



شركة السينما الكويتية الوطنية

KUWAIT NATIONAL CINEMA COMPANY (K.P.S.C.)

**Consolidated Financial Statements and Independent  
Auditor's Report  
For the year ended 31 December 2023**



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# CHAIRMAN'S LETTER

IN THE NAME OF GOD MOST  
GRACIOUS, MOST MERCIFUL

**DEAR HONORABLE  
SHAREHOLDERS,**

**MAY THE PEACE, BLESSINGS AND  
MERCY OF ALLAH BE UPON YOU,**

**MY FELLOW MEMBERS OF  
THE BOARD OF DIRECTORS,  
THE EXECUTIVE STAFF, AND  
ALL EMPLOYEES OF KUWAIT  
NATIONAL CINEMA COMPANY  
(KNCC), IT IS A PLEASURE TO  
REVIEW WITH YOU THE ANNUAL  
REPORT FOR THE FINANCIAL YEAR  
ENDING ON 31 DECEMBER 2023**

WHICH EXPLAINS OUR KEY WORKS  
OVER THE PAST YEAR AND OUR  
FUTURE PLANS AND ASPIRATIONS  
FOR THE YEARS TO COME.

THIS REPORT ALSO REVIEWS  
KNCC'S FINANCIAL STATEMENTS  
AND THE AUDITORS' REPORT FOR  
THE SAME YEAR.

**DEAR BROTHERS,**

In a new step to achieve its objectives and strategy, KNCC, in September 2023, opened "The Warehouse" Mall in the South Sabahiya area, in a strategic location parallel to King Fahd Road. The Warehouse extends over a space exceeding 106 thousand square meters and includes several sections and distinguished services.

The complex's architectural architecture inspires a unique and distinct experience; being designed innovatively in cooperation with one of the leading international architectural design companies. The Warehouse is designed to be a series that looks like industrial warehouses seamlessly connected, where each area is characterized by rich diversity and mastery in form and content. The Warehouse Mall offers its visitors opportunity to simulate an integrated world of diverse choices in a single place, as it provides more than 170 units that include the most famous international brands, in addition to a variety of restaurants and cafes, while home furniture stores occupy large rental spaces, such as "IKEA", which announced the opening of its largest branch in Kuwait at The Warehouse Mall, in addition to "Abyat" brand, in addition to multiple car showrooms featuring the latest models.

In terms of entertainment, The Warehouse includes "Wonder Zone" family entertainment center, which provides a series of entertaining games for children.

To ensure a smooth visit, more than 2300 parking spaces have been allocated within multistorey parking lots consisting of four (4) floors directly connected to the Mall via two pedestrian bridges.

## Dear Brothers,

In compliance with the promises we made last year to complete the projects that were still under construction, KNCC continued to implement its vision of geographical expansion in the State of Kuwait by opening, in 2023, two new movie theaters for its “Cinescape” brand, starting with “Al-Khiran Mall”, in Sabah Al-Ahmad Marine Area, south of Kuwait. Cinescape Al-Khiran location, which was opened last May, includes eight (8) halls, including two VIP halls, with a total of 906 seats, adding an entertainment experience parallel to the importance of Al-Khiran Mall in terms of location, precedence and distinction. It has become a new and distinctive destination for visitors from all over Kuwait.

Then, in November 2023, in continuation of the development plan at The Warehouse Mall, KNCC opened the second Cinescape movie theater, with seven (7) halls and a total of 950 seats, including premium seats. Those halls are also equipped with modern laser technology projectors, characterized by high image quality. Thus, The Warehouse Mall has joined all movie theaters in Al-Kout Mall, Al-Asimah Mall and Al-Khiran Mall, becoming the fourth theater; fully equipped with this distinctive technology in the world of cinema display.

## Dear Brothers,

Based on KNCC’s keenness to keep pace with technical development and technological progress, the official “Cinescape” application and website were updated in November 2023, where that update is based on three (3) main features, starting with the fully novel design that aims to facilitate the user experience and provide several smooth options. Payment process has also been developed by providing different and flexible methods during the reservations process, in addition to adding pre-ordering food and beverage services to improve customer service and ensure their receipt of the best services by reducing the waiting period and speeding up receipt of orders.

## Dear Brothers,

KNCC is looking forward to achieving tangible development by developing some of its sites in the State of Kuwait. This strategic approach includes improving audience’s experience at current locations by developing cinema facilities and introducing a modern and innovative impression and design to achieve exciting and distinctive viewing experiences. Moreover, KNCC seeks to explore additional opportunities to open new locations in strategic places in Kuwait, with the aim of expanding its geographical presence and meeting the aspirations of Cinescape visitors and customers looking for the most exciting experiences. KNCC also focuses on developing cinema theater devices and equipment to keep pace with the state-of-the-art in the world of accompanying technology, in a clear

indication of KNCC’s commitment to providing exceptional and innovative cinematic experiences to movie lovers throughout the state.

## Dear Brothers,

Based on our social responsibility and stemming from our keenness to cooperate with state institutions and civil society, and as usual, Cinescape, in 2023, allocated several cinematic shows to support several entities, including: Youth Public Authority, Public Authority for Minors Affairs, rehabilitation centers for people with special needs, Kuwaiti fire brigades, Ministry of Health, Ministry of Social Affairs and Labor, General Department of Public Relations and Media Security, Ministry of Interior, Kuwait Municipality, Environment Public Authority, Ministry of Information, Ministry of Higher Education, Kuwait Institute for Scientific Research, Applied Institute, GCC Joint Program Production Institution, Youth Employment Conference and Omniah. This is in addition to some charitable committees, including Knowledge School, Center 21, Al-Kharafi Kids Center, Applied Behavior Center Kuwait, Kuwait Center for Down Syndrome, American International University, Psychiatric Hospital, and Knowledge Nursery. This is not to mention our tireless endeavor to support youth initiatives, such as LOYAC, believing in and encouraging national cadres and positive interaction with society and other private entities. As for cinema displays, KNCC, in 2023, displayed (408) English and foreign films, (161) Indian films, and (98) Arabic films, for a total of (668) films and film premieres.

## Dear Brothers,

In 2023, KNCC's net profits amounted to KD 10,621,759, and 114.70 fils per share compared to the 2022, where net profits amounted to KD 7,628,173 Kuwaiti, with 82.38 fils per share for the same year. The Company's total assets also amounted to approximately KD 227.4 million in 2023, compared to approx. KD 191.9 million for 2022, with a growth rate of approximately 19%. Shareholders' equity also increased to reach about KD 85 million in 2023, compared to approx. KD 80.1 million for 2022, with an increase rate of approximately 6%.

In light of these results, the Board of Directors recommended distributing 80% as dividends for the fiscal year ending on 31/12/2023.

The Board also recommended granting the Board members a bonus of KD 35,000 for the year ending on 31 December 2023.

May Allah grants us all success,  
May the Peace, Blessings and Mercy of Allah be upon you,

**Abdulaziz Dawood Al Marzouq**  
Chairman of Board of Directors

## **BOARD OF DIRECTORS      EXECUTIVE MANAGEMENT**

Abdulaziz Dawoud Marzouq Al-Marzouq	Nasser Bader Al Rowdan
CHAIRMAN	CHIEF EXECUTIVE OFFICER
Hisham Fahad Al Ghanim	Fawaz Abdulaziz Al Fadhalah
VICE CHAIRMAN	DEPUTY GENERAL MANAGER
Nasser Bader Al Rowdan	FINANCE & ADMINISTRATION
BOARD MEMBER & CEO	Kareem Ahmad Amer
Marzouq Jassim Al Marzouq	SENIOR FINANCE MANAGER
BOARD MEMBER	Ghalia Emad Hayat
Osama Rashed Al Armali	DEPUTY GENERAL MANAGER
BOARD MEMBER	PROGRAMS & MARKETING
INDEPENDENT	
Fawaz Abdulaziz Al Fadhalah	
SECRETARY OF THE	
BOARD OF DIRECTORS	

# CORPORATE GOVERNANCE BRIEF

## BRIEF OUTLINE OF THE GROUP'S CORPORATE GOVERNANCE

In light of the eagerness of Kuwait National Cinema Company "Parent Company" to implement the Capital Markets Authority's regulations and the best practices of the wise governance principles, the Company continued in 2023 to comply with all instructions issued in this regard. The company has also been keen on developing the governance system by enhancing the integrity and preserving the best practice of ethics at the level of its departments, throughout 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. Believing in the importance of the role of internal control and enabling the Risk Management office to carry out its functions, the company inserted all its effort to update 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.

### First Rule

#### A Balanced Structure For The Board Of Directors

##### Board Director's Formation

Member name	Position	Education, Qualification and Experience	Date of election/ assignment
Abdulaziz Dawoud Marzouq Al-Marzouq	Chairman Non-executive	Bachelor of Finance 23 years of experience in banking and investment field	25/4/2022
Hisham Fahad Al Ghanim	Vice Chairman Non-executive	Bachelor of Political Science / General Administration 28 years of experience in the administrative field	25/4/2022
Nasser Bader Al Rowdan	Board Member & CEO	Diploma in Civil Engineering Technology 32 years of experience in the administrative field	25/4/2022
Marzouq Jassim Al Marzouq	Board Member Non-executive	Bachelor of Business administration 28 years of experience in the administrative field	25/4/2022
Osama Rashed Al Armali	Board Member Independent	Bachelor of Commerce 35 years of experience in the financial and administrative field	25/4/2022
Fawaz Abdulaziz Al Fadhalah	Secretary of the Board of Directors	18 years of experience in the financial and administrative field	25/4/2022



## A Summary Of The Company's Board Of Directors' Meetings

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

### Board of Directors' Meetings During 2023

Member name	Meeting Number ( 01/2023 ) Date 17/01/2023	Meeting Number (02/2023 ) Date 22/02/2023	Meeting Number ( 03/2023 ) Date 09/05/2023	Meeting Number (04/2023 ) Date 26/07/2023	Meeting Number (05/2023 ) Date 09/08/2023	Meeting Number ( 06/2023 ) Date 13/08/2023	Meeting Number ( 07/2023 ) Date 08/11/2023	Meeting Number ( 08/2023 ) Date 12/11/2023	Meeting Number ( 09/2023 ) Date 28/12/2023	Number of meetings
Abdulaziz Dawoud Marzouq Al-Marzouq Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Hisham Fahad Al Ghanim Vice Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Nasser Bader Al Rowdan Board member & CEO	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Marzouq Jassim Al Marzouq Board Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Osama Rashed Al Armali Board Member – Independent	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Fawaz Abdulaziz Al Fadhalah Secretary of the board of directors	✓	✓	✓	✓	✓	✓	✓	✓	✓	9

### Brief note about recording, organizing and filing the board of directors' minutes of meetings.

The Secretary of the board of directors maintains a special register in which the minutes of the board meetings are recorded , kept and the registered in a serial numbering for the year in which the meeting was held , showing the location and timing of the meeting in addition to preparing the agenda of the meetings including discussions and voting processes which are organized and kept in a way that is easy to refer to. The Secretary of the board of directors also ensures that all board members sign the minutes of the board meetings and its committees. In addition, The Secretary of the board of directors provides the board members with scheduled meetings agendas three days before the event taking into consideration emergency meetings.

The independent member acknowledges the availability of independence conditions according to the form approved by CMA.



**Brief note about how the company's determines tasks and responsibilities policy, duties of board members and executive management in addition to the power and authority that is delegated to the Executive Management.**

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

- Kuwait National Cinema Company K.P.S.C And its subsidiaries — State of Kuwait

- it in full, 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. Issues the granted remuneration regulations to the employees.
  17. Assigns or eliminates any member of the executive management, CEO or his equivalent.

## **Duties & 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 approved by the board of directors.
2. Implements the general strategy and detailed plans approved 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. Participates in the building and developing the culture of moral values within the company.
8. Sets up internal control systems and risk management systems and ensures the effectiveness and the efficiency of those systems.

## **Board of Directors' Achievements During 2023**

- Approving the company's amended organizational structure.
- Approving of amendments to authorizations of members of the Board of Directors and Executive Management.
- Supervising the application of all procedures related to corporate governance rules.
- Following up with the executive management on the progress of the company's operation and discussing all observations received from regulatory authorities.
- Following up, reviewing and approving of all periodic reports issued by the committees emanating from the Board of Directors.
- Following up, reviewing and approving of all periodic reports issued by the Finance Department.

## **Brief note about the requirements of BOD formation for specialized independent committees, mentioning the following data about each one.**

- Name of the committee
- Tasks & achievements of the committee during the year
- Date of formation and duration of the committee
- Committee head and members
- Number of committee meetings held during the year

## Nominations & Remuneration committee

### Duties & Responsibilities of Nominations & Remuneration committee

1. Recommending the acceptance of nomination and re-nomination for members of the Board of Directors and Executive Management.
2. Developing a clear policy for Board of Directors and Executive Management remuneration.
3. Developing job descriptions for the executive members, non-executive members, and independent members.
4. Ensuring that the independent member of the Board of Directors does not lack the status of independence.
5. Preparing Nominations & Remuneration granted to Board of Directors and Executive Management report.

### Nominations & Remuneration committee achievements during 2023

- Studied and reviewed the remuneration policy.
- Evaluated the key performance indicators (KPI) for the Board of Directors and the Executive Management and prepared their annual report.
- Proposed remuneration for the members of the Board of Directors and the Chief Executive Officer.
- Prepared the remuneration report.

### Nominations & Remuneration committee formation

Nominations & Remuneration committee has been formed as per the requirement of CMA on 25 April 2022. The membership of the committee ends when the board of directors' memberships does.

#### Members of the Nominations and Remuneration Committee

Name	Position
Mr. Abdulaziz Dawoud Marzouq Al-Marzouq	Head of Committee
Mr. Marzouq Jassim Al Marzouq	Committee member
Mr. Osama Rashed Al Armali	Committee member – Independent
Mr. Fawaz Abdulaziz Al Fadhalah	Secretary of the committee

### Nominations and remuneration committee meeting during 2023

Member Name	Meeting Number ( 01/2023 ) Date 16/01/23	Meeting Number ( 02/2023 ) Date 15/02/2023	Meeting Number ( 03/2023 ) Date 10/08/2023	Number of meetings
Abdulaziz Dawoud Marzouq Al-Marzouq Head of Committee	✓	✓	✓	3
Marzouq Jassim Al Marzouq Committee Member	✓	✓	✓	3
Osama Rashed Al Armali Committee Member - Independent	✓	✓	✓	3
Fawaz Abdulaziz Al Fadhalah Committee Secretary	✓	✓	✓	3

According to CMA requirements, the company – The secretary of the committee has a special registry to register the meetings records.

## Audit committee

### Duties & Responsibilities of Audit committee

1. Reviewing and expressing their opinion and recommendation regarding the periodic financial reports before presenting them to the Board of Directors.
2. Recommending to the Board of Directors to appoint and reappoint external auditors or change them and determine their fees.
3. Follow up on the work of external auditors.
4. Study the external auditors' observation of the company's financial statements and follow up on what was done in this regard.
5. Study the accounting policies followed and express an opinion and recommendation to the Board of Directors regarding them.
6. Evaluate the adequacy of the internal control systems applied within the company and prepare a report that includes the opinion and recommendations of the committee in this regard.
7. Technical supervision of the company's internal audit department in order to verify its effectiveness in implementing the work and tasks specified by the Board of Directors.
8. Recommending the appointment, transfer, and dismissal of the Internal Audit Director, and evaluating his performance and the performance of the Internal Audit Department.
9. Review and approve the audit plans proposed by the internal auditor and provide their comments on them.
10. Review the results of internal audit reports and ensure that the necessary corrective measures have been taken regarding the observations contained in the reports.
11. Review the results of the supervisory authorities' reports and ensure that the necessary actions have been taken regarding them.
12. Ensure that the company adheres to relevant laws, policies, regulations, and instructions.

### Audit committee achievements during 2023

- Reviewed the results of the ICR report and confirmed that corrective actions were taken regarding the observations contained in the report.
- Reviewed the results of the internal audit reports and confirmed that corrective actions were taken regarding the observations contained in the report.
- Reviewed the interim and annual financial reports and submitted their recommendation to the Board of Directors for approval.
- Prepared the Audit Committee's report to be submitted to the Board of Directors and presented to the General Assembly.
- Submitted its recommendations to the Board of Directors regarding the reappointment of the external auditor, after ensuring his independence and reviewing his appointment letter.

### Audit committee formation.

Audit committee has been formed as per the requirement of CMA on 25 April 2022.

The membership of the committee ends when the board of directors' memberships does.

### Members of the Audit committee.

Name	Position
Mr. Hisham Fahed Al-Ghanim	Head of Committee
Mr. Marzouq Jassim Al Marzouq	Committee member
Mr. Osama Rashed Al Armali	Committee member – Independent
Mr. Kareem Amer	Secretary of the committee

### Auditing committee meetings during 2023

Member Name	Meeting Number ( 01/2023 ) Date 16/01/2023	Meeting Number ( 02/2023 ) Date 20/02/2023	Meeting Number ( 03/2023 ) Date 22/03/2023	Meeting Number ( 04/2023 ) Date 07/05/2023	Meeting Number ( 05/2023 ) Date 06/08/2023	Meeting Number ( 06/2023 ) Date 05/11/2023	Number of meetings
Hisham Fahed Al Ghanim Head of Committee	✓	✓	✓	✓	✓	✓	6
Marzouq Jassim Al Marzouq Committee Member	✓	✓	✓	✓	✓	✓	6
Osama Rashed Al Armali Committee Member	✓	✓	✓	✓	✓	✓	6
Kareem Amer Committee Secretary	✓	✓	✓	✓	✓	✓	6

According to CMA requirements, the company – The secretary of the committee has a special registry to register the meetings records.

### Risk Management committee.

#### Duties & Responsibilities Risk Management committee.

1. Preparing and reviewing risk management strategies and policies before their approval by the Board of Directors.
2. Ensuring the availability of adequate resources and systems to manage risks.
3. Evaluating systems and mechanisms for identifying, measuring, and following up on the various types of risks to which the company may be exposed, in order to identify their shortcomings.
4. Helping the Board of Directors determine and evaluate the acceptable level of risk in the company.
5. Review the organizational structure for risk management and make recommendations regarding it before its approval by the Board of Directors.
6. Ensure the independence of risk management employees from activities expose the company to risks.
7. Ensure that risk management employees have a full understanding of the risks surrounding the company.
8. Preparing periodic reports on the nature of the risks to which the company is exposed.
9. Reviewing the issues raised by the associated audit committee that may affect risk management in the company.

#### Risk Management achievements during 2023

- Reviewed the results of the internal audit report on the work of the Risk Management Office.
- Amending, reviewing, and approving the statement of risk appetite.
- Investigated the risks related to theater locations.
- Reviewed the results of risk management reports and it confirmed that corrective actions were taken regarding the observations contained in the report.

### Risk Management Committee Formation

Risk Management Committee has been formed as per the requirement of CMA on 25 April 2022. The membership of the committee ends when the board of directors memberships does.

### Members of the Risk Committee

Mr. Hisham Fahed Al-Ghanim  
Mr. Nasser Bader Al rowdan  
Mr. Osama Rashed Al Armali  
Mrs. Ghalia Emad Hayatt

Head of Committee  
Committee member  
Committee member – Independent  
Secretary of the committee

## Risk Management committee meetings during 2023

Member Name	Meeting Number ( 01/2023 ) Date 16/01/23	Meeting Number ( 02/2023 ) Date 07/05/2013	Meeting Number ( 03/2023 ) Date 06/08/2023	Meeting Number ( 04/2023 ) Date 02/11/2023	Number of meetings
Hisham Fahed Al Ghanim Head of Committee	✓	✓	✓	✓	4
Nasser Bader Al Rowdan Committee Member	✓	✓	✓	✓	4
Osama Rashed Al Armali Committee Member - Independent	✓	✓	✓	✓	4
Ghalia Emad Hayatt Committee Secretary	✓	✓	✓	✓	4

According to CMA requirements, the company – The secretary of the committee has a special registry to register the meetings records.

## Brief note about implementing requirements that enable the Board Members to obtain information and data accurately and in a timely manner.

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 its members by submitting reports and topics of discussion prior to the meetings with sufficient time for discussion and decision-making thereto.

## Third Rule

### Selecting qualified persons for board of directors and executive management membership

## Brief note about implementing the requirements of nominations and remuneration committee formation.

The committee was established to assist board of directors in doing the supervision responsibilities related to the transparency of performing the procedures of remuneration and election of members in addition to reviewing and approval of the selection criteria and nominations of the board members and executive management in order to ensure that the policy of nomination and remuneration is matching with the strategic objectives of the company , so the remuneration policy has been prepared to attract the skilled and experienced staff , consequently, the board of directors has approved this policy as per the recommendation of the committee.

# Remuneration granted to members of the Board of Directors, executive management, and managers.

## 1. Board of Directors, Executive Management, and Managers Remuneration Policy.

### Introduction:

The company's remuneration policy has been prepared to attract and maintain employees with competence, knowledge, skills, and experience. The Board of Directors, based on the recommendations of the Nomination and Remuneration Committee, approves and amends the remuneration policy in the company, taking into account the following points:

### Firstly: Remunerations of Board Members:

The remuneration of the chairman and the members of the Board of Directors is determined according to:

1. Recommendations of the Remuneration and Nominations Committee
  2. It should not contrast with the article of association of the company or any other related regulations.
  3. It is reviewed annually.
  4. The below points should be taken into consideration:
    - a. The performance of the company and achieving the targets and goals of the company
    - b. The annual evaluation of the Board of Directors members. The assessment of the members should be at least very good.
  5. It is presented to the Board of Directors for its opinion.
  6. Final approval of the General assembly should be obtained.
- Commitment to the provisions of Article 198 of Companies Law No. 1 of 2016 that the total remuneration of members of the Board of Directors should not be estimated at more than 10% of the net profit after deducting depreciation and reserves and distributing a profit of not less than 5% of the capital to the shareholders or any higher percentage included in the company contract.
  - An Independent member of the Board of Directors may be exempted from the maximum limit of annual remuneration, based on the approval of the Ordinary General Assembly.

### Secondly: Remunerations of the Executive Management:

Nominations and Remunerations Committee studies the annual remuneration proposal for the Executive Management of the company based on their annual evaluation and submits its recommendation to the Board of Directors for approval.

**Remuneration of the executive management is linked directly with the main performance indicators and the results achieved, including but not limited to the following points :**

#### Fixed remuneration:

- The undertaken responsibilities are taken into consideration in addition to the career, skills, experience, and competencies.
- Fixed remuneration, including amounts, allowances, benefits, and privileges, is determined in accordance with the job grades schedule approved by the Board of Directors.

#### Remuneration linked to the performance:

- Performance-related remuneration is linked to achieving predetermined goals for both executive management and the company.
- Performance-related remuneration was established to motivate executive management to double the effort and achieve the required goals.
- Performance-related remuneration is regularly reviewed.



Thirdly: This remuneration is not binding, but is subject to annual study, based on the company's achievement of the desired profits and objectives.

2. Remuneration Include the following two statements:

Remunerations and Benefits for Board Members							
Total number of BOD members	Remunerations and benefits through the parent company			Remunerations and benefits through subsidiary companies			
	Fixed Remunerations and benefits (Kuwaiti Dinar)		Inconsistant Remunerations and benefits (Kuwaiti Dinar)	Fixed Remunerations and benefits (Kuwaiti Dinar)		Inconsistant Remunerations and benefits (Kuwaiti Dinar)	
	Health Insurance	Annual Bonus	Committee Bonus	Health Insurance	Monthly Salaries (total per year)	Annual Bonus	Committee Bonus
5	—	35,000	—	1,340	72,000	16,000	—

Total Remunerations and Benefits for the Executives receiving the highest rewards								
Total number of executives	Remunerations and benefits through the parent company				Remunerations and benefits through subsidiary companies			
	Fixed Remunerations and benefits (Kuwaiti Dinar)		Inconsistant Remunerations and benefits (Kuwaiti Dinar)		Fixed Remunerations and benefits (Kuwaiti Dinar)		Inconsistant Remunerations and benefits (Kuwaiti Dinar)	
	Monthly Salaries (total per year)	Health Insurance	Annual Bonus	Committee Bonus	Monthly Salaries (total per year)	Health Insurance	Annual Bonus	Committee Bonus
5	180,300	3,585	31,900	—	—	—	2,000	—

### 3- Any fundamental violations related to the remuneration policy

There were no fundamental deviations related to the remuneration policy approved by the Board of Directors.

**Forth Rule**  
**Ensuring the integrity of the financial reports**

**Board of Directors, and Executive Management Commitment regarding the integrity and integrity of the prepared 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 parent company and the subsidiary companies), hereby declare and warrant the accuracy and integrity of the consolidated financial statements for the year ended 31-12-2023 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 31-12-2023 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.

**Board of Directors**

Name	Position
Abdulaziz Dawoud Marzouq Al-Marzouq	Chairman of The Board of Directors
Hisham Fahad Al Ghanim	Vice Chairman of The Board of Directors
Nasser Bader Al Rowdan	Board Member & CEO
Marzouq Jassim Al Marzouq	Board Member
Osama Rashed Al Armali	Board Member - Independent

Signed by the board of directors on the 20th February 2024

**Executive Management Commitment**

The Executive management, represented in The Chief Executive Officer and the Finance Managers submitted a written declaration to the Board of Directors of the Company on the 20th February 2024, declaring that the consolidated financial information for the fiscal year ended on the 31st of December 2023 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 Kuwait Capital Markets Authority.

**A summary of the application of the requirements for forming the 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 specialize in financial matters with 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.

The role and responsibility of the committee and all conditions related to its formation are specified in the Audit Committee regulations approved by the Board of Directors.

**In case of any discrepancy between the recommendations of the auditing committee and the decisions of board of directors, a detailed statement should be prepared to judge and indicate both the recommendations and reasons behind the decision of board of directors.**

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

## Ensuring the independency and neutrality of the external auditors

The general assembly appointed CMA authenticated auditing office upon the proposal of board of directors and after a recommendation from the Audit Committee. All independence and neutrality nomination terms and conditions were met by CMA criteria. This office is not authorized to undertake any additional auditing tasks in order not to affect its independence and neutrality.

## Fifth Rule

## Setting proper systems for Risk management and internal audit

### An overview of the requirements for formation of office – independent unit for risks management

KNCC has an office for risks management under direct supervision of risks management committee with the assistance of the specialized consultant company which has been nominated to assist this office, the concerned offices in conjunction with risks management office present the risks register report to be approved by board of directors.

### An overview of the requirements for the formation of risks management committee

The company's Board of Directors formed the Risk Management Committee to meet the requirements of the Capital Markets Authority. The tasks and responsibilities of the Committee, the term of its members' membership, and its work method were determined within the Risk Committee approved by the Board.

This committee was formed to assist the company's board of directors in performing its supervisory responsibilities related to current and emerging risk issues associated with the company's activities.

### 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:

- Checks that the system is well-defined in terms of the responsibilities and authorities.
- Guarantees splitting between the tasks and non-conflict of interests.
- Implements 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 optimal 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 in addition to assigning another audit office to review and evaluate the performance of the internal audit office every three years, provided that both the audit committee and the board of directors are provided with a copy of this report. 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.

### An overview of the requirements for formation of management – office – independent unit for internal auditing

The Company has 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 according to the office's policies and procedures manual,

in addition to the audit plan approved by the Board of Directors.

## **Sixth Rule**

### **Enhancing Professional Conduct and moral values**

#### **An overview of the work procedure which include specific criteria and identifiers for the 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 to serve the interests of all parties related to the Company, particularly the shareholders. This is achieved through strict adherence to the highest levels of transparency, to avoid any conflict of interests. Kuwait National Cinema Company has incorporated within its work charter a set of policies and procedures, of which we summarize the following:

#### **Transactions with related parties**

Related Party Transactions Policy explains the guiding principles on ways to conduct and manage transactions with related parties, whether that information is between the company and the members of the Board of Directors or the executive management and employees. The company realizes that related party transactions may represent a source of actual conflict of interest, so the Board of Directors is keen to implementing a conflict of interest policy, where the company, under the supervision of the Board of Directors, reviewed Related Party Transactions Policy, in a way that is commensurate with the nature of the company's business and regulatory developments in the markets in which it operates. In addition to following a set of procedural models regulating cases of disclosure of potential conflicts of interest and the mechanism for dealing with them.

#### **Policy of reporting violations and excesses**

Policy of reporting violations provides a work climate characterized by cooperation and transparency for all employees, as the company has created an e-mail on the company's website through which any stakeholder can convey its concerns or doubts regarding any violations, wrong practices, or improper behavior to the Board of Directors. These procedures are carried out within a framework that ensures the protection of the whistleblower and the provision of the necessary investigation and supervision of these procedures.

#### **An overview of the policies and mechanism to limit the cases of the conflict of interest**

The company has a policy to limit the cases conflicts of interest, approved by the Board of Directors. These systems and policies aim to achieve justice and transparency and prevent conflicts of interest and using of internal information. The policy also aimed to regulate disclosure procedures according to the governance requirements. Conflict of interest policy also stipulates reporting any interest of an employee, board member, or their relatives in any contracts or transactions with the company. They do not take any decision or vote on any decision related to this interest.

## **Seventh Rule**

### **Accurate and timely disclosure and transparency**

#### **An overview of the application of accurate disclosure and transparency mechanism which determines the full aspects of disclosure**

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 property structure. The Board of Directors has adopted disclosure policies and procedures to ensure that accurate and timely information is provided to shareholders and stakeholders. 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.

#### **An overview of the requirements for board of directors, executive management and managers registry**

The company holds a register that includes all operations related to the members of the board of directors and executive management for the year 2023 maintained by the Investors' Affairs Unit and shareholders have the right to peruse this register without paying any fees.

## **An overview of the requirements for formation 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.

## **An overview of the development of Information Technology infrastructure to be mainly used in the disclosure process**

Kuwait National Cinema Company is keen on developing 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.

## **Eighth Rule**

### **Respecting the shareholders rights**

#### **An overview of the requirements of identification and protecting the general shareholders rights to ensure justice and equity among all shareholders**

Transparency towards the company's shareholders is one of the most important affairs to protect the rights of shareholders, where transparency concept is seriously and permanently sustained by the company's management. To ensure the application of this principle, the company's management is working seriously to communicate with the shareholders throughout the available means by:

- Following up on delivering the invitation for documents of the ordinary and extraordinary general assembly, delivering cash dividends through the approved means, inviting shareholders, and encouraging them to exercise their rights through direct communication and follow-up or any other available means.
- Adopting an open-door policy to receive any proposals and complaints, communicated in the chairman's letter during the meetings of the general assemblies.
- Sending regular bulletins and invitations for participation and/or perusing the activities and events organized by the company.
- Providing all information, data, and advertising on a regular basis through the company's website.

#### **An overview of establishing special registry to be kept at Clearing Company as one of the continuous shareholders following up requirements.**

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.

#### **An overview of shareholders encouraging methodology to take part in voting in the company general assemblies.**

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

## **Ninth Rule**

### **Recognition of stakeholders' role**

#### **An overview of the systems and policies that guarantee protection and recognition of stakeholders rights.**

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.

## **An overview of stakeholders encouraging methodology to follow the activities of the company.**

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.

### **Tenth Rule**

#### **Performance enhancement and improvement**

## **An overview of the requirements for setting mechanism that enables board of directors and executive management to have regular training courses.**

Kuwait National Cinema Company is keen to providing the members of the board of directors and executive management with all necessary training programs to develop skills and increase knowledge in view of achieving a better level of management and competence. In this regard, in 2023, the company has coordinated with training and consultancy authorities in various fields.

## **An overview of the appraisal mechanism of boards of directors as a whole and the performance of each board member and executive management member separately.**

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 KPI

## **An overview of the efforts of board of directors in creating the institutional values to the staff throughout the application of the strategical objectives and improving the performance levels.**

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.

### **Eleventh Rule**

#### **Focus on the importance of the social responsibility.**

## **An overview of setting a strategy that ensures achieving a balance between the company's objectives and the society's ones.**

Kuwait National Cinema Company realizes that the long-term sustainability of its business is closely linked to its constructive interaction with society and the environment in which it exists, through the belief that the company's social responsibility is an essential part of its vision, mission, and goals.

In order to enhance its effective role in this field and to implement its strategic objectives in this scope, the company works to contribute to social responsibility initiatives through various and varied activities, whether charitable, cultural, awareness-raising, health, environmental or social, in which it participates on an ongoing basis in order to serve the nation and the society.

Kuwait National Cinema Company has documented its social responsibility policy in order to increase awareness of the importance of social responsibility among the company's employees, its customers, its shareholders, and its current and prospective investors, and in order to emphasize the company's approach and direction with regard to social responsibility.



## **An overview of the programs and mechanisms used that help highlight the company's efforts in the field of social work.**

Believing and committed to our social duty, the Kuwait National Cinema Company has intensified its support for its social responsibilities by supporting social and voluntary initiatives and activities with the aim of enhancing and upgrading social behavior. An example of this is the National Cancer Awareness Campaign, the Youth Employment Conference, the Program Production Foundation for the Gulf Cooperation Council countries, and others. As well as for people of determination and special needs, many suitable offers have been allocated for them in cooperation with schools and specialized centers.

In addition to the usual media support for community centers, state sectors and bodies such as Ministry of Health, Ministry of Education, Ministry of Interior, Ministry of Social Affairs and Labor, Ministry of Information, Kuwait Institute for Scientific Research, in addition to private sectors such as charitable and non-profit medical societies.

## **Partnerships and sponsorships**

### **LOYAC**

The partnership between the Kuwait National Cinema Company and LOYAC is considered one of the leading partnerships in the field of supporting and empowering youth in Kuwait, as LOYAC excels in developing and empowering young people by teaching them different skills and enabling them to achieve their ambitions. The joint efforts between the two companies were able to contribute to providing training and educational opportunities for young people, through this partnership, the two companies were able to motivate young people to develop their artistic and technical skills in several fields, which led to the flourishing of various talents in Kuwait and enriched the artistic scene with creative works that reflect the culture and identity of Kuwaiti society.

### **OMNIYA**

OMNIYA, a non-profit company specializing in recycling waste plastic materials, represents a prominent example of community cooperation in the field of environmental preservation and awareness of the importance of recycling. Through this cooperation, Kuwait National Cinema Company played an active role in this partnership by spreading the required awareness about the use of plastic and the necessity of reducing its use and motivating the community to participate in this vital process to preserve the environment. This partnership reflects both companies' commitment to social and environmental responsibility and highlights their ability to make a positive impact on society.

### **American International University**

American International University and Kuwait National Cinema Company organized a film festival, workshops, and lectures. This cooperation between the educational and private sectors resulted in the transfer of information and the exchange of experiences, and in strengthening the film industry in Kuwait and encouraging youth. In addition, the partnership was able to highlight job opportunities and challenges that face the film industry in Kuwait, it ignited the spark of ambition among young people to explore the field of cinema and excel in it. As part of this partnership, the two parties organized part of the festival at Cinescape Assima Mall, which contributed to attracting a wide audience by inviting a number of Kuwaiti celebrities to participate in this festival and talk about the labor market and introduce them to diverse and distinctive cinematic works.

### **The Public Authority For Minor Affairs**

Based on the Authority's role of guardianship over Kuwaiti minors and based on its social responsibility, Kuwait National Cinema Company trained approximately 50 minors between the ages of 15 to 21 years, and provided job opportunities for them in Cinescape theaters in their free time during the summer vacation, focusing on developing their skills, investing their time, and also identifying their abilities and potential to assume responsibility and be self-reliant.

# INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS

## REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

### OPINION

We have audited the consolidated financial statements of the Kuwait National Cinema – K.P.S.C (“Parent Company”) and its subsidiaries (referred collectively as “the Group”) which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of income, consolidated statement of other 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 summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standards) (IFRSs).

### BASIS FOR OPINION

We conducted our audit in accordance with 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 Code of Ethics for Professional Accountants (including International Independence Standards) (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.



### **Revenue recognition – Movie Shows**

There is an inherent risk around the accuracy and timing of revenue recorded due to the complexity of the Information Technology (IT) environment used to manage the sale of tickets for movie shows. Application of the revenue recognition principles contained within IFRS 15 Revenue from Contracts with Customers results in revenue being recognized when the related movie show has been exhibited. Accordingly, we have identified revenue recognition from movie shows as a key audit matter.

The accounting policies for revenue recognition from movie shows are set out in note 2.3.13 and the details of revenue are disclosed in note 21 to the consolidated financial statements.

### **Fair value of investment properties**

The Group's investment properties are carried at KD 90,266,374 in the consolidated statement of financial position as at 31 December 2023 and net gain from change in fair value is presented in the consolidated statement of income amounted to KD 774,956. The Group measures its investment properties at fair value with all fair value changes being presented in profit or loss.

The determination of fair value of these investment properties is based on valuations performed by external valuers using either the market comparable approach or the capitalized income approach.

The valuation of the investment properties portfolio requires management to apply significant judgements and makes significant estimates. These include the forecast of discounted future cash flows analysis, the assessment of the expected remaining holding period, future rental rates and discount rates.

The valuation of the investment properties is a significant judgement area and is based on a number of assumptions. The existence of significant estimation uncertainty warrants specific audit focus in this area as any bias or error

in determining the fair value could lead to a material misstatement in the consolidated financial statements and consequently, we have determined this to be a key audit matter.

Refer to note 6 in the consolidated financial statements for further details relating to this matter.

### **How our audit addressed the 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 related revenue to determine if they had been appropriately designed and implemented.
- We audited the reconciliation between revenue recorded in the accounting records and the cash receipts recorded in bank statements.
- We performed data analytic procedures by recalculating the revenue recognized based on the price masterfile, and also to reconcile the amounts recorded in the books as ticket bookings, the amounts collected as reflected in the bank statements for the year and the amounts recorded in the accounting books.
- We performed substantive test of details and analytical procedures which included, but were not limited to, a monthly revenue analysis, an analysis of revenue per movie and the average ticket price.
- We assessed the disclosures in the consolidated financial statements relating to revenue against the requirements of IFRSs.

### **Our audit procedures included, inter alia, the following:**

- We evaluated the controls related to the valuation of investment properties and determined that these controls had been designed and implemented.
- We assessed the external valuer's skills, competence, objectivity and independence and read their terms of engagement with the Group to determine if the scope of their work was sufficient for audit purposes.
- We agreed the total valuation in the valuers report to the amount reported in the consolidated statement of financial position.
- We tested the data provided to the valuer by the Group, on a sample basis.
- We assessed, on a sample basis, whether the valuation of the properties was performed in accordance with the requirements of IFRSs.
- Where we identified estimates that were outside acceptable parameters, we discussed these with the valuers and management to understand the rationale behind the estimates made.
- We performed sensitivity analyses on the significant assumptions to evaluate the extent of their impact on the determination of fair values.
- We reperformed the arithmetical accuracy of the determination of fair value.
- We assessed the disclosures made in the consolidated financial statements relating to this matter against the requirements of IFRSs.

## Other Information

Management is responsible for the other information. The other information consists of information included in the Annual Report of the Group for the year ended 31 December 2023, 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 2023 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 IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

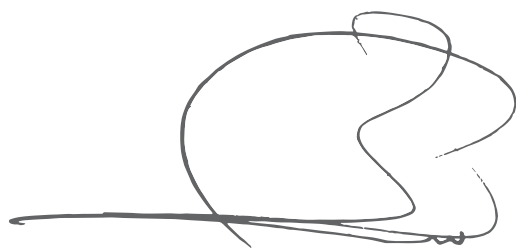
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial

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

## **Report on Other Legal and Regulatory Requirements**

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out; and that, to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016 and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2023 that might have had a material effect on the business of the Group or on its consolidated financial position.

We further report that, during the course of our Audit, we have not become aware of any material violations of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations, as amended, during the year ended 31 December 2023, that might have had a material effect on the business of the Group or on its consolidated financial position.



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

Kuwait, 20 February 2024

# Consolidated Statement of Financial Position as at 31 December 2023

(All amounts are in Kuwaiti Dinar)

	Note	2023	2022
Assets			
Non-current assets			
Property, plant and equipment	5	26,656,518	22,449,122
Investment properties	6	90,266,374	71,201,924
Right-of-use leased assets	7	15,582,038	17,233,289
Intangible assets		90,084	49,616
Investment in an associate	9	48,925,862	44,894,147
Investments at fair value through other comprehensive income ("FVTOCI")	10	6,664,310	8,899,352
Trade and other receivables	11	843,446	775,060
		<u>189,028,632</u>	<u>165,502,510</u>
Current assets			
Inventories	12	666,091	979,386
Trade and other receivables	11	779,597	490,528
Cash and cash equivalents	13	36,933,376	24,919,713
		<u>38,379,064</u>	<u>26,389,627</u>
Total assets		<u>227,407,696</u>	<u>191,892,137</u>
Equity and Liabilities			
Equity			
Share capital	14	10,106,250	10,106,250
Treasury shares	15	(8,201,231)	(8,201,231)
Statutory reserve	16	5,065,834	5,065,834
Voluntary reserve	17	16,590,250	15,487,507
Other reserves	18	20,686,182	20,906,274
Retained earnings		40,759,546	36,796,616
Equity attributable to shareholders of the Parent Company		<u>85,006,831</u>	<u>80,161,250</u>
Non-controlling interests		15,125	13,927
Total equity		<u>85,021,956</u>	<u>80,175,177</u>
Liabilities			
Non-current liabilities			
Trade and other payables	19	11,334,400	7,947,423
Lease liabilities	8	26,472,308	29,785,070
Loans and bank facilities	20	56,910,250	41,920,000
Post-employment benefits		1,598,876	1,506,274
		<u>96,315,834</u>	<u>81,158,767</u>
Current liabilities			
Trade and other payables	19	18,332,662	10,258,938
Lease liabilities	8	3,178,052	1,730,644
Loans and bank facilities	20	24,559,192	18,568,611
		<u>46,069,906</u>	<u>30,558,193</u>
Total liabilities		<u>142,385,740</u>	<u>111,716,960</u>
Total equity and liabilities		<u>227,407,696</u>	<u>191,892,137</u>

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

Abdulaziz Dawoud Marzouq Al-Marzouq  
Chairman

Hisham Fahad Al-Ghanim  
Vice Chairman

## Consolidated Statement of Income for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar)

	Note	2023	2022
Operating revenues	21	29,699,843	23,527,610
Operating costs	22	(21,980,670)	(19,550,342)
Gross profit		7,719,173	3,977,268
Other operating income	23	2,431,554	2,206,741
Administrative and general expenses		(2,110,584)	(2,002,916)
Other operating expenses	23	(709,967)	(1,006,604)
Change in fair value of investment properties	6	774,956	314,164
Net gain from financial investments at fair value through statement of income		222,053	207,753
Group's share of business results of an associate	9	5,516,166	5,484,069
Finance costs	24	(2,812,854)	(1,279,787)
Net profit before deductions		11,030,497	7,900,688
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")		(48,873)	(19,456)
National labour support tax ("NLST")		(272,319)	(193,543)
Zakat		(49,473)	(22,576)
Board of Directors' remuneration	27	(35,000)	(35,000)
Net profit for the year		10,624,832	7,630,113
Attributable to:			
Shareholders of the Parent Company		10,621,759	7,628,173
Non-controlling interest		3,073	1,940
		10,624,832	7,630,113
Basic and diluted earnings profit per share (Fils)	26	114.70	82.38

## Consolidated Statement of Comprehensive Income for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar)

	2023	2022
Net profit for the year	10,624,832	7,630,113
Other comprehensive income items:		
Items that may not be reclassified subsequently to statement of income		
Net change in fair value of investments at FVTOCI	(675,042)	1,839,558
Group's share from change in fair value reserve of an associate	313,832	(130,620)
	(361,210)	1,708,938
Items that may be reclassified subsequently to statement of income:		
Group's share from foreign currency reserves of an associate	1,717	18,243
Exchange differences on translation of a subsidiary	119,401	192,795
	121,118	211,038
Total other comprehensive income items	(240,092)	1,919,976
Total comprehensive income for the year	10,384,740	9,550,089
Attributable to:		
Shareholders of the Parent Company	10,381,667	9,548,149
Non-controlling interest	3,073	1,940
	10,384,740	9,550,089

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

# Consolidated Statement of Changes in Equity

## for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar)

### Equity attributable to shareholders of the Parent Company

	Share capital	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (Note 18)	Retained earnings	Total	Non-controlling interests	Total
Balance as at 1 January 2022	10,106,250	(8,201,231)	5,065,834	14,697,632	18,918,829	32,736,361	73,323,675	15,736	73,339,411
Net profit for the year	-	-	-	-	-	7,628,173	7,628,173	1,940	7,630,113
Other comprehensive income items	-	-	-	-	1,919,976	-	1,919,976	-	1,919,976
Total comprehensive income for the year	-	-	-	-	1,919,976	7,628,173	9,548,149	1,940	9,550,089
Cash dividends in subsidiaries	-	-	-	-	-	-	-	(3,749)	(3,749)
Cash dividends	-	-	-	-	-	(2,778,043)	(2,778,043)	-	(2,778,043)
Gain on revaluation of lands	-	-	-	-	67,469	-	67,469	-	67,469
Transferred to reserves	-	-	-	789,875	-	(789,875)	-	-	-
Balance as at 31 December 2022	10,106,250	(8,201,231)	5,065,834	15,487,507	20,906,274	36,796,616	80,161,250	13,927	80,175,177
Balance as at 1 January 2023	10,106,250	(8,201,231)	5,065,834	15,487,507	20,906,274	36,796,616	80,161,250	13,927	80,175,177
Net profit for the year	-	-	-	-	-	10,621,759	10,621,759	3,073	10,624,832
Other comprehensive income items	-	-	-	-	(240,092)	-	(240,092)	-	(240,092)
Total comprehensive income for the year	-	-	-	-	(240,092)	10,621,759	10,381,667	3,073	10,384,740
Cash dividends (Note 27)	-	-	-	-	-	(5,556,086)	(5,556,086)	-	(5,556,086)
Cash dividends in subsidiaries	-	-	-	-	-	-	-	(1,875)	(1,875)
Gain on revaluation of lands	-	-	-	-	20,000	-	20,000	-	20,000
Transferred to reserves	-	-	-	1,102,743	-	(1,102,743)	-	-	-
Balance as at 31 December 2023	10,106,250	(8,201,231)	5,065,834	16,590,250	20,686,182	40,759,546	85,006,831	15,125	85,021,956

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



# Consolidated Statement of Cash Flows

## for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar)

	Note	2023	2022
Cash flow from operating activities		10,624,832	7,630,113
Net profit for year			
Adjustments for:			
Depreciation and amortization		2,915,298	1,780,924
Impairment of property, plant and equipment		1,359,831	548,033
Interest income		(969,056)	(228,316)
Depreciation of right-of-use leased assets	7	2,177,076	2,382,760
Impairment of right-of-use assets		-	1,601,967
Loss/ (profit) on disposal of property, plant and equipment		32,709	(35,500)
Rent concessions		-	(137,300)
Net profit from financial investments at FVTOCI		(222,053)	(207,753)
Change in fair value of investment properties	6	(774,956)	(314,164)
Group's share of business results of an associate	9	(5,516,166)	(5,484,069)
Post-employment benefits		239,572	214,164
Reversal of provision for expected credit losses		(10,203)	(29,206)
Interest of lease liabilities		919,099	871,612
Finance costs	24	1,893,755	408,175
Operating profit before changes in working capital		12,669,738	9,001,440
Change in inventories		313,295	(151,454)
Change in trade and other receivables		(753,676)	(36,015)
Change in trade and other payables		4,002,396	1,939,721
Cash generated from operating activities		16,231,753	10,753,692
Post-employment benefits paid		(146,970)	(131,951)
Net cash generated from operating activities		16,084,783	10,621,741
Cash flows from investing activities			
Paid for purchase of property, plant and equipment		(7,433,744)	(1,671,530)
Paid for acquisition of investment properties		(11,541,626)	(19,979,457)
Paid for purchase of intangible assets		(491,224)	(74,645)
Interest income received		969,056	228,316
Paid-for purchase of financial investments at FVTOCI		-	(130,000)
Proceeds from sale of property, plant and equipment		-	35,500
Proceeds from sale of financial investments at FVTOCI		1,560,000	-
Dividends received		2,022,053	2,007,753
Net cash used in investing activities		(14,915,485)	(19,584,063)
Cash flows from financing activities			
Net proceeds from borrowings and bank facilities		20,980,831	20,306,196
Paid for finance costs		(1,724,665)	(1,600,054)
Repayment of lease liabilities		(1,865,354)	(1,326,674)
Repayment of interest of lease liabilities	8	(919,099)	(871,612)
Dividends paid		(5,627,348)	(2,728,012)
Net cash generated from financing activities		10,844,365	13,779,844
Net change in cash and cash equivalents		12,013,663	4,817,522
Cash and cash equivalents at the beginning of the year	13	24,924,155	20,106,633
Cash and cash equivalents at the end of the year	13	36,937,818	24,924,155

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

# Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

## 1. Incorporation and activities

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

On 30 March 2023, the Shareholders' Extraordinary General Assembly of the Parent Company resolved to amend Articles of Association and Memorandum of Incorporation of the Parent Company by adding an activity "retail of gifts and accessories" as well as number of BOD members.

The registered office of the Company is located at Old Khaitan area, Plot 9, Building 164, 2nd floor (office 1 & 2), 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 have full control over its subsidiaries. There is no material non-controlling interest to be disclosed.

The consolidated financial statements were authorized for issuance by the Board of Directors of the Parent Company on 20 February 2024. 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 Accounting Standards) (IFRSs) 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 investments at fair value through statement of other comprehensive income that are measured at fair value, as explained in the accounting policies below. The accounting policies of the Group have been consistently applied to all years presented, except as stated in note 2.2 in relation to adoption of new and revised International Financial Reporting Standards.



# Notes to the Consolidated Financial Statements

## for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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 revised accounting standards

### 2.2.1 Effective for the current year

Following standard, interpretation or amendment are effective from the current year and are adopted by the Group, however, these does not have any impact on the consolidated financial statements of the year unless otherwise stated below:

- IFRS 17, 'Insurance contracts' – This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- Amendments to IAS 1 and IFRS Practice statement 2 – Disclosure of accounting policies – The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material' accounting policy information. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.
- Amendments to IAS 8 - The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.
- Amendment to IAS 12 - International tax reform - pillar two model rules - These amendments give companies temporary exception from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. Following the amendments, an entity is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

The Group concluded that above-mentioned international standards do not have significant impact on the consolidated financial statements of the Group for the financial year ended 31 December 2023.

# Notes to the Consolidated Financial Statements

## for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

### 2.2.2 Standards issued but not yet effective

#### Standard, interpretation, amendments

	<b>Description</b>	<b>Effective date</b>
Amendment to IAS 1 – Current and Non-current liabilities	Classification of liabilities as current or non-current: The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.	1 January 2024
-Non-current liabilities with covenants	Non-current liabilities with covenants - The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent).	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024

# Notes to the Consolidated Financial Statements

## for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Amendment to IFRS 16 – Leases on sale and leaseback	The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.	1 January 2024
IFRS S1 – General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement from the regulator
IFRS S2 – Climate-related disclosures	This standard sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.	1 January 2024 subject to endorsement from the regulator
Amendments to IAS 21 - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	Annual periods beginning on or after 1 January 2025 (early adoption is available)

# Notes to the Consolidated Financial Statements

## for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

### 2.3 Significant accounting policies

#### 2.3.1 Basis of consolidation

##### Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affects it 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 losses control over the subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Company gains control until the date in which Company ceases to control the subsidiary.

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

When necessary, adjustments are made to the 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 recognised directly in equity and attributed to the Company's shareholders.

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

- The aggregate of the fair value of the consideration received and the fair value of any retained interest
- The carrying amount of the assets before disposal (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

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

##### Business combinations

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

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of any interest acquired previously over the net of the asset acquired of the

# Notes to the Consolidated Financial Statements

## for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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

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

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

### **Goodwill**

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

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

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

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

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

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

### **2.3.2 Investments in associates and joint ventures**

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

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

The resulted assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "non-current assets held for sale and non-continuing operations. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture.

When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred constructive obligations or made payments on behalf of the associates or joint venture.

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

# Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

The requirements of IAS 36 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 venture 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.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to consolidated statement of income (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to consolidated statement of income on the disposal of the related assets or liabilities.

## 2.3.3 Property, plant and equipment

Property, plant and equipment, other than lands, are stated at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance, repairs and immaterial renewal are recognized in the consolidated statement of income for the period in which the expenses are incurred.

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

Decline in carrying amount arising as a result of the revaluation is directly charged to the consolidated statement of income to the extent that it exceeds the balance, if any held in the revaluation reserve relating to a previous revaluation. Depreciation is calculated based on estimated useful life of the applicable assets except for the lands on a straight-line basis. The carrying amount is written down immediately to its recoverable amount if the carrying amount of Property, plant and equipment is greater than its estimated recoverable amount.

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

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

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

## 2.3.4 Intangible assets

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

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

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

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



# Notes to the Consolidated Financial Statements

## for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

### 2.3.5 Impairment of tangible and intangible assets other than goodwill

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

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

### 2.3.6 Investment properties

Investment properties are properties which have been acquired 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 re-measured at fair value by accredited independent valuers and the lowest valuation shall be considered. Gains and losses arising from changes in the fair value of investment properties are included in consolidated statement of income in the period in which they arise.

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

Projects in progress intended to be used as investment properties shall be considered as investment properties and carried at cost. They are re-measured at fair value by accredited independent valuers and the lowest valuation shall be considered. In case there is no reliable method for measuring the fair value, projects in progress should be recognized at cost up to the shorter of development completion date or the date of reliable determination of its fair value.

### 2.3.7 Financial Instruments

#### 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 income or in the consolidated Statement of income 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 marketplace.

A financial asset (in whole or in part) is de-recognised 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 recognised in the consolidated Statement of income.

#### 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.

# Notes to the Consolidated Financial Statements

## for the year ended 31 December 2023

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### **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/losses and impairment are recognised in the consolidated Statement of income. Any gain or loss on derecognition is recognised in the consolidated Statement of income.

### **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



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changes in fair value recognised in Other Comprehensive Income ("OCI"). Interest income and foreign exchange gains and losses are recognised in consolidated Statement of income. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to consolidated Statement of income.

### 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 recognised in OCI. Dividends are recognised in consolidated Statement of income 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 recognised in the consolidated Statement of income. Interest income and dividends are recognised in the consolidated Statement of income 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 at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the consolidated Statement of income.

### 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.

#### 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

# Notes to the Consolidated Financial Statements for the year ended 31 December 2023

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interest rate.

Lifetime 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 lifetime expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both lifetime 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 categorised under stage 2 and lifetime ECL is recognised.

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.

## **2.3.8 Inventories**

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

## **2.3.9 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.

## **2.3.10 Provisions**

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

## **2.3.11 Treasury shares**

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

## **2.3.12 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').

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## for the year ended 31 December 2023

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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 consolidated 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.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

### 2.3.13 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 movies 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 Using specific effective methods.
- Rental income is recognized according to Accounting Policy No. (2.3.14).

### 2.3.14 Accounting for Leases

#### The Group as a lessee

The Group assesses whether contract is or contains a lease, at inception of the Contract. The Group recognizes a right of use asset and a corresponding lease liability on the date on which the lessor makes the asset available for use by the

# Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Group (the commencement date).

On that date, the Group measures the right of use at cost, which comprises of:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- an estimate of costs to be incurred to restoring the underlying asset to the condition required by the terms and conditions of the lease as a consequence of having used the underlying asset during a particular period; this is recognised as part of the cost of the right of use asset when the Group incurs the obligation for those costs, which may be at the commencement date or as a consequence of having used the asset during a particular period.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. On that date, the lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. Lease payments included in measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with leases of short-term leases and low-value assets are recognized on a straight-line basis as an expense in consolidated statement of income.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

## Subsequent Measurement

Generally, after the commencement date, the Group measures the right-of-use asset at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over the shorter of the asset's useful life and the lease term. The Group determines whether a right of use asset is impaired and recognizes any impairment loss identified in the consolidated statement of income. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss (Note 2.3.5).

After the commencement date, the Group measures lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payment made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-

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## for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in consolidated statement of comprehensive income.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to statement income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The constant periodic rate of interest is the discount rate used at the initial measurement of lease liability. For a contract that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

### **Where the Group is the lessor**

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

### **2.3.15 Borrowing costs**

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

All other borrowing costs are recognised in the consolidated statement of income in the year in which they are incurred. Investment income which is generated from the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

### **2.3.16 Statutory deductions**

#### **KFAS**

The Group calculates contribution to KFAS at 1% of profits in accordance with amended calculation based on a resolution of Foundation's BOD after disposal of transfer from net profit to Statutory reserve.

#### **NLST**

The Group calculates NLST in accordance with Law No. 19 of 2000 and Ministry of Finance's Resolution No. 24 of 2006 at 2.5% of taxable profit for the year. As per Law, cash dividends of listed companies subjected to NLST have to be deducted from the profit for the year to determine taxable income.

#### **Zakat**

Zakat is calculated at 1% of profits in accordance with the Ministry of Finance resolution No. 58 of 2007. Calculated Zakat is charged on the consolidated statement of income in accordance with these requirements.

## **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



# Notes to the Consolidated Financial Statements for the year ended 31 December 2023

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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 consolidated financial statements.

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

	2023	2022
<b>US Dollars</b>	16,787,867	16,119,165

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

	2023	2022
<b>Net Profit</b>	1,678,787	1,611,916

## 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 investment at FVTOCI investments.

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

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

As at 31 December 2023, 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 investment at FVTOCI) 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 329,906 as at 31 December 2023 (KD 363,658 as at 31 December 2022).

## 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 20) because it carries variable interest rates.

As at 31 December 2023, had interest rates been 100 basic point higher/lower, interest charged of the year would have been lower/higher by KD 1,094,584 (KD 863,030 - 2022) approximately.

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

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

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### 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 most of the assets exposed to credit risk. The Group monitors and manages this risk by:

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

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

	2023	2022
Trade and other receivables (Note 11)	2,463,445	2,044,333
Current accounts, deposits and cash at investment portfolios (Note 13)	36,867,399	24,681,351

### Liquidity risks

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet its commitments. The Group manages liquidity risk by maintaining adequate cash and bank balances and borrowing facilities and by continuously monitoring forecast and actual cash flows.

The Group manages liquidity risk through maintaining adequate assets, which are easily convertible into cash and also by securing banking facilities in addition to ongoing monitoring of the expected and actual cash flows and maturity profile of financial assets and liabilities.

Current liabilities exceeded current assets by KD 7,690,842 as at 31 December 2023 (KD 4,168,566 as at 31 December 2022). The Group's management believes that the short-term bank facilities are renewable for periods highly reliable.

The following are the maturity dates of the Group's liabilities as at 31 December 2023 and 2022:

2023	Within 1 year	More than 1 year	2022	Within 1 year	More than 1 year
Loans and bank facilities	24,559,192	59,001,414	Loans and bank facilities	18,568,611	43,211,250
Lease liabilities	3,178,052	35,727,263	Lease liabilities	1,730,644	39,942,800
Trade and other payables	18,332,662	11,334,400	Trade and other payables	10,258,938	7,947,423
Post-employment benefits	-	1,598,876	Post-employment benefits	-	1,506,274

## 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 2023, the Group's strategy does not change from 2022; which is to maintain lowest possible gearing ratio.

The gearing ratio as at 31 December is as follows:

	2023	2022
Total loans and bank facilities (Note 20)	81,469,442	60,488,611
Less: cash and cash equivalents (Note 13)	(36,933,376)	(24,919,713)
Net debts	44,536,066	35,568,898
Total equity	85,021,956	80,175,177
Total capital	129,558,022	115,744,075
Gearing ratio %	34.38%	30.73%

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## 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 minimising 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.

For assets and liabilities that are recognised 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:

Financial Assets	Fair value as at		Date of valuation	Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable inputs	Relation of unobservable inputs to fair value
	31 December 2023	31 December 2022					
Equity instruments designated as FVTOCI							
Quoted shares	6,598,116	7,273,158	31 December 2023	Level 1	Last bid price	N/A	N/A
Unquoted shares	52,832	52,832	31 December 2023	Level 3	Price multiple	Discount rate	Higher discount results in value decline
Unquoted shares	3,362	3,362	31 December 2023	Level 3	Discounted cash flows	Discount rate	Higher discount results in value decline
Unquoted shares	10,000	1,570,000	31 December 2023	Level 3	Net adjusted book value	N/A	N/A



# Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Adjustment for determining fair value hierarchy 3 of equity instruments.

	2023	2022
Balance as at 1 January	1,626,194	964,050
Additions	-	130,000
Disposals	(1,560,000)	-
Change in fair value	-	532,144
Balance as at 31 December	66,194	1,626,194

The fair value of other financial assets and liabilities approximates their carrying value as at consolidated financial statements date.

## 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 judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgements:

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

### Classification of investments in equity instruments - IFRS 9

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.

### Capitalization of cost of properties under development

The Group has significant capital expenditure with respect to the construction of new shopping complex and cinemas.

The determination of the elements of cost that are eligible to be capitalized, and the identification of costs related to project in progress that may not meet the relevant capitalization criteria, require significant management judgement.

### 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.

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 plant and equipment when acquired for the purpose of the group operation.

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

### Determining the lease term of contracts with renewal and termination options - Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

# Notes to the Consolidated Financial Statements

## for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

### Discounting of lease payments

The lease payments are discounted using the Company's incremental borrowing rate ("IBR"). At initial adoption of IFRS 16 "Leases", the Management has applied judgments and estimates to determine the incremental borrowing rate.

### Sources of estimation uncertainty

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

### Fair value measurement and valuation techniques

Certain assets and liabilities of the Group are measured at fair value for preparing the financial statements. The Group's management determines the appropriate key methods and inputs required for the fair value's measurement. Upon determining the fair value of assets and liabilities, the management uses an observable market data. In case no market observable data is available, the Group shall assign an external qualified valuer to carry out the valuation process. Information about the evaluation methods and necessary inputs, which are used to determine the fair value of assets and liabilities, has been disclosed in note (3.3) and note 5, 6 and 10.

### Impairment of an 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.

### Useful lives of property, plant and equipment and right of use assets

The management determines the useful lives and depreciations of property, plant and equipment, and right of use asset, 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 tangible assets

The Group reviews the carrying amounts of its properties, plant and equipment and right of use assets to determine whether there is any indication that those assets have suffered an impairment loss in accordance with accounting policies. The recoverable amount of an asset is determined based on higher of fair value and value in use. 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. Note 5 & 7 discourse that impact in consolidated financial statements.

### 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.

## 5. Property, plant and equipment

	Lands	Buildings & enhancement on leased assets	Machinery equipment & vehicles	Furniture & computers	Projects in progress	Total
Cost or valuation as						
At 31 January 2022	8,849,694	16,183,725	7,960,069	3,249,973	1,043,483	37,286,944
Additions during the year	-	409,960	656,551	79,737	525,282	1,671,530
Revaluation of lands	67,469	-	-	-	-	67,469
Transferred from projects in progress	-	351,532	509,912	25,565	(887,009)	-
Disposals	-	-	(116,960)	-	-	(116,960)
As at 31 December 2022	8,917,163	16,945,217	9,009,572	3,355,275	681,756	38,908,983
Additions during the year	-	6,601,713	613,955	218,076	-	7,433,744
Revaluation of lands	20,000	-	-	-	-	20,000
Transferred from investment properties (Note 6)	-	610,734	-	-	-	610,734
Transferred from projects in progress	-	-	477,615	204,141	(681,756)	-
Disposals	-	(271,431)	(348,543)	(253,915)	-	(873,889)
As at 31 December 2023	8,937,163	23,886,233	9,752,599	3,523,577	-	46,099,572
Total depreciation and impairment						
As at 1 January 2022	-	6,358,868	5,639,371	2,285,282	-	14,283,521
Depreciation for the year	-	893,303	654,841	197,123	-	1,745,267
Impairment	-	548,033	-	-	-	548,033
Disposals	-	-	(116,960)	-	-	(116,960)
As at 31 December 2022	-	7,800,204	6,177,252	2,482,405	-	16,459,861
Depreciation for the year	-	1,304,868	1,099,267	276,679	-	2,680,814
Impairment	-	1,143,559	-	-	-	1,143,559
Disposals	-	(259,209)	(328,056)	(253,915)	-	(841,180)
As at 31 December 2023	-	9,989,422	6,948,463	2,505,169	-	19,443,054
Net book value						
As at 31 December 2023	8,937,163	13,896,811	2,804,136	1,018,408	-	26,656,518
As at 31 December 2022	8,917,163	9,145,013	2,832,320	872,870	681,756	22,449,122
Useful lives (year)		5-40	4-15	5-15		

- The historical cost of lands that are measured at fair value is KD 650,000 as at 31 December 2023 & 2022.

- The fair value of the lands as at 31 December 2023 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. They have appropriate qualifications and experiences in valuation of properties. One of these appraisers is a local bank. The fair value of lands has been determined based on acceptable methods of valuation such as market comparable (level 2). In estimating the fair value of properties, the best use of the properties is the current use.

- The Group assessed impairment of property, plant and equipment of an operating location based on value-in-use method. The Group concluded that recoverable amount is less than carrying value of KD 1,143,559 for the year ended 31 December 2023 (KD 548,033 for the year ended 31 December 2022). Impact of such impairment was recognized under operating cost.

- During the year, the Group reviewed useful lives of an operating location. Accordingly, useful lives were amended from 20 to 17 years which resulted in increase of depreciation expense for the current year of KD 866,463.

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

	2023	2022
Operating costs	2,528,533	1,590,961
Other operating expense	1,239	3,725
Administrative and general expenses	151,042	150,581
	<u>2,680,814</u>	<u>1,745,267</u>

# Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

## 6. Investment properties

	2023	2022
Investment properties	90,266,374	4,754,416
Investment properties under development	-	66,447,508
	<u>90,266,374</u>	<u>71,201,924</u>

Movement on investment properties is as follows:

	2023	2022
Balance as at 1 January	71,201,924	49,157,893
Additions	19,426,053	22,609,532
Impact of lease contract amendment	-	(879,665)
Transferred to property, plant and equipment (Note 5)	(610,734)	-
Transferred to right-of-use leased assets (Note 7)	(525,825)	-
Change in fair value	774,956	314,164
Balance at 31 December	<u>90,266,374</u>	<u>71,201,924</u>

- Investment properties include real estates whose carrying value of KD 4,754,416 which is presented in a real estate owned by the Group and has been constructed to be used as investment property in accordance with the Articles of Association and its amendments. This real estate is constructed on a land owned by the Group.
- Properties investments include a real estate whose carrying value of KD 85,511,958 as at 31 December 2023 which is represented in Commercial, recreational and cultural complex in South Sabahiya that has been constructed on lands leased from Government of State of Kuwait (lessor) under a contract renewable at both parties' consent, provided that the ownership of investment properties shall be returned to the lessor at end of the contract. The lease will be expired in March 2043.
- Development and construction work of the property was completed during the financial year; therefore, "investment properties under development" were transferred to "investment properties".
- The fair value of the Group's investments properties as at 31 December 2023 are estimated based on valuations carried out by independent valuers not related to the Group. These valuers are licensed from the relevant regulatory bodies. They have appropriate qualifications and recent experiences in valuation of properties at locations in which the properties are existed. Among those valuers is a Local Bank. The fair value of investment properties was determined as set out in Note (3.3).

# Notes to the Consolidated Financial Statements

## for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

The following table shows information about methods of fair values determination for significant financial assets and liabilities:

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable inputs	Relation of unobservable inputs to fair value
Investment properties	31 December 2023	31 December 2022				
	4,754,416	4,754,416	Level 2	Comparable market price	-	-
	85,511,958	66,447,508	Level 3	Income method by using capitalization rate	Income / capitalization rate	Changes in capitalization rate will result in changes in fair value

- The change in capitalization rate @ 5% will result in change in fair value of investment properties amounting to KD 3,714,286 as at 31 December 2023.

## 7. Right of use leased assets

### 7.1 When the Group is a lessee

#### Right-of-use leased assets

The Group as a lessee has leased several assets including buildings, lands, equipment. The Group's obligations are secured by the lessors' title to the leased assets for such leases. Movement on right of use leased assets during the year is as follows:

	Buildings	Lands	Total
<b>Cost</b>			
As at 1 January 2022	25,390,991	790,962	26,181,953
Additions	281,324	-	281,324
As at 31 December 2022	25,672,315	790,962	26,463,277
Transferred from investment properties (Note 6)	525,825	-	525,825
As at 31 December 2023	26,198,140	790,962	26,989,102
<b>Accumulated Depreciation</b>			
As at 1 January 2022			
Depreciation	4,974,588	270,673	5,245,261
Impairment	2,292,786	89,974	2,382,760
As at 31 December 2022	1,601,967	-	1,601,967
Depreciation	8,869,341	360,647	9,229,988
As at 31 December 2023	2,087,102	89,974	2,177,076
<b>Net book value</b>			
As at 31 December 2023	10,956,443	450,621	11,407,064
As at 31 December 2022			
Lives (year)	15,241,697	340,341	15,582,038
	16,802,974	430,315	17,233,289
	1-20	6-21	

# Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

The applied capitalization rate is calculated by reference to yield rates observed by valuers for similar properties in the respective location and adjusted based on valuers' knowledge of factors specific to concerned real estates. The used valuation model includes unobservable significant inputs including average capitalization rate @ 12.2%. The average capitalization rate used for valuation takes into account lease income, nature of property and prevailing market circumstances.

The following tables shows different types of expenses related to leases that have been recognized in statement of income:

	2023	2022
Amortization on right-of-use assets (included in operating costs)	2,177,076	2,382,760
Impairment	-	1,601,967
Variable lease payments not included in the measurement of lease liabilities (included in operating costs)	1,288,381	1,253,375
Interest leases (included in finance costs)	919,099	871,612
Short-term leases (included in operating costs)	7,976	3,988
	<u>4,392,532</u>	<u>6,113,702</u>

## 7.2 When the Group is a lessor

### Operating lease arrangements

Operating leases, in which the Group is the lessor, relate to investment property owned by the Group with lease terms between five to twenty years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. The unguaranteed residual values do not represent a significant risk for the Group, as they relate to property which is located in a location with a constant increase in value over the last 8 years. The Group did not identify any indications that this situation will change.

Operating rental income from investment properties of KD 4,863,753 for the year 2023 (KD 446,156 for the year 2022) is recognized in the statement of income.

## 8. Lease liabilities

	2023	2022
Non-current lease liabilities		
Amounts payable after 12 months	26,472,308	29,785,070
Current lease liabilities		
Amounts payable within 12 months	3,178,052	1,730,644
	<u>29,650,360</u>	<u>31,515,714</u>

### Maturity analysis

Maturity dates of undiscounted lease liabilities are as follows:

	2023	2022
No later than 1 year	3,178,052	1,730,644
From 1 to 5 years	11,855,679	14,322,589
From 5 to 20 Years	23,871,584	25,620,211
	<u>38,905,315</u>	<u>41,673,444</u>

# Notes to the Consolidated Financial Statements

## for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Movement on lease liabilities during the year is as follows:

	2023	2022
Balance at 1 January	31,515,714	33,578,029
Addition	-	281,324
Finance interests	919,099	871,612
Lease Payments	(2,784,453)	(2,198,286)
Rent payment concessions	-	(137,300)
Impact of lease contracts modification (Note 6)	-	(879,665)
Balance at 31 December	29,650,360	31,515,714

All above movements have been eliminated during the preparation of consolidated statement of cash flows as they are non-cash transactions except for the lease payments.

## 9. Investment in an associate

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

	2023	2022
Balance at the beginning of the year	44,894,147	41,322,455
Group's share of business results	5,516,166	5,484,069
Group's share of reserves	315,549	(112,377)
Dividends	(1,800,000)	(1,800,000)
Balance at the end of the year	48,925,862	44,894,147

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

	2023	2022
Current assets	83,573,811	75,444,267
Non-current assets	441,094,473	429,864,898
Current liabilities	(95,025,541)	(85,115,147)
Non-current liabilities	(228,252,748)	(232,344,767)
Non-controlling interests	(6,654,466)	(6,552,772)

	2023	2022
Revenues	58,535,941	49,911,712
Profit for the year	18,585,803	17,237,721
Other comprehensive income / (loss) for the year	1,092,768	(329,890)
Total comprehensive income for the year	19,678,571	16,907,831

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:

	2023	2022
Net assets of an associate	194,735,529	181,296,479
Group's share in net assets (30%)	58,420,659	54,388,944
Unrealized gain on elimination of inter-company transactions	(9,494,797)	(9,494,797)
Book value of Tamdeen Shopping Centres K.S.C.C	48,925,862	44,894,147

# Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Associate capital commitment amounted to KD 1,365,364 as at 31 December 2023 (KD 5,186,390 as at 31 December 2022).

## 10. Investments at fair value through other comprehensive income

	2023	2022
Quoted shares	6,598,116	7,273,158
Unquoted shares	66,194	1,626,194
	<u>6,664,310</u>	<u>8,899,352</u>

The accumulated balance of profits related to disposed investments held in the fair value reserve amounted to KD 6,416,490 as at 31 December 2023 (KD 6,416,490 as at 31 December 2022).

Fair value is determined based on valuation techniques disclosed in (Note 3).

## 11. Trade and other receivables

	2023	2022
Non-current		
Refundable deposits	843,446	775,060
Current		
Trade receivables	1,145,175	792,846
Prepaid expenses	17,633	89,493
Staff receivables	474,824	476,427
	<u>1,637,632</u>	<u>1,358,766</u>
Provision for expected credit losses	(858,035)	(868,238)
	<u>779,597</u>	<u>490,528</u>
	<u>1,623,043</u>	<u>1,265,588</u>

The movement on provision expected credit losses is as follows:

	2023	2022
Balance as at the beginning of the year	868,238	897,444
Reversal of provision during the year	(10,203)	(29,206)
Balance as at the end of the year	<u>858,035</u>	<u>868,238</u>

## 12. Inventories

	2023	2022
Food and beverages	199,661	213,351
Spare parts	297,107	294,408
Goods in transit	205,666	507,970
	<u>702,434</u>	<u>1,015,729</u>
Provisions	(36,343)	(36,343)
	<u>666,091</u>	<u>979,386</u>



# Notes to the Consolidated Financial Statements

## for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

### 13. Cash and cash equivalents

	2023	2022
Cash on hand	70,419	242,804
Banks' current accounts	21,746,214	2,401,575
Time deposits (less than three months)	12,500,000	7,837,800
Cash at investment portfolios	2,621,185	14,441,976
Credit loss	36,937,818	24,924,155
Cash on hand and at banks and investment portfolios	(4,442)	(4,442)
	<u>36,933,376</u>	<u>24,919,713</u>

The yield rate on time deposits is 4.17% as at 31 December 2023 (4.84% as at 31 December 2022).

### 14. Share capital

The Parent Company's authorized, issued and paid-up share capital is amounted to KD 10,106,250 as at 31 December 2023 (KD 10,106,250 as at 31 December 2022) comprising of 101,062,500 shares of 100 fills per share, all shares are in cash.

### 15. Treasury shares

	2023	2022
Number of treasury shares (share)	8,460,323	8,460,323
Percentage to issued shares (%)	8.37	8.37
Market value	9,898,578	8,451,863

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.

### 16. 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.

### 17. Voluntary reserve

According to the Parent Company's Articles of Association, a percentage 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 stop this transfer based on the proposal of the Board of Directors. On 20 February 2024, the Board of Directors proposed transferring an amount of KD 1,102,743 to the voluntary reserve account for the year ended 31 December 2023 (KD 789,875 for the year ended as at 31 December 2022).

# Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

## 18. Other reserves

	Lands revaluation reserve	Investment revaluation reserve	Foreign Currency translation reserve	Treasury shares reserve	Total
Balance as at 1 January 2022	11,669,670	6,815,918	306,148	127,093	18,918,829
Change in fair value of financial investments at FVTOCI	-	1,708,938	-	-	1,708,938
Foreign currency translation reserve	-	-	211,038	-	211,038
Other comprehensive loss	-	1,708,938	211,038	-	1,919,976
Surplus of lands revaluation	67,469	-	-	-	67,469
Balance as at 31 December 2022	11,737,139	8,524,856	517,186	127,093	20,906,274
Balance at 1 January 2023	11,737,139	8,524,856	517,186	127,093	20,906,274
Change in fair value of financial investments at FVTOCI	-	(361,210)	-	-	(361,210)
Foreign currency translation reserve	-	-	121,118	-	121,118
Other comprehensive loss	-	(361,210)	121,118	-	(240,092)
Surplus of lands revaluation	20,000	-	-	-	20,000
Balance at 31 December 2023	11,757,139	8,163,646	638,304	127,093	20,686,182

Land revaluation reserve includes the following:

	2023	2022
Lands revaluation reserve within property, plant and equipment	8,287,163	8,267,163
Lands revaluation reserve within investment properties	2,363,735	2,363,735
Lands revaluation reserve sold to an associate	1,106,241	1,106,241
	<u>11,757,139</u>	<u>11,737,139</u>

# Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

## 19. Trade and other payables

	2023	2022
<b>Non-current</b>		
Retention payable to contractors	5,692,748	4,706,104
Others' deposits	5,641,652	3,241,319
	<u>11,334,400</u>	<u>7,947,423</u>
<b>Current</b>		
Trade payables	4,729,517	3,675,953
Provision for claims	2,154,065	2,154,065
Dividends payable	1,072,358	1,141,745
Construction contract liabilities of investment properties	7,147,998	776,040
Expenses and accrued leaves	1,748,842	1,430,817
Deferred income	1,010,182	751,691
Due to related parties (Note 28)	7,814	1,690
Board of Directors' remuneration (Note 27)	35,000	35,000
KFAS	53,118	19,456
NLST	272,319	193,543
Zakat	61,910	43,640
Other payables	39,539	35,298
	<u>18,332,662</u>	<u>10,258,938</u>
	<u>29,667,062</u>	<u>18,206,361</u>

## 20. Loans and bank facilities

	2023	2022
<b>Long term</b>		
Islamic Finance	56,910,250	41,920,000
	<u>56,910,250</u>	<u>41,920,000</u>
<b>Short term</b>		
Islamic Finance	16,718,269	11,455,542
Loans	7,000,000	7,000,000
Banks - Overdrafts	840,923	113,069
	<u>24,559,192</u>	<u>18,568,611</u>
	<u>81,469,442</u>	<u>60,488,611</u>

- Long-term loans and bank facilities are granted to the Group from local banks against commitments from the Group represented mainly in transferring revenues of an investment property to the company's accounts with those banks.

- The repayment period of long-term loans ranges between 2 to 8 years.

- The average interest rate on loans and bank facilities was 1.02% during 2023 (1.17% - 2022) above CBK discount rate.

# Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

## 21. Operating Revenues

	2023	2022
Revenue of cinema activity	15,945,132	14,703,366
Revenue of buffets	8,890,958	8,378,088
Rental Income from investment properties	4,863,753	446,156
	<u>29,699,843</u>	<u>23,527,610</u>

-Revenue of cinema and buffets activity is recognized at a point in time while rental income from investment properties is recognized at a point over time.

## 22. Operating costs

	2023	2022
Cost of cinema activity	15,755,069	14,548,544
Cost of buffets	5,059,583	4,888,991
Costs of investment properties	1,166,018	112,807
	<u>21,980,670</u>	<u>19,550,342</u>

## 23. Other operating income/expenses

This item includes revenues and expenses excluding the main activity.

## 24. Finance costs

	2023	2022
Finance costs of bank facilities	3,609,412	1,708,063
Financing costs of lease liabilities (Note 6)	919,099	871,612
	<u>4,528,511</u>	<u>2,579,675</u>
Capitalized finance cost for qualifying assets (Note 6)	(1,715,657)	(1,299,888)
Total finance costs	<u>2,812,854</u>	<u>1,279,787</u>

## 25. Employees costs

Employees costs have been charged to the statement of income as follows:

	2023	2022
Operating costs	1,198,271	1,786,811
Other operating expenses	1,163,256	144,863
Administrative and general expenses	589,410	602,308
	<u>2,950,937</u>	<u>2,533,982</u>

## 26. Basic and diluted earnings per share to shareholders of the Parent Company

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). Diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares to be issued upon conversion of all dilutive potential ordinary shares into ordinary shares. The parent company had no diluted shares as at 31 December 2023/2022.

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:

# Notes to the Consolidated Financial Statements

## for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

	2023	2022
Net profit for the year attributable for shareholders of the Parent Company	10,621,759	7,628,173
Weighted average number of outstanding shares less treasury shares (share)	92,602,177	92,602,177
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (fills)	114.70	82.38

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

## 27. Dividends

On 30 March 2023, the General Assembly of the Parent Company's Shareholders approved the consolidated financial statements for the year ended 31 December 2022 and distribution of cash dividends for the year ended 31 December 2022 @ 60 fils per share after deducting treasury shares totaling KD 5,556,086. Moreover, Board of Directors remuneration of KD 35,000 was approved for the year ended 31 December 2022.

On 20 February 2024, the Board of Directors of the Parent Company proposed to distribute profits for the year ended 31 December 2023 @ 80 fils per share for 2023, and proposed Board of Directors remuneration of KD 35,000 for the year ended 31 December 2023. This proposal is subject to approval of the shareholders in the general assembly.

## 28. 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:

	2023	2022
Related parties' transactions		
Key management compensation	290,057	254,680
Expenses (rents, consultancy and others) charged in statement of income	1,481,283	1,372,777
Other income	121,882	133,301
Additions of investments properties	371,200	454,900

### The balances resulting from those transactions:

	2023	2022
Due to related parties (Note 19)	7,814	1,690
Cash at investment portfolios	2,279,362	838,680
Key management compensation	237,900	205,482

# Notes to the Consolidated Financial Statements

## for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

A related party manages investment portfolios on behalf of the company. The book value of such portfolio is amounted to KD 6,664,310 as at 31 December 2023 (KD 8,899,352 as at 31 December 2022).

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

## 29. Segments information

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 "Operating Segments". IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the "Executive management" who are the Chief Operating decision-makers in order to allocate resources to the segment and to assess its performance. The Group's CEO is identified as a chief operating decision maker for the Group.

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 and Buffets Segment: Represents all activities related to cinema shows, films distribution as well as activities related to buffets supplemented to theatres.
- Investment Segment: Represents investment in equity, investment funds and investments in an associate.
- Investment properties Segment: Represents activities related to real estates including rental of investment properties.

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

	2023				
	Cinema & buffets Segment	Financials Investments Segment	Investment Properties Segment	Unallocated Items	Total
Net revenues	24,836,090	5,738,219	5,638,709	2,431,554	38,644,572
Costs	(20,814,652)	(498)	(1,166,018)	(6,038,572)	(28,019,740)
Segments' profits/ (loss)	4,021,438	5,737,721	4,472,691	(3,607,018)	10,624,832
Assets	40,613,788	58,211,357	90,266,374	38,316,177	227,407,696

	2022				
	Cinema & buffets Segment	Financials Investments Segment	Investment Properties Segment	Unallocated Items	Total
Net revenues	23,527,610	6,007,102	446,156	1,760,585	31,741,453
Costs	(19,550,342)	(516)	(112,807)	(4,447,675)	(24,111,340)
Segments' profits/ (loss)	3,977,268	6,006,586	333,349	(2,687,090)	7,630,113
Assets	37,496,252	54,632,178	71,201,924	28,561,783	191,892,137

# Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

## 30. Contingent liabilities

The letters of guarantee issued for third parties were amounted to KD 2,300,762 as at 31 December 2023 (KD 2,386,680 as at 31 December 2022).

## 31. Future commitments

### Capital expenditure commitments

	2023	2022
Estimated contractual capital expenditure	7,147,839	14,896,365
Future commitments for purchasing films	986,201	793,458