

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2015**

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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INDEPENDENT AUDITOR'S REPORT

To The Shareholders

Qatar Cinema and Film Distribution Company (Q.S.C.)

Doha - Qatar

Report on the financial statements

We have audited the accompanying financial statements of Qatar Cinema and Film Distribution Company (Q.S.C.) (the "Company"), which comprise the statement of financial position as at December 31, 2015 and the related statements of profit or loss, profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the applicable provisions of Qatar Commercial Companies Law, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company management's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Qatar Cinema and Film Distribution Company (Q.S.C.) as at December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

The financial statements of Qatar Cinema and File Distribution Company for the year ended December 31, 2014 were audited by other independent auditors whose reports dated February 2, 2015, expressed an unqualified opinion on those statements.

Other Legal and Regulatory Requirements

We are also of the opinion that proper books of account were maintained by the Company. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. To the best of our knowledge and belief and according to the information given to us, no contraventions of the Qatar Commercial Companies Law No. 11 of 2015 were committed during the year which would materially affect the Company's activities or its financial position. And the Company's in the process to update the Articles of Association to be inconformity with law provisions'.

Rödl & Partner
Middle East
Certified Public Accountants



★ P.O.Box: 47153 ★

Magdy Abo Alkhan
Membership of Egyptian Society
of Accountants & Auditors
License No. 321

Doha – Qatar
January 20, 2016

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

STATEMENT OF FINANCIAL POSITION

As at December 31, 2015

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
		QR.	QR.
ASSETS			
Current assets			
Cash and bank balances	5	24,881,085	23,168,818
Accounts and Notes receivable	6	3,707,727	1,965,374
Inventory and spare parts		174,688	141,001
Prepayments and other debit balances	7	<u>1,067,702</u>	<u>1,292,204</u>
Total current assets		<u>29,831,202</u>	<u>26,567,397</u>
Non-current assets			
Available-for-sale investments	8	38,800,470	48,216,121
Investment properties	9	93,663,909	97,259,775
Property and equipment	10	<u>5,353,411</u>	<u>6,033,039</u>
Total non-current assets		<u>137,817,790</u>	<u>151,508,935</u>
Total assets		<u>167,648,992</u>	<u>178,076,332</u>

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

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

STATEMENT OF FINANCIAL POSITION

As at December 31, 2015

	Notes	2015 QR.	2014 QR.
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable		972,788	1,037,121
Borrowings	11	15,000,000	20,000,000
Advance rent received		3,012,275	1,129,119
Dividends payable		7,376,503	7,024,406
Accruals and other credit balances	12	2,876,345	3,021,724
Total current liabilities		29,237,911	32,212,370
Non-current liabilities			
Employees' end of service benefits		2,152,209	2,046,316
Total liabilities		31,390,120	34,258,686
Shareholder's equity			
Share capital	13	62,807,950	57,098,140
Legal reserve	14	37,992,630	37,992,630
General reserve	15	2,663,152	2,663,152
Fair value reserve		10,713,275	26,537,871
Retained earnings		12,660,672	8,106,225
Proposed dividends	16	9,421,193	11,419,628
Total shareholders' equity		136,258,872	143,817,646
Total liabilities and shareholders' equity		167,648,992	178,076,332

These financial statements were approved on behalf of the Board of Directors on January 20, 2016 by:

Ahmad Abdul Rahman Fakhroo
Vice 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.S.C.)

STATEMENT OF PROFIT OR LOSS
For the year ended December 31, 2015

	<u>Notes</u>	<u>2015</u> QR.	<u>2014</u> QR.
Operating income	17	14,903,148	13,715,198
Direct costs	18	<u>(13,886,182)</u>	<u>(14,510,457)</u>
Gross Profit (loss)		1,016,966	(795,259)
General and administrative expenses	19	(4,819,975)	(5,907,321)
Dividend income		2,246,198	2,576,509
Gain on sale of investments		4,377,170	5,213,967
Depreciation of property, equipment and investment properties		(4,611,060)	(4,964,014)
Rental income		16,657,104	16,835,642
Finance costs		(861,270)	(934,638)
Other income, net	20	<u>328,857</u>	<u>307,840</u>
Net profit for the year		<u>14,333,990</u>	<u>12,332,726</u>
Basic / diluted earnings per share	21	<u>2.28</u>	<u>1.96</u>

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

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2015

	<u>2015</u>	<u>2014</u>
	<u>QR.</u>	<u>QR.</u>
Net profit for the year	14,333,990	12,332,726
Other comprehensive income		
Net movement in fair value of available for sale investments	<u>(15,824,596)</u>	<u>511,769</u>
Total comprehensive (Loss) income for the year	<u>(1,490,606)</u>	<u>12,844,495</u>

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

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2015

	Notes	Share capital	Legal reserve	General reserve	Fair value reserve	Retained earnings	Proposed dividends	Total
		QR.	QR.	QR.	QR.	QR.	QR.	QR.
Balance at January 1, 2014		57,098,140	37,992,630	2,663,152	26,026,102	7,501,445	11,419,628	142,701,097
Total comprehensive income for the year		--	--	--	511,769	12,332,726	--	12,844,495
Dividends paid		--	--	--	--	--	(11,419,628)	(11,419,628)
Proposed cash dividends		--	--	--	--	(5,709,814)	5,709,814	--
Proposed bonus shares		--	--	--	--	(5,709,814)	5,709,814	--
Provision for social contribution	22	--	--	--	--	(308,318)	--	(308,318)
Balance at December 31, 2014		57,098,140	37,992,630	2,663,152	26,537,871	8,106,225	11,419,628	143,817,646
Dividends paid		--	--	--	--	--	(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		62,807,950	37,992,630	2,663,152	10,713,275	12,660,672	9,421,193	136,258,872

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

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

STATEMENT OF CASH FLOWS

For the year ended December 31, 2015

	Notes	2015 QR.	2014 QR.
OPERATING ACTIVITIES			
Net profit for the year		14,333,990	12,332,726
Adjustment for:			
Depreciation of property, equipment and investment properties	(9)&(10)	4,611,060	4,964,014
Finance costs		861,270	934,638
Profit on sales of available-for-sale investments		(4,377,170)	(5,213,967)
Provision for doubtful debts		--	200,000
Impairment loss on property and equipment		152,500	247,963
Provision for employees' end of service benefits		162,780	171,889
Profit on sale of property and equipment		--	(3,000)
		<u>15,744,430</u>	<u>13,634,263</u>
Accounts receivable		(1,742,353)	(376,226)
Inventory and spare parts		(33,687)	30,635
Prepayments and other debit balances		224,502	(242,243)
Accounts payable		(64,333)	(179,973)
Advance rent received		1,883,156	15,628
Accruals and other credit balances		(503,728)	433,893
Dividends payables		--	638,343
		<u>15,507,987</u>	<u>13,954,320</u>
Net movement in Employees' end of service benefits		(56,887)	(515,461)
Net cash generated by operating activities		<u>15,451,100</u>	<u>13,438,859</u>
INVESTING ACTIVITIES			
Acquisition of property and equipment	(9)&(10)	(488,066)	(34,449)
Proceed from sale of property and equipment		--	3,000
Proceed from sale of available-for-sale investments		9,137,648	6,344,367
Acquisition of available-for-sale investments	(8)	(11,169,424)	--
Net cash (Used in) generated by investing activities		<u>(2,519,842)</u>	<u>6,312,918</u>
FINANCING ACTIVITIES			
Borrowings		(5,000,000)	--
Finance costs paid		(861,270)	(934,638)
Dividends paid		(5,357,721)	(11,419,628)
Net cash used in financing activities		<u>(11,218,991)</u>	<u>(12,354,266)</u>
Net increase in cash and bank balances		1,712,267	7,397,511
Cash and bank balances at the beginning of the year		<u>23,168,818</u>	<u>15,771,307</u>
Cash and bank balances at the end of the year	(5)	<u>24,881,085</u>	<u>23,168,818</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

1. STATUS AND ACTIVITIES

Qatar Cinema and Film Distribution Company (Q.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, managecinemas 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. Formalities in respect of this resolution are now ongoing.

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

Basis of preparation

The financial statements are prepared under the historical cost

The financial statements have been presented in Qatar Riyals (QR).

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.

a) New standards and amendments to the standards

New standards and amendments to the standards effective from 1 January 2015.

The company has adopted the following new standards and amendments to standards in preparation of these financial statements.

IFRS 9 - Financial Instruments:

Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income.

IAS 39 - Financial Instruments: Recognition and Measurement

Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the own use scope exception.

The adaption of above standards does not result in any changes to previously reported net profit/loss or equity of the company. However result in additional disclosure in the financial statements of the company

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued.)

b). Standards and amendments to the standards issued but not effective.

The below mentioned standards and amendments to standards are not yet effective and not expect to result in material changes to the financial statements.

Description	Effective date
Original issue: IFRS 14 Regulatory Deferral Accounts IFRS 15 Revenue from contracts with Customers	1/1/2016 1/1/2018
Amendments to: IFRS 9: Finalized version incorporating requirements for classification and measurement, impairment, general hedge accounting and de-recognition.	1/1/2018
IFRS 10, IFRS 12 and IAS 28: Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture and the amendments regarding the application of the consolidation exception.	1/1/2016
IAS 1 : Amendments resulting from the disclosure initiative.	1/1/2016
IFRS 11: Amendments regarding the accounting for acquisitions of an interest in a joint operation.	1/1/2016
IAS 16, IAS 38 and IAS 41: Amendments regarding the clarification of acceptable methods of depreciation and amortization and amendments bringing bearer plants into the scope of IAS 16.	1/1/2016
IAS 27: Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.	1/1/2016
IFRS for SMEs: Amendments as the result of the first comprehensive review.	1/1/2017
Annual Improvements to IFRS from September 2014 IFRS 5 : Non- current Assets held for sale and Discontinued Operations IFRS 7 : Financial Instruments: Disclosures IAS 19 : Employee Benefits IAS 34 : Interim Financial Reporting	1/1/2016

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

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
Machinery and equipment	5-7 years
Furniture and fixtures	5 years
Vehicles	5 years
Buildings improvements	5 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.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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 recognised 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 recognised 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.

Impairment of financial assets (continued)

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 amortised 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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognised 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 recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss.

Cash and bank balances

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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.

Impairment of available for sale investments (continued)

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.

5. CASH AND BANK BALANCES

	2015	2014
	QR.	QR.
Cash on hand	39,601	65,259
Current accounts	24,702,830	22,965,081
Term deposits	23,707	23,528
Call deposit	114,947	114,950
	<u>24,881,085</u>	<u>23,168,818</u>

Term and call deposits earn an average annual profit rate of 0.25% to 0.75% (2014:0.25% to 0.75%) with original maturity of 90 days.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

6. ACCOUNTS AND NOTES RECEIVABLE

	<u>2015</u>	<u>2014</u>
	QR.	QR.
Accounts receivable	2,685,661	1,258,128
Notes receivable	1,883,366	1,804,546
Total	<u>4,569,027</u>	<u>3,062,674</u>
Provision for doubtful debts	(861,300)	(1,097,300)
Net	<u>3,707,727</u>	<u>1,965,374</u>

Ageing for doubtful debts:

	<u>2015</u>	<u>2014</u>
	QR.	QR.
Accounts receivable up to 365 days not impaired	2,811,562	873,439
Accounts receivable more than 365 days, past due but not impaired	896,165	1,091,935
Accounts receivable more than 365 days, past due and impaired	861,300	1,097,300
	<u>4,569,027</u>	<u>3,062,674</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>2015</u>	<u>2014</u>
	QR.	QR.
Balance at the beginning of the year	1,097,300	925,987
Added to provision during the year	--	200,000
Doubtful debts written off	(236,000)	(28,687)
Balance at the end of the year	<u>861,300</u>	<u>1,097,300</u>

7. PREPAYMENTS AND OTHER DEBIT BALANCES

	<u>2015</u>	<u>2014</u>
	QR.	QR.
Due from staff	355,949	313,645
Letters of guarantee margin and other deposits	686,643	686,144
Prepayments and other debit balances	25,110	292,415
	<u>1,067,702</u>	<u>1,292,204</u>

8. AVAILABLE-FOR-SALE INVESTMENTS

	<u>2015</u>	<u>2014</u>
	QR.	QR.
Fair value at the beginning of the year	48,216,121	48,834,752
Acquisition during the year	11,169,424	--
Disposals during the year	(4,760,479)	(1,130,400)
Net movement in fair value	(15,824,596)	511,769
Fair value at the end of the year	<u>38,800,470</u>	<u>48,216,121</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

9. INVESTMENT PROPERTIES

	<u>Building</u> QR.	<u>Furniture and fixtures</u> QR.	<u>Total</u> QR.
Cost			
Balance at December 31, 2013	107,357,204	4,569,931	111,927,135
Additions during the year 2013	--	--	--
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
Accumulated Depreciation			
Balance at December 31, 2013	9,165,306	1,904,138	11,069,444
Charge for the year 2014	2,683,930	913,986	3,597,916
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
Net Book Value			
Balance at December 31, 2015	92,824,038	839,871	93,663,909
Balance at December 31, 2014	95,507,968	1,751,807	97,259,775

The fair value of investment properties amounted to QR 160,000,000 (2014: 160,000,000), as per the last valuation obtained by the Company as at December 31, 2015. Included in investment properties is an amount of QR. 97,495,867 which has been pledged as security collateral against bank facilities.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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, 2013	11,158,509	508,735	14,377,600	6,626,642	562,000	4,881,688	609,597	38,724,771
Additions during the year	--	--	--	19,449	--	--	15,000	34,449
Disposals	--	--	--	--	(72,000)	--	--	(72,000)
Impairment	--	--	--	--	--	--	(247,963)	(247,963)
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
Accumulated Depreciation								
Balance at December 31, 2013	11,158,509	--	10,224,457	5,969,017	511,600	3,248,537	--	31,112,120
Charge for the year	--	--	812,578	310,828	34,000	208,692	--	1,366,098
Disposals	--	--	--	--	(72,000)	--	--	(72,000)
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
Net Book Value								
At December 31, 2015	--	508,735	2,642,596	292,073	87,645	1,366,518	455,844	5,353,411
At December 31, 2014	--	508,735	3,340,565	366,246	16,400	1,424,459	376,634	6,033,039

Land includes an amount of QR. 128,298 which has been pledged as a security to a local bank. Constructed on part of this land are buildings classified under investment properties.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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. In 2014, the Company rescheduled the balance due on the loan to be fully settled in one payment in June 2015.

During the current 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. The term loan bears interest at market rates. 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>2015</u>	<u>2014</u>
	QR.	QR.
Accrued expenses	1,665,469	1,697,395
Provision for social contribution	358,350	308,318
Provision for Board of Directors' remuneration	569,526	1,016,011
Accrued employees' bonus	283,000	--
	<u>2,876,345</u>	<u>3,021,724</u>

13. SHARE CAPITAL

	<u>2015</u>	<u>2014</u>
	QR.	QR.
Capital –authorized and issued: 6,280,795 shares par value QR. 10 per share	<u>62,807,950</u>	<u>57,098,140</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.

15. GENERAL RESERVE

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

16. PROPOSED DIVIDEND

The Board of Directors has decided in their meeting held on January 20, 2016 to recommend the following for the approval of the Annual General Assembly:

- a) Distribution of cash dividend to shareholders for the year 2015 at 15% of the capital (2014: 10% of the capital).
- b) Issue of bonus shares to shareholders for the year 2014 at 10% of the capital.

17. OPERATING INCOME

	<u>2015</u>	<u>2014</u>
	QR.	QR.
Movies income	13,284,335	12,517,400
Films rent income	617,600	346,600
Advertising income	45,500	78,625
Cafeterias income	955,713	772,573
	<u>14,903,148</u>	<u>13,715,198</u>

18. DIRECT COSTS

	<u>2015</u>	<u>2014</u>
	QR.	QR.
Share of distributors and films expenses	7,680,718	9,163,651
Cinema expenses	6,205,464	5,346,806
	<u>13,886,182</u>	<u>14,510,457</u>

19. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2015</u>	<u>2014</u>
	QR.	QR.
Salaries, wages and staff compensation	2,203,161	1,861,763
Telephone and fax	63,022	74,010
Maintenance	35,460	35,406
Professional and governmental fees	320,662	418,998
Board meeting allowance	714,000	564,000
Advertising	196,136	96,131
Travel expenses	142,032	144,032
End of service benefits	162,780	171,889
Provision for Directors' remuneration	569,526	1,016,011
Provision for doubtful debts	--	200,000
Impairment loss of property and equipment	152,500	247,963
Miscellaneous	260,696	1,077,118
	<u>4,819,975</u>	<u>5,907,321</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

A provision for Board of Directors remuneration was provided amounting to QR. 569,526 This provision is subject to the approval of the shareholders in the Annual General Assembly meeting.

20. OTHER INCOME

	<u>2015</u> QR.	<u>2014</u> QR.
Bank interest	803	796
Miscellaneous income/expense, net	<u>328,054</u>	<u>307,044</u>
	<u>328,857</u>	<u>307,840</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>2015</u> QR.	<u>2014</u> QR.
Net profit for the year (QR.)	<u>14,333,990</u>	<u>12,332,726</u>
Weighted average number of shares	<u>6,280,795</u>	<u>6,280,795</u>
Basic / diluted earnings per share (QR.)	<u>2.28</u>	<u>1.96</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>2015</u> QR.	<u>2014</u> QR.
Key Managers	672,000	596,000
Board of Directors	<u>1,109,526</u>	<u>1,580,011</u>
	<u>1,781,526</u>	<u>2,176,011</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

24. CONTINGENT LIABILITIES

	<u>2015</u>	<u>2014</u>
	<u>QR.</u>	<u>QR.</u>
Letter of guarantee	689,300	589,300
Performance Bonds	489,300	--
Total Contingent Liabilities	<u>1,178,600</u>	<u>589,300</u>

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. The different levels have been defined in Note 3:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</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>
December 31, 2014:				
Financial assets measured at fair value:				
Available-for-sale investments	<u>48,216,121</u>	<u>--</u>	<u>--</u>	<u>48,216,121</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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.

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. 3,880,047 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.