

**QATAR CINEMA AND FILM
DISTRIBUTION COMPANY (Q.P.S.C.)
DOHA – QATAR**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2016**

**QATAR CINEMA AND FILM DISTRIBUTION COMPANY (Q.P.S.C.)
DOHA – QATAR**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the shareholders
Qatar Cinema and Film Distribution Company (Q.P.S.C)
Doha- Qatar

Report on the audit of the financial statements***Opinion***

We have audited the financial statements of Qatar Cinema and Film Distribution Company (Q.P.S.C) (the "Company") which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting 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 financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the State of Qatar and we have fulfilled our other responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide separate opinion on these matters.

For each matter below our description of how our audit addressed the matters is provided in that context.

INDEPENDENT AUDITOR'S REPORT (Continued)

Valuation of investment properties

The Company's investment properties, as set out in the accounting policies Note No 3 and Note 9 to the financial statements, consists of building and building improvements. Investment properties are accounted for in accordance with the cost model and make sure by the management that the fair value of investment properties is not less than the net book value.

The management has estimated the fair value of the Company's investment properties as at 31st December 2016 with a reduction of fair value for the current year compared to the fair value as 31st December 2015 as disclosed in the Note 9 to the financial statement of the Company. Independent external valuations were obtained in respect of the portfolio of investment properties in order to support management's estimates.

The valuations are dependent on certain key assumptions that require significant management judgment including capitalization rates and fair market rents. Capitalization rates and fair market rents were substantially unchanged since 31st December 2015 as per the observation of the expert valuation report.

Our procedures in relation to management's valuation of investment properties included: – evaluation of the independent external valuers' competence, capabilities and objectivity; – assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry and using our in house valuation and consultancy team; and – checking, on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence. The fair market rents were supported by recent renewals and capitalization rates were in line with our expectations. We found the disclosures in Note No: 9 to be appropriate.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Responsibilities of the Board of Directors for the financial statements

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

In preparing the financial statements, the Board of Directors is responsible for assessing the Company'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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 Company'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 Board of Directors' 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 Company'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 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 Company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (Continued)

the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors 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 the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and 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 the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosures 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 Company and the financial statements are in agreement therewith. We have obtained all the information and explanations we considered necessary for the purpose of our audit. We are not aware of any violations of the provisions of the Qatar Commercial Companies Law no. 11 of 2015 or the terms of the Company's Articles of Association having occurred during the year which might have had a material effect on the business of the Company or its financial position as at 31 December 2016.

Rödl & Partner
Middle East ★ P.O.Box: 47153 ★
Certified Public Accountants



A handwritten signature in blue ink, appearing to read "Hikmat Mukhaimer".

Hikmat Mukhaimer, FCCA (UK) Doha – Qatar
(License No. 297) January 22, 2017

QATAR CINEMA AND FILM DISTRIBUTION COMPANY (Q.P.S.C.)

STATEMENT OF FINANCIAL POSITION

As at December 31, 2016

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
		<u>QR.</u>	<u>QR.</u>
ASSETS			
Current assets			
Cash and bank balances	5	25,610,903	24,881,085
Accounts and Notes receivable	6	2,707,013	3,707,727
Inventory and spare parts		187,877	174,688
Prepayments and other debit balances	7	906,564	1,067,702
Total current assets		<u>29,412,357</u>	<u>29,831,202</u>
Non-current assets			
Available-for-sale investments	8	39,250,796	38,800,470
Investment properties	9	90,141,744	93,663,909
Property and equipment	10	5,643,507	5,353,411
Total non-current assets		<u>135,036,047</u>	<u>137,817,790</u>
Total assets		<u>164,448,404</u>	<u>167,648,992</u>

The accompanying notes are an integral part of the financial statements.

QATAR CINEMA AND FILM DISTRIBUTION COMPANY (Q.P.S.C.)

STATEMENT OF FINANCIAL POSITION

As at December 31, 2016

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
		QR.	QR.
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable		806,444	972,788
Borrowings	11	15,000,000	15,000,000
Advance rent received		2,371,836	3,012,275
Dividends payable		6,998,380	7,376,503
Accruals and other credit balances	12	1,168,807	2,876,345
Total current liabilities		<u>26,345,467</u>	<u>29,237,911</u>
Non-current liabilities			
Employees' end of service benefits		2,300,380	2,152,209
Total liabilities		<u>28,645,847</u>	<u>31,390,120</u>
Shareholder's equity			
Share capital	13	62,807,950	62,807,950
Legal reserve	14	37,992,630	37,992,630
General reserve	15	2,663,152	2,663,152
Fair value reserve		15,487,882	10,713,275
Retained earnings		10,570,148	12,660,672
Proposed dividends	16	6,280,795	9,421,193
Total shareholders' equity		<u>135,802,557</u>	<u>136,258,872</u>
Total liabilities and shareholders' equity		<u>164,448,404</u>	<u>167,648,992</u>

These financial statements were approved on behalf of the Board of Directors on January 22, 2017 by:



Ahmad Abdul Rahman Fakhroo
Chairman



Ali Ishaq Hussein Al Ishaq
Managing Director

The accompanying notes are an integral part of the financial statements.

QATAR CINEMA AND FILM DISTRIBUTION COMPANY (Q.P.S.C.)

STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2016

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
		QR.	QR.
Operating income	17	10,179,508	14,903,148
Direct costs	18	<u>(11,059,802)</u>	<u>(13,886,182)</u>
Gross (loss) Profit		(880,294)	1,016,966
Rental income		17,404,544	16,657,104
Dividend income		1,502,877	2,246,198
Other income, net	20	222,694	328,857
Gain on sale of investments		--	4,377,170
General and administrative expenses	19	(4,055,165)	(4,819,975)
Depreciation of investment properties	9	(3,522,165)	(3,597,916)
Depreciation of property and equipment	10	(955,946)	(1,013,144)
Impairment Loss on available for sale investments		(4,512,681)	--
Finance costs		<u>(906,150)</u>	<u>(861,270)</u>
Net profit for the year		<u>4,297,714</u>	<u>14,333,990</u>
Basic / diluted earnings per share	21	<u>0.68</u>	<u>2.28</u>

The accompanying notes are an integral part of the financial statements.

QATAR CINEMA AND FILM DISTRIBUTION COMPANY (Q.P.S.C.)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
	QR.	QR.
Net profit for the year	4,297,714	14,333,990
Other comprehensive income		
Impairment loss reclassified to profit or loss during the year	4,512,681	--
Net movement in fair value of available for sale investments	<u>261,926</u>	<u>(15,824,596)</u>
Total comprehensive income (Loss) for the year	<u>9,072,321</u>	<u>(1,490,606)</u>

The accompanying notes are an integral part of the financial statements.

QATAR CINEMA AND FILM DISTRIBUTION COMPANY (Q.P.S.C.)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2016

	Notes	Share capital	Legal reserve	General reserve	Fair value reserve	Retained earnings	Proposed dividends	Total
		QR.	QR.	QR.	QR.	QR.	QR.	QR.
Balance at 31 December 2014		57,098,140	37,992,630	2,663,152	26,537,871	8,106,225	11,419,628	143,817,646
Transfer to dividends payable		--	--	--	--	--	(5,709,818)	(5,709,818)
Increase in capital		5,709,810	--	--	--	--	(5,709,810)	--
Total comprehensive income for the year		--	--	--	(15,824,596)	14,333,990	--	(1,490,606)
Proposed cash dividends		--	--	--	--	(9,421,193)	9,421,193	--
Provision for social contribution	22	--	--	--	--	(358,350)	--	(358,350)
Balance at December 31, 2015		<u>62,807,950</u>	<u>37,992,630</u>	<u>2,663,152</u>	<u>10,713,275</u>	<u>12,660,672</u>	<u>9,421,193</u>	<u>136,258,872</u>
Transfer to dividends payable		--	--	--	--	--	(9,421,193)	(9,421,193)
Total comprehensive income for the year		--	--	--	4,774,607	4,297,714	--	9,072,321
Proposed cash dividends		--	--	--	--	(6,280,795)	6,280,795	--
Provision for social contribution		--	--	--	--	(107,443)	--	(107,443)
Balance at December 31, 2016		<u>62,807,950</u>	<u>37,992,630</u>	<u>2,663,152</u>	<u>15,487,882</u>	<u>10,570,148</u>	<u>6,280,795</u>	<u>135,802,557</u>

The accompanying notes are an integral part of the financial statements.

QATAR CINEMA AND FILM DISTRIBUTION COMPANY (Q.P.S.C.)

STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
		QR.	QR.
OPERATING ACTIVITIES			
Net profit for the year		4,297,714	14,333,990
Adjustment for:			
Depreciation of investment properties	(9)	3,522,165	3,597,916
Depreciation of property and equipment	(10)	955,946	1,013,144
Finance costs		906,150	861,270
Impairment Loss on available for sale investments		4,512,681	--
Profit on sales of available-for-sale investments		--	(4,377,170)
Impairment loss on property and equipment		--	152,500
Provision for employees' end of service benefits		232,543	162,780
Change in:		14,427,199	15,744,430
Accounts receivable		1,000,714	(1,742,353)
Inventory and spare parts		(13,189)	(33,687)
Prepayments and other debit balances		161,138	224,502
Accounts payable		(166,344)	(64,333)
Advance rent received		(640,439)	1,883,156
Accruals and other credit balances		(1,814,981)	(503,728)
		12,954,098	15,507,987
Employees' end of service benefits Paid		(84,372)	(56,887)
Net cash generated by operating activities		12,869,726	15,451,100
INVESTING ACTIVITIES			
Acquisition of property and equipment	(9)&(10)	(1,246,042)	(488,066)
Proceed from sale of available-for-sale investments		--	9,137,648
Acquisition of available-for-sale investments	(8)	(188,400)	(11,169,424)
Net cash (Used in) investing activities		(1,434,442)	(2,519,842)
FINANCING ACTIVITIES			
Borrowings		--	(5,000,000)
Finance costs paid		(906,150)	(861,270)
Dividends paid		(9,799,316)	(5,357,721)
Net cash used in financing activities		(10,705,466)	(11,218,991)
Net increase in cash and cash equivalent		729,818	1,712,267
Cash and bank balances at the beginning of the year		24,881,085	23,168,818
Cash and bank balances at the end of the year	(5)	25,610,903	24,881,085

The accompanying notes are an integral part of the financial statements.

QATAR CINEMA AND FILM DISTRIBUTION COMPANY (Q.P.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

1. STATUS AND ACTIVITIES

Qatar Cinema and Film Distribution Company (Q.P.S.C.) (the "Company") is a public shareholding company incorporated in the State of Qatar in 1970 under commercial registration number (30).

The Company is engaged in the business of importing and distributing cinema movies, sale and rent of movies recorded on CD's, manage cinemas and theaters. Also the Company produces and distributes various commercial advertisements and invests in quoted shares and real estate.

In 2011, the Board of Directors approved the plan to acquire Qatar Media Services, for which the legal formalities were ongoing as of December 31, 2011. During 2012, the Board of Directors resolved to cancel the agreement in respect of the acquisition of Qatar Media Services.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2/1) Amendments to IFRSs those are mandatorily effective for the current year:

In the current year, the following effective amendments to IFRSs issued by the International Accounting Standards Board (IASB) are mandatorily for an accounting period beginning on or after January 1, 2016:

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

The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10.

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

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 "Business Combinations". A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

- **Application of originally issued IFRS 14 "Regulatory Deferral Accounts"**

This standard applies only on the companies that adopt International Financial Reporting Standards for the first time. This standard is designed to provide short-term solution for the companies that have imposed price and didn't apply International Financial Reporting Standards yet.

- **Amendments to IAS 1 "Presentation of financial statements"**

The amendment is resulting from the disclosure initiative.

- **Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"**

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset.

- **Amendments to IAS 16 "Property, plant and Equipment" and IAS 41 "Agriculture"**

The amendments deal with in bringing bearer plants in to the scope of IAS 16.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

- **Amendments to IAS 27 “Separate Financial Statements”**

The amendments allowed an entity to account for its investment in subsidiaries, joint ventures and associates in its separate financial statements:

At cost; or in accordance with IFRS 9; or using the equity method

Also, clarified that when the parent ceases or becomes an investment entity, it should account for the change from the date when the change in status occurs.

- **Amendments resulting from September 2014 annual improvements to IFRS/IAS for IFRS 5, IFRS 7, IAS 19 and IAS 34**

2/2) New and revised IFRSs in issue but not yet effective:

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

- **Amendments to IFRS 2 “Classification and Measurement of Share-based payment Transactions”**

(Effective for annual periods beginning on or after January 1, 2018)

- **IFRS 4 “Insurance Contracts”**

(Effective for annual periods beginning on or after January 1, 2018)

Amendments regarding the interaction of IFRS 4 and IFRS 9: An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.

- **IFRS 9 “Financial Instruments”**

(Effective for annual periods beginning on or after January 1, 2018 with earlier application permitted).

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets and subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting.

The final version of IFRS 9 was issued in July 2014, which adds a new expected loss impairment model and limited amendments to the classification and measurement requirements by introducing the “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics test. The final version supersedes all previous versions of IFRS 9 and replaces IAS 39. The Company is in the process to quantify the effect on the financial statements.

- **IFRS 15 “Revenue from Contracts with Customers”**

(Effective for annual periods beginning on or after January 1, 2018 with earlier application permitted).

In May 2014, IFRS 15 was issued and in September 2015, it was amended to defer the effective date to 1 January 2018, which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 “Revenue”, IAS 11 “Construction Contracts” and related Interpretations when it becomes effective. The standard introduces a five-step approach for revenue recognition to be applied to all contracts with customers.

Also in April 2016 amendment was made giving more clarification to IFRS 15.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

- **IFRS 16 “leases”**

(Effective for annual periods beginning on or after January 1, 2019)

IFRS 16 provides a comprehensive model for identification of lease arrangements and their treatment in the financial statements of both leases and lessors.

- **Amendments to IAS 7 “Disclosure Initiative”**

(Effective for annual periods beginning on or after January 1, 2017)

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific format to disclose financing activities; however, an entity may fulfill the disclosure objective by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

- **Amendments to IAS 12 “Income Taxes”**

(Effective for annual periods beginning on or after January 1, 2017)

The amendments regarding the recognition of deferred tax assets for unrealized losses.

- **Amendments to IAS 40 “Investment Property”**

(Effective for annual periods beginning on or after January 1, 2018)

The amendments to clarify transfers of property to, or from, investment property

- **Amendments resulting from annual improvements 2014-2016 to IFRS/IAS for IFRS 1, IFRS 12 and IAS 28**

(Effective for annual periods beginning on or after January 1, 2017 and 1 January, 2018)

The management anticipates that the new or revised standards will be adopted in the Company’s accounting policies for the period beginning on or after the effective date of the pronouncement, and those new and revised standards that have been issued but are not relevant to the Company’s operations are expected not to have a material impact on the Company’s financial statements.

QATAR CINEMA AND FILM DISTRIBUTION COMPANY (Q.P.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued and adopted by the international accounting standards Board (IASB), interpretations issued by the international financial reporting interpretations committee (IFRIC), and applicable requirements of Qatar Commercial Companies' Law No. 11 of 2015.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for available for sale investments, which are measured at fair value. The principal accounting policies are set out below.

These financial statements are presented in Qatari Riyal (QR), which is the Company's functional currency.

Inventory

The inventory of spare parts and materials in stores are stated at the lower of cost or net realizable value. Costs are determined using specific identification method. Net realizable value is based on estimated selling prices less any further costs expected to be incurred.

Investment properties

Investment properties are properties held to earn rentals or for long-term capital appreciation or both, and comprise land and buildings acquired or constructed. Investment properties have been recorded using the cost method at cost less accumulated depreciation and less any impairment in value. Depreciation on buildings is provided using the straight-line method over the estimated useful life of 40 years. Land is not depreciated.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. The rates of depreciation are based upon the following estimated useful lives:

Buildings	40 years
Equipment	5-7 years
Furniture and fixtures	5 years
Vehicles	5 years
Buildings improvements	2-40 years

Capital work-in-progress represents work to build properties and equipment. Upon the completion of the work, the balance of capital work-in-progress will be transferred to property and equipment.

Financial assets

Investments are recognized and derecognized on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: cash and bank balances, available-for-sale investments and due from customers. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

QATAR CINEMA AND FILM DISTRIBUTION COMPANY (Q.P.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Available-for-sale investment

The Company's investments in equity securities are classified as available for sale investments and are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in equity in the fair value reserve with the exception of impairment losses. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the fair value reserve is taken to the statement of profit or loss.

Dividends are recognized in the statement of profit or loss when the Company's right to receive the dividends is established.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For quoted shares classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of profit or loss.

With the exception of available for sale equity instruments, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of profit or loss and other comprehensive income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available for sale equity securities, impairment losses previously recognized through the statement of profit or loss and other comprehensive income are not reversed through the statement of profit or loss and other comprehensive income. Any increase in fair value subsequent to an impairment loss is recognized directly in shareholders' equity.

Accounts receivable

Accounts receivable are stated at original invoice amount less provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

QATAR CINEMA AND FILM DISTRIBUTION COMPANY (Q.P.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts payable and other credit balances

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Revenue and direct costs

All revenues and expenses resulting from the showing of rental films from other distributors are recognized in the statement of profit or loss for the year based on accrual basis. All amounts acquired from renting films and advertising during the year are included in the income.

Rental income from investment properties is recognized on time proportion bases.

Dividend from investment are recognized when the right to receive payment is established.

Interest on deposits is recognized on a time proportion bases using the effective interest rate.

Financial liability and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Impairment of tangible assets

At each financial position date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and bank balances

Cash and bank balances comprise cash and bank balances with original maturities of less than three months.

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities. 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.

Classification of investments

Management decides, on the acquisition of an investment, whether to classify it as available for sale or financial assets at fair value through profit or loss. The Company classifies investments as financial assets at fair value through profit or loss if the investment was initially acquired for trading purposes. All other investments are classified as available for sale.

Impairment of available for sale investments

The Company follows the guidance of IAS 39 "Financial Instruments: Recognition and measurement" to determine when an available for sale investment is impaired. This determination requires significant judgment. In making this judgment, the Company assesses, among other factors, whether objective evidence of impairment exists.

Objective evidence for an investment includes information about significant changes with an adverse effect that have taken place in the economic market in which the investee Company operates and indicates that the investment may have suffered a significant or prolonged decline in the fair value below its cost.

Property, equipment and investments properties useful lives:

The costs of items of property, equipment and investment properties are depreciated on a systematic basis over the estimated useful lives of the assets. Management has determined the estimated useful lives of each asset and/ or category of assets based on the following factors:

- Expected usage of the assets,
- Expected physical wear and tear, which depends on operational and environmental factors; an
- Legal or similar limits on the use of the assets.

Management has not made estimates of residual values for any items of property, equipment and investment properties at the end of their useful lives as these have been deemed to be insignificant.

QATAR CINEMA AND FILM DISTRIBUTION COMPANY (Q.P.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

5. CASH AND BANK BALANCES

	<u>2016</u>	<u>2015</u>
	QR.	QR.
Cash on hand	30,906	39,601
Bank Current accounts	25,441,656	24,702,830
Term deposits	23,843	23,707
Call deposit	114,498	114,947
	<u>25,610,903</u>	<u>24,881,085</u>

Term and call deposits earn an average annual profit rate of 0.25% to 0.75% (2015:0.25% to 0.75%) with original maturity of 90 days.

6. ACCOUNTS AND NOTES RECEIVABLE

	<u>2016</u>	<u>2015</u>
	QR.	QR.
Accounts receivable	1,111,180	2,685,661
Notes receivable	2,457,133	1,883,366
Total	3,568,313	4,569,027
Provision for doubtful debts	(861,300)	(861,300)
Net	<u>2,707,013</u>	<u>3,707,727</u>

Ageing for Accounts and Notes Receivables

	<u>2016</u>	<u>2015</u>
	QR.	QR.
Accounts receivable up to 365 days not impaired	1,156,472	2,811,562
Accounts receivable more than 365 days, past due but not impaired	1,550,541	896,165
Accounts receivable more than 365 days, past due and impaired	861,300	861,300
	<u>3,568,313</u>	<u>4,569,027</u>

When addressing the ability to collect accounts receivable, management takes into consideration the credit-worthiness of counterparties.

Movement in the provision for doubtful debts

	<u>2016</u>	<u>2015</u>
	QR.	QR.
Balance at the beginning of the year	861,300	1,097,300
Doubtful debts written off	--	(236,000)
Balance at the end of the year	<u>861,300</u>	<u>861,300</u>

QATAR CINEMA AND FILM DISTRIBUTION COMPANY (Q.P.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

7. PREPAYMENTS AND OTHER DEBIT BALANCES

	2016	2015
	QR.	QR.
Due from staff	338,130	355,949
Letters of guarantee margin and other deposits	548,324	686,643
Prepayments and other debit balances	20,110	25,110
	906,564	1,067,702

8. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
	QR.	QR.
Fair value at the beginning of the year	38,800,470	48,216,121
Acquisition during the year	188,400	11,169,424
Disposals during the year	--	(4,760,479)
Net movement in fair value	261,926	(15,824,596)
Fair value at the end of the year	39,250,796	38,800,470

9. INVESTMENT PROPERTIES

	Building	Buildings	Total
	QR.	Improvements	QR.
	QR.	QR.	QR.
Cost			
Balance at December 31, 2014	107,357,204	4,569,931	111,927,135
Additions during the year 2015	--	2,050	2,050
Balance at December 31, 2015	107,357,204	4,571,981	111,929,185
Balance at December 31, 2016	107,357,204	4,571,981	111,929,185
Accumulated Depreciation			
Balance at December 31, 2014	11,849,236	2,818,124	14,667,360
Charge for the year 2015	2,683,930	913,986	3,597,916
Balance at December 31, 2015	14,533,166	3,732,110	18,265,276
Charge for the year 2016	2,683,933	838,232	3,522,165
Balance at December 31, 2016	17,217,099	4,570,342	21,787,441
Net Book Value			
Balance at December 31, 2016	90,140,105	1,639	90,141,744
Balance at December 31, 2015	92,824,038	839,871	93,663,909

The fair value of investment properties amounted to QR 140,000,000 as of December 31, 2016 (2015: 160,000,000), as per the last valuation prepared by an independent and authorized valuer for the company as at December 31, 2016. Included in investment properties is an amount of QR. 97,495,867 which has been pledged as security collateral against bank facilities which shown in note (11) of Borrowings.

QATAR CINEMA AND FILM DISTRIBUTION COMPANY (Q.P.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

10. PROPERTY AND EQUIPMENT

	Buildings	Lands	Equipment	Furniture and fixtures	Vehicles	leasehold improvements	Buildings-in progress	Total
	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.
Cost								
Balance at December 31, 2014	11,158,509	508,735	14,377,600	6,646,091	490,000	4,881,688	376,634	38,439,257
Additions during the year	--	--	--	35,618	109,555	--	340,843	486,016
Transfers	--	--	--	109,133	--	--	(109,133)	--
Impairment	--	--	--	--	--	--	(152,500)	(152,500)
Balance at December 31, 2015	11,158,509	508,735	14,377,600	6,790,842	599,555	4,881,688	455,844	38,772,773
Additions during the year	--	--	--	81,578	--	--	1,164,464	1,246,042
Transfers	--	--	--	--	--	1,446,164	(1,446,164)	--
Balance at December 31, 2016	11,158,509	508,735	14,377,600	6,872,420	599,555	6,327,852	174,144	40,018,815
Accumulated Depreciation								
Balance at December 31, 2014	11,158,509	--	11,037,035	6,279,845	473,600	3,457,229	--	32,406,218
Charge for the year	--	--	697,969	218,924	38,310	57,941	--	1,013,144
Balance at December 31, 2015	11,158,509	--	11,735,004	6,498,769	511,910	3,515,170	--	33,419,362
Charge for the year	--	--	649,168	185,622	21,912	99,244	--	955,946
Balance at December 31, 2016	11,158,509	--	12,384,172	6,684,391	533,822	3,614,414	--	34,375,308
Net Book Value								
At December 31, 2016	--	508,735	1,993,428	188,029	65,733	2,713,438	174,144	5,643,507
At December 31, 2015	--	508,735	2,642,596	292,073	87,645	1,366,518	455,844	5,353,411

QATAR CINEMA AND FILM DISTRIBUTION COMPANY (Q.P.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

11. BORROWINGS

The Company entered into a loan agreement with a local bank in 2009 for an amount of QR. 70,000,000 to finance the construction of Mushaireb Project (the "Project"). The loan was repayable by quarterly equal installments of QR. 1,500,000 each, after six month's grace period, from January 2010.

In 2013, the Company rescheduled the balance of the loan. Under the rescheduled agreement, the loan is payable in one bullet payment in June 2014. But 2014 again the Company rescheduled the balance due on the loan to be fully settled in one payment in June 2015.

During the year 2015 company paid QR 5,000,000 and rescheduled the balance on the loan to be fully settled in one payment in June 2016.

During the current year 2016 company rescheduled the balance on the loan to be fully settled in one payment of QR. 15 Million in June 2017. The term loan bears interest at market rates plus 1% as administration fees. The term loan is secured by the investment properties of the project, with a carrying value of QR. 97,495,867 (Note 9)

12. ACCRUALS AND OTHER CREDIT BALANCES

	<u>2016</u>	<u>2015</u>
	<u>QR.</u>	<u>QR.</u>
Accrued expenses	1,061,364	1,665,469
Provision for social contribution	107,443	358,350
Provision for Board of Directors' remuneration	--	569,526
Accrued employees' bonus	--	283,000
	<u>1,168,807</u>	<u>2,876,345</u>

13. SHARE CAPITAL

	<u>2016</u>	<u>2015</u>
	<u>QR.</u>	<u>QR.</u>
Capital –authorized and issued: 6,280,795 shares par value QR. 10 per share	<u>62,807,950</u>	<u>62,807,950</u>

Based on the Company's General Assembly meeting held on March 31, 2015 to confirm General assembly suggestion on the amendment of Article No. (6) Of the company's statute to increase the company's share capital from QR 57,098,140 to QR 62,807,950 which will be distributed to 6,280,795 shares. Qatar Central securities Depository Company have completed the financial operation of increasing the share capital at 1st of April 2015.

14. LEGAL RESERVE

10% of the profit for the year is to be transferred to the statutory reserve until the reserve reaches a minimum of 50% of the paid up share capital. This reserve is not available for distribution except in the cases stated by the Qatari Commercial Companies Law No. 11 of 2015.

QATAR CINEMA AND FILM DISTRIBUTION COMPANY (Q.P.S.C.)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2016

15. GENERAL RESERVE

This reserve is taken upon the resolution of the Board of Directors and approval of the General Assembly.

16. PROPOSED DIVIDEND

The Board of Directors has decided in their meeting held on 22 January 2017 to recommend the following for the approval of the Annual General Assembly:

- a) Distribution of cash dividend to shareholders for the year 2016 at 10% of the capital, which is QR. 1 per share (2015: 15% of the capital, which is QR. 1.5 per share).

17. OPERATING INCOME

	<u>2016</u>	<u>2015</u>
	QR.	QR.
Movies income	9,346,255	13,284,335
Films rent income	371,600	617,600
Advertising income	35,000	45,500
Cafeterias income	426,653	955,713
	<u>10,179,508</u>	<u>14,903,148</u>

18. DIRECT COSTS

	<u>2016</u>	<u>2015</u>
	QR.	QR.
Share of distributors and films expenses	5,447,317	7,680,718
Cinema expenses	5,612,485	6,205,464
	<u>11,059,802</u>	<u>13,886,182</u>

19. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2016</u>	<u>2015</u>
	QR.	QR.
Salaries, wages and staff compensation	2,086,679	2,203,161
Telephone and fax	58,698	63,022
Maintenance	11,926	35,460
Professional and governmental fees	350,418	320,662
Board meeting allowance	746,000	714,000
Advertising	208,486	196,136
Travel expenses	136,866	142,032
End of service benefits	232,544	162,780
Provision for Directors' remuneration	--	569,526
Impairment loss of property and equipment	--	152,500
Miscellaneous	223,548	260,696
	<u>4,055,165</u>	<u>4,819,975</u>

QATAR CINEMA AND FILM DISTRIBUTION COMPANY (Q.P.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

20. OTHER INCOME

	<u>2016</u> QR.	<u>2015</u> QR.
Bank interest	764	803
Miscellaneous income/expense, net	<u>221,930</u>	<u>328,054</u>
	<u>222,694</u>	<u>328,857</u>

21. EARNING PER SHARE

Earning per share is calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares outstanding during the year.

	<u>2016</u> QR.	<u>2015</u> QR.
Net profit for the year (QR.)	<u>4,297,714</u>	<u>14,333,990</u>
Weighted average number of shares	<u>6,280,795</u>	<u>6,280,795</u>
Basic / diluted earnings per share (QR.)	<u>0.68</u>	<u>2.28</u>

22. PROVISION FOR SOCIAL CONTRIBUTION

During the year, and in accordance with Law No. 13 of 2008, the Company has taken a provision for the support of sports, social, cultural and charitable activities for an amount equivalent of 2.5% of the net profit of the Company.

23. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The compensation of key management personnel during the year were as follows:

	<u>2016</u> QR.	<u>2015</u> QR.
Key Managers	589,560	672,000
Board of Directors	<u>588,000</u>	<u>1,109,526</u>
	<u>1,177,560</u>	<u>1,781,526</u>

24. CONTINGENT LIABILITIES

	<u>2016</u> QR.	<u>2015</u> QR.
Performance Bonds	347,800	489,300
Letter of guarantee	<u>100,000</u>	<u>100,000</u>
Total Contingent Liabilities	<u>447,800</u>	<u>589,300</u>

QATAR CINEMA AND FILM DISTRIBUTION COMPANY (Q.P.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

25. SEGMENTAL REPORTING

The Company operates in two main segments, movies playing segment and investment segment.

Assets, liabilities and profits of these two segments have been presented separately in the financial statements.

The Company operates in one Geographic area that is in the State of Qatar.

26. FINANCIAL INSTRUMENTS

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Company include cash and bank balances, accounts receivable and available for sale investments.

Financial liabilities of the Company include accounts payable, dividends payable and accrued liabilities. Accounting policies for the financial assets and liabilities are set out in Note 3.

Fair value of financial instruments

The value of financial instruments traded in active markets (such as available for sale securities) is based on quoted market prices at the financial position date. The quoted market price used for financial assets held by the Company is the current bid price.

Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2016:				
Financial assets measured at fair value:				
Available-for-sale investments	<u>39,250,796</u>	<u>--</u>	<u>--</u>	<u>39,250,796</u>
December 31, 2015:				
Financial assets measured at fair value:				
Available-for-sale investments	<u>38,800,470</u>	<u>--</u>	<u>--</u>	<u>38,800,470</u>

27. FINANCIAL RISK MANAGEMENT

The activities of the Company expose it to routine financial risks, including the effects of defaults by customers, movement in exchange prices and liquidity. The Company management seeks to minimize potential adverse effects on the financial performance of the Company.

QATAR CINEMA AND FILM DISTRIBUTION COMPANY (Q.P.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Financial risk factors

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets, which potentially subject the Company to concentrations of credit risk, consist principally of receivables.

Cash are placed with bank with good credit rating. Credit risks on receivables is limited and distributed among large number of customers.

Market risk

The Company is subject to market risk in relation to available-for-sale investments.

A 10% increase or decrease in market value of the Company's portfolio of available-for-sale investment is expected to result in an increase or decrease of QR. 3,925,080 in the assets and equity of the Company.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its liabilities and commitments when they fall due. Due to the nature of operations, management is of the opinion that the Company's exposure to liquidity risk is minimal. All of the Company's financial liabilities are due within one year.

Interest rate risk

The Company invests in term deposits and saving accounts that is subject to interest rate risk. Interest risk to the Company is the risk of changes in market. However, management is of the opinion that the Company's exposure to interest rate risk minimal because all interest bearing assets and liabilities carry fixed interest rates.

28. CAPITAL DISCLOSURE

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders.

The capital structure of the Company consists of equity comprising issued share capital, legal reserve, general reserve, fair value reserve and retained earnings.

29. COMPARATIVE FIGURES:

Certain comparative figures have been reclassified to conform to the presentation in the current year's financial statements. Such reclassification did not have any impact on the net profit and the net assets for the previous year.