
Receivables and other debit balances	Loans and receivables	FA at amortized cost	2,133,679	2,185,765	52,086
Cash and cash equivalents	Loans and receivables	FA at amortized cost	33,656,363	33,646,234	(10,129)
Trade and other credit balances	Financial liabilities at amortized cost	Financial liabilities at amortized cost	(9,469,689)	(9,470,145)	(456)
					<u>41,501</u>
Group's share from the effect on retained earnings of associate (Note 8)					<u>(18,862)</u>
Adjustments resulted from adoption of IFRS 9 on Group's retained earnings					<u>22,639</u>
Group's share from the effect on associate's reserves (Note 8)					<u>88,010</u>

Financial impact of initial application of IFRS 9

The table below show the financial impact of the initial application of IFRS 9 on equity as of January 1, 2018:

	Retained earnings	Fair value reserve
Closing balance under IAS 39 (December 31, 2017)	34,378,713	7,519,568
Impact on reclassification and re-measurements:		
Changes in fair value	-	88,010
Effects on retained earnings	22,639	-
Opening balance under IFRS 9 on date of initial application of January 1, 2018	34,401,352	7,607,578

2.2.2 IFRS 15: Revenue from Contracts with customers

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after January 1, 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. It established a new five-step model that will apply to revenue arising from contracts with customers as follows:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group adopted IFRS 15 'Revenue from Contracts with

Customers' resulting in no change in the revenue recognition policy of the Group in relation to its contracts with customers and accordingly no impact on the consolidated financial statements of the Group.

2.2.3 IFRS 16 "Leases"

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date.

IFRS 16 does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their consolidated statement of financial position as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognized leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognized leases will be similar to today's finance lease accounting, with interest and depreciation expense recognized separately in the consolidated statement of income.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2018, the Group has performed an impact assessment of IFRS 16. This

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assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in the financial year 2019, when the Group will adopt IFRS 16.

2.3 Basis of Consolidation

Subsidiaries

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

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

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized 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 recognized 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 recognized 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 recognized in the consolidated statement of income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to the statement of income where such treatment would be appropriate if that interest were disposed off.

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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.

2.4 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 recognized 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 recognized 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 recognized 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 recognized 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.

2.5 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 recognized 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

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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.

2.6 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 derecognized 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 recognized in the consolidated statement of income.

2.7 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 derecognized 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 derecognized.

2.8 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 recognized 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 recognized for the asset. A reversal of an impairment loss is recognized immediately in the consolidated statement of income.

2.9 Financial instruments (Effective up to December 31, 2017)

Financial assets and liabilities are recognized 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 recognized 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 recognized 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.

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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 recognized 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 minus any impairment losses at the end of each reporting period.

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

of income are reclassified to the consolidated statement of income for the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized 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 recognized.

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 recognized 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 recognized in other comprehensive income and accumulated in equity is recognized in the statement of income.

Financial liabilities

Financial liabilities (including loan and trade and other payables) are initially recognized 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 derecognized and the consideration paid and payable is recognized in the consolidated statement of income.

2.10 Inventories

Inventories are valued at the lower of cost or net realizable 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.

2.11 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 consolidated financial statements date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

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2.12 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.

2.13 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 realized 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 realized 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.

2.14 Foreign currencies

Functional and presentation currency

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

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 consolidated 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's entities

The results and financial position of all of 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.

2.15 Revenues recognition

Revenues from contracts with customers are recognized when the entity meets performance obligation through transferring the promised goods or services to the customer. Such goods or services are considered transferred when the customer has control over these goods or services at point in time or point over time.

Revenues are measured at the consideration expected to be received by the entity having the right to do so against transferring the promised good or service to the customer, except for the amounts collected on behalf of third parties. The consideration promised in a contract with the customer includes fixed or variable amounts or both of them.

- Revenues from movie shows are recognized at point in time, when the entity meets performance obligation and the customer has control over such service.

- Revenues from movies distribution are recognized at point over time, when the entity meets performance obligation through transferring the right of use promised to the customer.

- Revenues from foods and drinks goods are recognized at point in time, when the entity meets performance obligation and the customer has control over such goods.

- Revenues from consultancy contracts are recognized at point over time, when the entity meets performance obligation and the customer has control over such service.

- Other revenues are recognized at point in time or point over time, once such service is rendered or upon completing the service according to its nature.

- Revenues from dividends resulting from equity instruments designated at FVOCI in the statement of income, when the Company's right in receiving dividends, unless such dividends are represented clearly in redeeming a portion of investment cost.

- Interest income is recognized on a time proportion basis using the effective yield method.

2.16 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 recognized on a straight-line basis over the term of the relevant lease.

Finance lease income is allocated to accounting periods to reflect

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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 recognized 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 recognized as an expense on a straight-line basis over the lease term.

2.17 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 recognized 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:

	2018	2017
US Dollars	18,536,469	18,899,953

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

	2018	2017
Net Profit	1,853,647	1,889,995

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 December 31, 2018, 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 530,850 as at December 31, 2018 (KD 828,545 as at December 31, 2017).

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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 of December 31, 2018, had interest rates been 1 % higher/lower, net profits of the year would have been lower/higher by KD 287,804 (KD 348,669 - 2017) 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 December 31, is as follows:

	2018	2017
Trade and other receivables (Note 10)	2,059,937	2,599,666
Current accounts, deposits and cash at investment portfolios (Note 11)	34,598,822	33,512,118

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 December 31, 2018 and 2017 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 2018, the Group's strategy does not change from 2017; which is to maintain lowest possible gearing ratio.

3.3 Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 - inputs other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and

Level 3 - unobservable inputs for the asset or liability.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The table below gives information about how the fair values of the significant financial assets and liabilities are determined:

	Fair value as at			
	31 December 2018	31 December 2017	Fair value hierarchy	Valuation technique(s) and Key input(s)
<u>Equity instruments designated as FVTOCI</u>				
Quoted shares	10,616,996	-	Level 1	Last bid price
Investment funds	4,168	-	Level 2	Net assets value
Unquoted shares	1,574,511	-	Level 3	Discounted cash flows
<u>Available for sale investments:</u>				
Quoted shares	-	16,570,901	Level 1	Last bid price
Investment funds	-	4 168	Level 2	Net assets value

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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 recognized in the consolidated financial statements.

Classification of investments in equity instruments – IAS 39 (Effective up to December 31, 2017)

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".

Classification of investments in equity instruments - IFRS 9 (Effective from January 1, 2018)

On acquisition of an investment, the Group decides whether it should be classified as "FVTPL" or "FVTOCI". The Group follows the guidance of IFRS 9 on classifying its investments.

The Group has designated all investments in equity instruments as at FVTOCI as these investments are strategic investments and are not held for trading.

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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.

Valuation of financial instruments

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The Company management determines the appropriate valuation techniques and input for fair value measurement. In estimating the fair value of an asset or a liability the Company uses market observable data to the extent it is available. Information about valuation techniques and input used in determining the fair value of various assets and liabilities are disclosed in note (3.3).

Evidence of impairment of investments (effective up to December 31, 2017)

The Company determines the impairment in equity instruments classified as available for sale when there is a significant or prolonged decline in the fair value of these investments. Determination of what is significant or prolonged requires judgment from management. The Company 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. The impact of such impairment on these consolidation financial statements is disclosed in note (9).

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.

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.

Contingent liabilities/liabilities

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

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5. PROPERTY, PLANT AND EQUIPMENT

	Lands	Buildings	Machinery, Equipment & Vehicles	Furniture & Computers	Projects in progress	Total
Cost or valuation						
As at January 1, 2017	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 December 31, 2017	5,351,999	8,140,725	6,359,058	3,741,188	756,229	24,349,199
Additions during the year	-	2,408,937	1,312,239	296,133	2,506,278	6,523,587
Transferred from projects under process	-	392,421	252,989	-	(645,410)	-
Disposals	-	(1,670,577)	(965,162)	(579,364)	-	(3,215,103)
As at December 31, 2018	5,351,999	9,271,506	6,959,124	3,457,957	2,617,097	27,657,683
Total depreciation and impairment						
As at January 1, 2017	-	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 December 31, 2017	-	5,840,483	5,753,650	3,424,978	-	15,019,111
Depreciation for the year	-	318,250	192,753	62,333	-	573,336
Disposals	-	(1,670,577)	(965,162)	(579,364)	-	(3,215,103)
As at December 31, 2018	-	4,488,156	4,981,241	2,907,947	-	12,377,344
Net book value						
As at December 31, 2018	5,351,999	4,783,350	1,977,883	550,010	2,617,097	15,280,339
As at December 31, 2017	5,351,999	2,300,242	605,408	316,210	756,229	9,330,088
Useful lives (year)		5-40	4-15	5-15		

- The historical cost of land, that are measured at fair value is KD 650,000 as at December 31, 2018 (KD 650,000 as at December 31, 2017). Last valuation of land was in December 31, 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:

	2018	2017
Operating costs	428,837	408,593
Other operating expense	60,661	204,187
Administrative and General expenses	83,838	84,201
	<u>573,336</u>	<u>696,981</u>

6. INVESTMENTS PROPERTY

	2018	2017
Balance as at the beginning of the year	7,077,887	-
Transferred from property, plant and equipment	-	7,020,417
Change in fair value	2,853	57,470
Balance at Year End	<u>7,080,740</u>	<u>7,077,887</u>

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Investments property are presented in real estate owned by the Group that has been constructed to be used as investment property in accordance with the Articles of Association and its amendments.

The fair value of the Group's investment properties as at December 31, 2018 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 one of these appraisers is a local bank.

The fair value of properties investments has been determined based on acceptable methods of valuation such as market comparable and replacement cost methods. As the significant valuation inputs used are based on unobservable market data these are classified under level 3 fair value hierarchy (Note 3.3).

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 of intangible assets during the year:

	2018	2017
Balance as at January 1,	1,084,709	536,117
Foreign currency exchange differences	1,218	6,032
Additions during the year	2,000,110	1,588,426
Disposals during the year	(93,606)	(75,569)
Amortization for the year	(1,393,591)	(970,297)
Balance as at December 31	1,598,840	1,084,709

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:

	2018	2017
Balance as at the beginning of the period/ year	37,488,774	35,993,349
Adjustments from adoption of IFRS 9 (Note 2.2.1)		
Changes in fair value reserve through comprehensive income	88,010	-
Effect on retained earnings	(18,862)	-
	69,148	-
Group's share in an associate's results	3,156,825	3,332,067
Group's share from an associate's reserve:		
Changes in fair value reserves	(260,370)	381
Group's share from difference of foreign currency reserve	14,650	(37,023)
Group's share from retained earnings effect	45,098	-
	(200,622)	(36,642)
Dividends	(1,950,000)	(1,800,000)
Balance at the end of the period/ year	38,564,125	37,488,774

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

	2018	2017
Current assets	63,359,887	86,286,816
Non-current assets	302,187,985	239,896,207
Current liabilities	(40,032,868)	(46,435,544)
Non-current liabilities and non-controlling interests	(165,318,597)	(123,135,575)
Revenues	34,567,976	36,160,560
Profit from continued operations	10,753,151	11,152,435
Profit for the year	10,519,232	11,152,435
Other comprehensive income for the year	(733,924)	(122,139)
Total comprehensive income for the year	9,785,308	11,030,296
Effect on retained earnings of an associate	-	(45,544)
Cash dividends received from an associate during the year	1,950,000	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:

	2018	2017
Net assets of an associate	160,196,407	156,611,904
Group's share in net assets (30%)	48,058,922	46,983,571
Unrealized gain on elimination of inter-company transactions	(9,494,797)	(9,494,797)
Book value of Tamdeen Shopping Centres K.S.C.C	38,564,125	37,488,774

9. INVESTMENTS SECURITIES

During the year, the Group reclassified its investments available for sale as investments at fair value through statement of comprehensive income in accordance with implementing IFRS 9. Accordingly, the carrying value of its investments as December 31, 2018 is as follows:

Investments at fair value through statement of comprehensive income

	2018	2017
Quoted shares	10,616,996	-
Unquoted shares	1,574,511	-
Investment funds	4,168	-
	12,195,675	-

Available for sale investments

	2018	2017
Quoted shares	-	16,570,901
Unquoted shares	-	1,574,511
Investment funds	-	4,168
	-	18,149,580
	12,195,675	18,149,580

- The fair value was determined on the basis disclosed in note 3.3

- During the year, the Group derecognized part of its financial securities carried at fair value through other comprehensive income. The fair value of the shares disposed on the date of derecognition was KD 5,476,619. Accordingly, the related selling gain amounting KD 2,377,369 have been recorded as change in fair value reserve.

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10. TRADE AND OTHER RECEIVABLES

	2018	2017
Trade receivables	721,078	664,812
Due from related parties (note 24)	121	493,031
Prepaid expenses	391,781	210,911
Refundable deposits	774,538	774,038
Staff receivables	537,771	434,480
Other receivables	26,429	233,305
	<u>2,451,718</u>	<u>2,810,577</u>
Provision for impairment and credit losses	(499,859)	(676,898)
	<u>1,951,859</u>	<u>2,133,679</u>

The movement of provision for impairment and expected losses is as follows:

	2018	2017
Balance as at January 1,	676,898	503,028
Effect of the adoption of IFRS 9 retroactively	(52,086)	-
(Reverse) / Provide provision of impairment and credit losses	(124,953)	173,870
Balance as at December 31	<u>499,859</u>	<u>676,898</u>

The average credit period granted to customers ranges from 30 days to 90 days. No interest is charged on the overdue trade receivables. The Group does not hold any collateral as security.

The Group always measures the loss allowance for impairment for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Accordingly, trade receivables with a past due exceeding 90 days are considered as impaired.

As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

11. CASH ON HAND, AT BANKS AND INVESTMENT PORTFOLIOS

	2018	2017
Cash on hand	46,879	144,245
Banks current accounts	5,974,904	14,388,792
Time deposits	19,410,976	12,583,475
Cash in investment portfolios	9,212,942	6,539,851
Total cash and cash equivalents for the purpose of cash flows	<u>34,645,701</u>	<u>33,656,363</u>
Provision and credit losses	(13,985)	-
Cash on hand and at banks and investment portfolios	<u>34,631,716</u>	<u>33,656,363</u>

The effective yield rate on time deposits is 2.37% for the year 2018 (1.29% - 2017).

Provisions of impairment losses include KD 10,129 representing adjustment of retained earnings as at January 1, 2018, resulting from the adoption of IFRS (9) retroactively.

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12. SHARE CAPITAL

The Parent Company's authorized, issued and paid up share capital is amounted to KD 10,106,250 as at December 31, 2018 (KD 10,106,250 as at December 31, 2017) comprising of 101,062,500 shares of 100 fils per share, all shares are in cash.

13. TREASURY SHARES

	2018	2017
Number of treasury shares (share)	8,316,770	6,765,123
Percentage to issued shares (%)	8.23	6.69
Market value	8,890,627	8,524,055

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 to be transferred to statutory reserve. The General Assembly 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.

In 2017, Based on the instruction of Ministry of Commerce and Industry, the Board of Directors decided to transfer KD 12,709 from the retained earnings to statutory reserve, to cover the deficit of transfer on 2009.

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 5 March 2019, the Board of Directors proposed to transfer an amount of KD 871,644 to the voluntary reserve for the year ended on December 31, 2018 (KD 1,060,850 - December 31, 2017).

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16. OTHER RESERVES

	Lands revaluation reserve	Investments fair value reserve	Currency translation reserve	Treasury shares reserve	Total
Balance as at January 1, 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 December 31, 2017	<u>10,066,140</u>	<u>7,519,568</u>	<u>303,679</u>	<u>127,093</u>	<u>18,016,480</u>
Balance as at January 1, 2018	10,066,140	7,519,568	303,679	127,093	18,016,480
Adjustments from adoption of IFRS 9	-	88,010	-	-	88,010
Balance at January 1, 2018 (restated)	<u>10,066,140</u>	<u>7,607,578</u>	<u>303,679</u>	<u>127,093</u>	<u>18,104,490</u>
Fair value of financial investments at fair value through OCI	-	(737,656)	14,650	-	(723,006)
Foreign currency translation reserve	-	-	62,696	-	62,696
Other comprehensive income items for the period	-	(737,656)	77,346	-	(660,310)
Balance at December 31, 2018	<u>10,066,140</u>	<u>6,869,922</u>	<u>381,025</u>	<u>127,093</u>	<u>17,444,180</u>

*Land revaluation reserve includes the following:

	2018	2017
Land revaluation reserve within property, plant and equipment	4,701,999	4,701,999
Land revaluation reserve within investment properties	4,257,900	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>

17. TRADE AND OTHER PAYABLES

	2018	2017
Trade payables	2,900,664	2,882,192
Expenses and accrued leaves	1,558,937	1,924,552
Dividends payables	889,843	926,823
Others' deposits	542,249	379,151
Deferred income	606,398	657,197
Provision for claims	2,154,065	2,154,065
Board of Directors' remuneration (note 23)	60,000	60,000
Taxes and deductions	326,240	384,327
Other payables	104,667	101,382
	<u>9,143,063</u>	<u>9,469,689</u>

18. LOANS AND BANK FACILITIES

	2018	2017
Short term loans	21,950,000	24,550,000
Banks - Overdrafts	4,278,237	454,412
	<u>26,228,237</u>	<u>25,004,412</u>

Loans and bank facilities are granted to the Group from local banks against promissory notes and mature within one year.
The effective interest rate on loans and bank facilities was 4.11% during 2018 (3.99% - 2017).

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19. OPERATING INCOME

This item represents 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 INVESTMENT SECURITIES

	2018	2017
Cash dividends and interest income	687,655	1,063,160
Portfolio management fees	(13,125)	(12,610)
Gains/ (losses) from sale of investments	-	1,982,209
	<u>674,530</u>	<u>3,032,759</u>

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 December 31, 2018/2017.

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:

	2018	2017
Net profit for the year attributable for shareholders of the Parent Company	8,340,685	10,167,707
Weighted average number of outstanding shares less treasury shares (share)	93,411,865	94,241,404
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (fils)	<u>89.29</u>	<u>107.89</u>

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

23. DIVIDENDS

- On March 27, 2018 the General Assembly of the Parent Company's Shareholders approved the consolidated financial statements for the year ended on December 31, 2017 and approved cash dividends of 55 fils per share. In addition, the proposed Board of Director's remuneration of KD 60,000 was approved for the year ended on December 31, 2017.

- On 5 March 2019, the Parent Company's Board of Directors proposed cash dividends of 50 fils per share from profits of 2018. In addition, Board of Director's remuneration of KD 60,000 has been proposed for the year ended on December 31, 2018. This proposal is subject to approval of the shareholder's General Assembly.

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24. RELATED PARTY 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:

Related parties transactions	2018	2017
Key management compensation	298,419	344,860
Expenses (rents, consultancy and others) charged in statement of income	1,337,332	1,388,044
Other income	212,694	185,254

The balances resulting from those transactions:	2018	2017
Due from related parties (Note 10)	121	493,031
Cash at investment portfolios	9,212,942	6,539,851
Key management compensation balance	(193,105)	(200,020)

A related party manages investment portfolios on behalf of the company. The book value of such portfolio is amounted to KD 12,191,507 as at December 31, 2018 (KD 18,145,412 as at December 31, 2017).

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

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 FVTOCI, investments equity and investments property.

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

	2018			
	Cinema Division	Buffets Division	Investments Division	Unallocated Items
Net revenues	16,666,657	6,042,574	4,440,780	1,820,873
Costs	(14,000,182)	(2,237,371)	(135,908)	(4,252,797)
Segment profits/(loss)	2,666,475	3,805,203	4,304,872	(2,431,924)
Assets	15,700,330	298,121	62,368,366	33,562,306
	2017			
	Cinema Division	Buffets Division	Investments Division	Unallocated Items
Net revenues	17,850,613	5,594,070	7,118,423	1,488,727
Costs	(14,517,452)	(2,233,940)	(318,909)	(4,812,558)
Segment profits/(loss)	3,333,161	3,360,130	6,799,514	(3,323,831)
Assets	10,968,177	609,260	66,956,027	31,130,458

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26. CONTINGENT LIABILITIES

The letters of guarantee issued for third parties were amounted to KD 2,386,680 as at December 31, 2018 (KD 385,796 as at December 31, 2017).

27. FUTURE COMMITMENTS

27.1 Capital expenditure commitments

	2018	2017
Estimated capital expenditure contracted for at the consolidated financial position date	4,149,994	2,867,032
Future commitments for purchasing films	1,458,235	859,764

27.2 Future Lease commitment

	2018	2017
Not more than one year	3,185,070	3,011,042
More than one year and less than five years	11,548,691	11,298,557
More than five years	9,112,116	11,652,871
	<u>23,845,877</u>	<u>25,962,470</u>