

**QATAR CINEMA AND FILM DISTRIBUTION CO. (Q.P.S.C)**  
**DOHA – STATE OF QATAR**

**INDEPENDENT AUDITOR'S REPORT AND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**QATAR CINEMA AND FILM DISTRIBUTION CO. (Q.P.S.C)**  
**DOHA – STATE OF QATAR**

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**INDEPENDENT AUDITOR'S REPORT**

To  
The Shareholders  
Qatar Cinema and Film Distribution Co. (Q.P.S.C)  
Doha – State of Qatar

**Report on the Audit of the Financial Statements****Opinion**

We have audited the financial statements of Qatar Cinema and Film Distribution Co. (Q.P.S.C), Doha-State of Qatar, which comprise the statement of financial position as at December 31, 2019, and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing. 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 ethical 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 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 of 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 a separate opinion on these matters.

Key audit matters	How these key audit matters were addressed in our audit
<b>Valuation of investment properties</b>  The company's investment properties consist of lands, buildings and building improvements which are disclosed in note 6 to these financial statements. The company records its investment properties at cost model and it has been assured by the management that the fair value of investment properties is not less than the carrying value.	<b>Our procedures in relation to investment properties included but not limited;</b> <ul style="list-style-type: none"> <li>Evaluating the recognition criteria applied to the costs incurred and capitalized during the year,</li> <li>Assessing the depreciation method used and the appropriateness of the key assumptions based on our knowledge,</li> </ul>

<p>The fair value of investment properties are determined by external real estate valuation expert appointed by the management to ascertain whether there are any indications for the impairment and to ensure adequacy of disclosures.</p> <p>Investment properties are identified as key audit matter due to followings;</p> <ul style="list-style-type: none"> <li>• It consist of 47 % of total assets of the company,</li> <li>• Its valuation depends on certain key assumptions that require significant management judgment to estimate its recoverable value,</li> <li>• The company makes judgments over estimation of the useful life of investment properties.</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluating the objectivity, independence and expertise of the external valuation expert appointed by the management,</li> <li>• Evaluating the appropriateness of the underlying assumptions and the methodology used by the valuer by comparing them to the previous years, market practice and based on our knowledge,</li> <li>• Assessing the adequacy and completeness of the disclosures on the valuation of investment properties, presented in note 6 to these financial statements,</li> <li>• Performing substantive test of details to ensure underlying financial assertions pertaining to investment properties are met.</li> </ul>
<p><b>Adoption of IFRS 16 “Leases”</b></p> <p>The company has adopted IFRS 16 “Leases” with effective from January 1, 2019 which resulted in changes in accounting policies and it has applied using the simplified transition approach and therefore the comparative information has not been restated.</p> <p>Adoption of IFRS 16 are identified as key audit matter due to followings;</p> <ul style="list-style-type: none"> <li>• IFRS 16 require unique and complex accounting treatments, including use of significant estimates and judgments such as lease terms, determination of incremental borrowing rate, transition options and practical expedients,</li> <li>• Transition resulted to have right-of-use assets of QR.9,049,168 and lease liabilities of QR.8,764,618 which are material to the financial statements.</li> </ul>	<p><b>Our audit procedures in relation to adoption of IFRS 16 included but not limited;</b></p> <ul style="list-style-type: none"> <li>• Evaluating the appropriateness of the selection of accounting policies,</li> <li>• Evaluating the appropriateness of the transition approach and practical expedients applied,</li> <li>• Evaluating the completeness, accuracy and relevance of data used in preparing the transition adjustment,</li> <li>• Assessing the adequacy and completeness of the disclosures on the adoption of IFRS16,</li> <li>• Evaluating the reasonableness of the management’s key judgments and estimates made in adopting IFRS 16,</li> <li>• Ensure the accuracy of the underlying lease data which includes lease contracts, payments and control of the lease assets,</li> <li>• Assessed the key controls implemented by the company for the adoption of IFRS16.</li> </ul>

**Other Information**

The management and board of directors are responsible for the other information. The other information comprises the information included in the Company’s Annual Report of year 2019 (the “Annual Report”) but does not include the financial statements and our auditor’s report thereon. The Annual Report is expected to be made available to us after the date of this auditor’s report.

Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the management and the board of directors.

#### **Responsibilities of Management and Board of Directors for the Financial Statements**

Management 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 management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, 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 the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.
- Evaluate the overall presentation, structure and content of the financial statements, including 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 disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Furthermore, in our opinion, proper books of account have been kept by **Qatar Cinema and Film Distribution Co. (Q.P.S.C)**, Doha-State of Qatar, an inventory count has been conducted in accordance with established principles, and the financial statements comply with the Qatari Commercial Companies' Law No. 11 of 2015 and the Company's Article of Association. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year which might have had a material effect on the business of the company or on its financial position.

**TALAL ABU-GHAZALEH & CO.**

A handwritten signature in blue ink, appearing to be 'Hazim Al Surkhi', is written over a horizontal line. The signature is stylized and loops back to the left.

**Hazim Al Surkhi, CPA**  
(Licence No.119)  
QFMA Licence No. 120152  
Doha, February 12, 2020

**QATAR CINEMA AND FILM DISTRIBUTION CO. (Q.P.S.C)  
DOHA – STATE OF QATAR**

**EXHIBIT "A"**

**STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2019**

	Note	2019 (QR.)	2018 (QR.)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment and capital work in progress	-5-	13,558,485	4,542,800
Investment properties	-6-	84,684,543	88,102,622
Right-of-use assets	-7-	8,219,282	-0-
Equity instruments at fair value through other comprehensive income (FVOCI)	-8-	36,409,529	33,993,839
<b>Total Non-Current Assets</b>		<b>142,871,839</b>	<b>126,639,261</b>
<b>CURRENT ASSETS</b>			
Inventories		287,027	290,584
Accounts, notes and other receivables	-9-	4,881,088	6,191,829
Cash and cash equivalents	-10-	32,852,340	40,159,775
<b>Total Current Assets</b>		<b>38,020,455</b>	<b>46,642,188</b>
<b>Total Assets</b>		<b>180,892,294</b>	<b>173,281,449</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	-11-	62,807,950	62,807,950
Legal reserve	-12-	37,992,630	37,992,630
General reserve		2,663,152	2,663,152
Fair value reserve	-13-	12,348,658	9,932,968
Retained earnings		27,808,352	30,999,625
<b>Total Shareholders' Equity – Exhibit D</b>		<b>143,620,742</b>	<b>144,396,325</b>
<b>NON-CURRENT LIABILITIES</b>			
Employees' end of service benefits	-14-	973,933	2,076,912
Lease liabilities	-7-	8,764,618	-0-
<b>Total Non-Current Liabilities</b>		<b>9,738,551</b>	<b>2,076,912</b>
<b>CURRENT LIABILITIES</b>			
Dividend payable		6,631,996	7,245,390
Tenants advances		2,789,655	2,729,216
Accounts, retentions and other payables	-15-	2,589,040	1,833,606
Short term loan	-16-	15,000,000	15,000,000
Lease liabilities	-7-	522,310	-0-
<b>Total Current Liabilities</b>		<b>27,533,001</b>	<b>26,808,212</b>
<b>Total Liabilities</b>		<b>37,271,552</b>	<b>28,885,124</b>
<b>Total Shareholders' Equity and Liabilities</b>		<b>180,892,294</b>	<b>173,281,449</b>

These financial statements were approved by the Board of Directors on February 12, 2020 and were signed on its behalf by:

  
Mr. Ali Ishaq Al Ishaq  
Executive & Managing Director

  
Mr. Ahmed Abdul Rahman Fakhro  
Chairman

THE ACCOMPANYING NOTES 1 TO 31 CONSTITUTE AN INTEGRAL PART OF THESE  
FINANCIAL STATEMENTS

QATAR CINEMA AND FILM DISTRIBUTION CO. (Q.P.S.C)  
DOHA – STATE OF QATAR

EXHIBIT "B"

STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019 (QR.)	2018 (QR.)
Cinema revenue	-17-	7,115,766	6,611,586
Cinema operating cost	-18-	(8,142,316)	(8,226,749)
<b>Gross (loss)</b>		<b>(1,026,550)</b>	<b>(1,615,163)</b>
Net income from real estate activity	-19-	16,179,005	17,558,901
Other income	-20-	2,290,066	2,106,247
Depreciation	-21-	(5,074,539)	(4,342,770)
General and administrative expenses	-22-	(4,331,403)	(4,310,049)
Finance charges	-23-	(1,646,917)	(941,634)
<b>Profit for the year – Exhibits C, D&amp;E</b>		<b>6,389,662</b>	<b>8,455,532</b>
<b>Earnings per share</b>			
Basic earnings per share	-24-	0.102	0.135
		=====	=====
Diluted earnings per share	-24-	0.102	0.135
		=====	=====

THE ACCOMPANYING NOTES 1 TO 31 CONSTITUTE AN INTEGRAL PART OF THESE  
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**QATAR CINEMA AND FILM DISTRIBUTION CO. (Q.P.S.C)  
DOHA – STATE OF QATAR**

**EXHIBIT "C"**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Note	2019 (QR.)	2018 (QR.)
<b>Profit for the year – Exhibit B</b>		6,389,662	8,455,532
<b>Other comprehensive income:</b>			
Net changes in fair value of equity instruments at fair value through other comprehensive income (FVOCI)	-13-	2,415,690	10,008,208
<b>Other comprehensive income for the year – Exhibit D</b>		<u>2,415,690</u>	<u>10,008,208</u>
<b>Total comprehensive income for the year – Exhibit D</b>		<u>8,805,352</u> =====	<u>18,463,740</u> =====

THE ACCOMPANYING NOTES 1 TO 31 CONSTITUTE AN INTEGRAL PART OF THESE  
FINANCIAL STATEMENTS

**QATAR CINEMA AND FILM DISTRIBUTION CO. (Q.P.S.C.)  
DOHA – STATE OF QATAR**

**EXHIBIT "D"**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Share Capital (QR.)	Legal Reserve (QR.)	General Reserve (QR.)	Fair Value Reserve (QR.)	Retained Earnings (QR.)	Total Shareholders' Equity (QR.)
Balance as at January 01, 2018	62,807,950	37,992,630	2,663,152	10,770,183	18,190,853	132,424,768
Adoption of IFRS 9	-0-	-0-	-0-	(6,208,782)	6,208,782	-0-
Balance as at January 01, 2018 – Adjusted	62,807,950	37,992,630	2,663,152	4,561,401	24,399,635	132,424,768
Total comprehensive income for the year	-0-	-0-	-0-	-0-	8,455,532	8,455,532
Profit for the year – Exhibit B	-0-	-0-	-0-	-0-	-0-	-0-
Other comprehensive income	-0-	-0-	-0-	10,008,208	-0-	10,008,208
Net changes in fair value of equity instruments at fair value through other comprehensive income (FVOCI) – Note 13	-0-	-0-	-0-	10,008,208	-0-	10,008,208
Other comprehensive income for the year – Exhibit C	-0-	-0-	-0-	-0-	-0-	-0-
Total comprehensive income for the year – Exhibit C	-0-	-0-	-0-	10,008,208	8,455,532	18,463,740
Derecognition of equity instruments at fair value through other comprehensive income (FVOCI) – Note 13	-0-	-0-	-0-	(4,636,641)	4,636,641	-0-
Social and sports fund contribution – Note 25	-0-	-0-	-0-	-0-	(211,388)	(211,388)
Dividend distribution for the year 2017 – Note 28	-0-	-0-	-0-	-0-	(6,280,795)	(6,280,795)
Balance as at December 31, 2018 – Exhibit A	62,807,950	37,992,630	2,663,152	9,932,968	30,999,625	144,396,325
Balance as at January 01, 2019	62,807,950	37,992,630	2,663,152	9,932,968	30,999,625	144,396,325
Total comprehensive income for the year	-0-	-0-	-0-	-0-	6,389,662	6,389,662
Profit for the year – Exhibit B	-0-	-0-	-0-	-0-	-0-	-0-
Other comprehensive income	-0-	-0-	-0-	2,415,690	-0-	2,415,690
Net changes in fair value of equity instruments at fair value through other comprehensive income (FVOCI) – Note 13	-0-	-0-	-0-	2,415,690	-0-	2,415,690
Other comprehensive income for the year – Exhibit C	-0-	-0-	-0-	-0-	-0-	-0-
Total comprehensive income for the year – Exhibit C	-0-	-0-	-0-	2,415,690	6,389,662	8,805,352
Social and sports fund contribution – Note 25	-0-	-0-	-0-	-0-	(159,742)	(159,742)
Dividend distribution for the year 2018 – Note 28	-0-	-0-	-0-	-0-	(9,421,193)	(9,421,193)
Balance as at December 31, 2019 – Exhibit A	62,807,950	37,992,630	2,663,152	12,348,658	27,808,352	143,620,742

THE ACCOMPANYING NOTES 1 TO 31 CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**QATAR CINEMA AND FILM DISTRIBUTION CO. (Q.P.S.C)**  
**DOHA – STATE OF QATAR**

**EXHIBIT "E"**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Note	2019 (QR.)	2018 (QR.)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year – Exhibit B		6,389,662	8,455,532
<b>Adjustments for:</b>			
Provision for employees' end of service benefits	-14-	129,173	206,345
Dividend income	-20-	(1,222,862)	(2,031,593)
Reversal of accounts, other payables and end of service benefits	-20-	(981,827)	(56,254)
(Gain) on disposal of property, plant and equipment	-20-	-0-	(14,000)
Depreciation	-21-	5,074,539	4,342,770
Finance charges	-23-	1,646,917	941,634
<b>Operating profit before working capital changes</b>		<b>11,035,602</b>	<b>11,844,434</b>
<b>Changes in operating assets and liabilities</b>			
-Inventories		3,557	(150,620)
-Accounts, notes and other receivables		1,026,191	(1,882,708)
-Tenants advances		60,439	(76,622)
-Accounts, retentions and other payables		645,519	(332,971)
<b>Cash generated from operations</b>		<b>12,771,308</b>	<b>9,401,513</b>
Employees' end of service benefits paid		(309,806)	(34,539)
Finance charges paid		(903,565)	(1,002,940)
Social and sports fund contribution paid		(211,388)	(195,403)
<b>Net Cash from Operating Activities</b>		<b>11,346,549</b>	<b>8,168,631</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment and capital work in progress		(9,834,831)	(887,379)
Additions to investment properties		(7,428)	(1,750)
Dividend income received		1,222,862	2,031,593
Proceeds from disposal of property, plant & equipment		-0-	14,000
Proceeds from disposal of equity instruments at fair value through other comprehensive income (FVOCI)		-0-	10,041,854
<b>Net Cash (used in) from Investing Activities</b>		<b>(8,619,397)</b>	<b>11,198,318</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend distribution		(10,034,587)	(6,086,881)
<b>Net Cash (used in) Financing Activities</b>		<b>(10,034,587)</b>	<b>(6,086,881)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(7,307,435)</b>	<b>13,280,068</b>
Cash and cash equivalents at beginning of the year		40,159,775	26,879,707
<b>Cash and cash equivalents at end of the year</b>	-10-	<b>32,852,340</b>	<b>40,159,775</b>
<b>SUPPLEMENTARY INFORMATION TO THE STATEMENT OF CASH FLOWS</b>			
<b>Others</b>			
Prepaid lease payments before adoption of IFRS 16 reclassified to right-of-use assets		284,550	-0-

THE ACCOMPANYING NOTES 1 TO 31 CONSTITUTE AN INTEGRAL PART OF THESE  
FINANCIAL STATEMENTS

**QATAR CINEMA AND FILM DISTRIBUTION CO. (Q.P.S.C)  
DOHA – STATE OF QATAR**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**1) GENERAL INFORMATION**

Qatar Cinema and Film Distribution Co. (Q.P.S.C) was incorporated in the State of Qatar as a Qatari Public Shareholding Company, under Emiri Decree No. 3 of 1970 with Commercial Registration No. 30. The company is listed in the Qatar Exchange.

The Company is primarily engaged in the distribution of cinema films and videos, trading of television films and programs, commercial advertisements, trading of tools for the operation of cinema and projectors. Also the company is engaged in investment in shares, bonds, funds and real estate investment.

The company's commercial registration consist of certain active branches which operates cinema theaters in different locations in the State of Qatar. The above branches' assets, liabilities and results of operations are integral part of these financial statements.

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

**i) New and amendments to the standards, new and revised interpretations and annual improvements to IFRSs affecting amounts reported and/or disclosures in the financial statements**

The accounting policies adopted in the preparation of these financial statements and the notes attached thereto are consistent with those used in the preparation of the previous financial statements for the year ended December 31, 2018, except for certain new, amendments, interpretations and improvements to the standards that become effective in the current period as describe below:

<b>New Standards</b>		<b>Effective Date</b>
IFRS 16	Leases	January 01, 2019
<b>Amendments to the Standards</b>		<b>Effective Date</b>
IFRS 9	Prepayments, Features with Negative Compensation	January 01, 2019
IAS 28	Long term Interest in Associates and Joint Ventures	January 01, 2019
IAS 19	Plan Amendment, Curtailment or Settlement	January 01, 2019
<b>New or Revised Interpretations</b>		<b>Effective Date</b>
IFRIC 23	Uncertainty Over Income Tax Treatments	January 01, 2019
<b>Annual Improvements to IFRS 2015-2017 Cycle</b>		<b>Effective Date</b>
IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowings Cost	January 01, 2019

**ii) Changes in Accounting Policies**

Due to the number of new, amendments, interpretations and improvements became applicable and effective for the current reporting period and the company had to change its accounting policies and reflect the required adjustments. However, except for effect and changes as described in succeeding paragraph related to newly implemented International Financial Reporting Standard 16 Leases, the other standards have been adopted by the company, where applicable, and which did not have any material impact on the accounting policies, financial position or performance of the Company.

The company has applied, where applicable, for the first time IFRS 16 Leases from its mandatory adoption date of January 1, 2019. In accordance with transitional provisions of this new standard, the company has adopted modified retrospective approach and the comparatives information has not been restated.

a) **Adoption of IFRS 16 Leases**

IFRS 16 issued in January 2016 set out the principals for the recognition, measurement, presentation and disclosure of leases. It replaced IAS 17 "Leases", IFRIC 4 "Determining whether Arrangement Contain a Lease" and related interpretations.

IFRS 16 introduces the requirements of lease accounting. Hence, it introduces significant changes to lessee accounting by mandating the recognition of a right-of-use assets and a lease liability at commencement for all leases, except for short term leases and leases of low value assets. Further, it abolished the distinguish requirement of operating and finance lease. In Contrast to lessee accounting, the requirements for lessor accounting have remained largely un-changed. Details of these new requirements, where applicable, are described in succeeding paragraphs.

**The Definition of a Lease**

The company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before January 01, 2019.

The change in definition of a lease mainly relates to control which is contrast to the focus on risks and rewards in IAS 17. The company applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or modified on or after January 01, 2019, such contracts will not significantly change the scope of contracts that meet definition of lease of the company.

**Impact on Lessee Accounting**

***Operating Leases Under IAS 17***

As per IFRS 16, there is significant changes for leases which were classified as operating lease under IAS 17. In accordance with IFRS 16, all the leases, except for the exemption criteria applied in the succeeding paragraph, the company should,

- Recognize right-of-use assets and lease liabilities in the statement of financial position initially measured at the present value of the future lease payments.
- Recognize depreciation of right-of-use assets and interest on lease liabilities in statement of profit or loss.
- Separate the total amount of cash paid into a principal portion and interest in the statement of cash flows presented under financing activities.

***Exemption Criteria***

For short term leases (lease term of 12 months or less) and leases of low-value assets (assessed on an absolute basis) shall be exempted to recognize a right-of-use asset and a lease liability. Hence, any lease payments associated with the exempted leases are recognized as lease expenses on a straight-line basis or another systematic basis in the statement of profit or loss as permitted by IFRS 16.

***Others***

- Lease incentives are recognized as part of the measurement of the right-of-use assets and lease liabilities. Whereas under IAS 17 it's considered as a reduction of rental expenses generally on a straight-line basis.
- Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

***Finance Lease Under IAS 17***

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the company recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount of guaranteed as required by IAS 17. This change did not have material effect on the company's financial statements.

**Impact on Lessor Accounting**

As per IFRS 16, it has not been substantially changed the recognition and measurements principals for lessor accounts for leases with IAS 17. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures requirements, specifically disclosures related to lessor's management of the risks arising from its residual interest in leased assets.

**b) Impact on the Adoption of IFRS 16 Leases to the Company**

As a result of the company's assessment of IFRS 16, the changes to the accounting policies and application of exemption criteria on the financial statements are identified as follows;

**Impact on Lessee Accounting (Former Operating and Finance Leases)**

As a lessee, the company did not have any leases which were previously classified as finance lease. Further, the Company intended to recognize right-of-use assets and lease liabilities for its leases which were previously classified as operating leases. However, in certain cases, the company has applied exemption criteria as promulgated by the IFRS 16.

*Short-term leases – Exemption applied*

The company leases residential property for the use of staff accommodation and the lease contracts are expired within 12 months period of time. Further, the company has entered into contracts with certain building owners attached to Malls to engage in the cinema activities either these contracts are merely short term or treated as separate scope other than leases. Hence, related to the above contracts, no right-of-use assets and lease liabilities have been recognized, instead the lease payments associate with these leases have been charged to statement of profit or loss.

*Low value leases – Exemption applied*

A reasonable assessment has been made to ensure whether there are any leases of low-value assets such as personal computers and office furniture. However, the company does not have any leases for which the underlying asset is low value.

*Non-lease component – Excluded from IFRS 16*

The company leases a building premise for long term lease contract, out of which a constant amount on quarterly basis have been charged by the lessor as reimbursed capacity fees against air conditions and chill water services rendered. The payments incurred by the company will be directly charged to statement of profit or loss as a non-lease component expenses.

*Lease component – IFRS 16 Applied*

The company leases building premise owned by the lessor to operate the cinema at highest international standard. Under IAS 17, the lease contract was recognized as operating leases. However, the company applied simplified transition approach of IFRS 16 by which comparative amounts are not restated. The company recognized right-of-use assets and lease liabilities in this statement of financial position, measured at the present value of the future lease payments on adoption. When measuring lease liabilities, the company discounted lease payments using its incremental borrowing rate at January 01, 2019. The best possible estimation and judgments are used by the management to apply the appropriate borrowing rate where the factors such as company's current financing structure, relevant reference rates of currency, economic environment, government bond yields or interest rate curves and relevant leases terms including the nature of the underlying assets are taken in to considerations. In addition, the company has used number of practical expedients on initial application of the IFRS 16.

**Impact on Lessor Accounting**

The company leases out its investment property and the respective rental income are disclosed in the statement of profit or loss. The company is not required to make any adjustments on transition of IFRS 16 for leases in which its acts as a lessor. The company does not have any sub-leases arrangements.

**Financial Impact of Initial Application of IFRS 16**

The following amounts are recognized under this new standard and included in the statement of financial position:

	Dec. 31, 2019 (QR.)	Jan. 01, 2019 (QR.)
Right-of-use assets – Exhibit A	8,219,282	9,049,168
Lease liabilities – Exhibit A	9,286,928	8,764,618
	=====	=====

To measure lease liabilities, the company discounted lease payments at using its incremental borrowing rates as at January 01, 2019. There are no material lease commitments for short-term leases and low-value lease assets which would require the disclosures as of December 31, 2019.

The following amounts are recognized under this new standard and included in the statement of profit or loss;

	2019 (QR.)	2018 (QR.)
Depreciation of right-of-use assets – Note 21	829,886	-0-
Finance cost on lease liabilities – Note 23	522,310	-0-
Short term lease expenses – Note 22	77,080	107,892
Short term lease expenses – Note 18	1,460,400	1,574,688
Capacity fees – non lease component – Note 22	171,774	23,025
	=====	=====

iii) **New and amendments to IFRSs in issue but not yet effective**

The following new and amendments to the standards have been issued but are not yet effective and the company intends to adopt these standards, where applicable, when they become effective;

New Standards	Effective Date
IFRS 17 Insurance Contracts	January 01, 2021
Amendments to the Standards	Effective Date
IAS 28 & Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
IFRS 10	Indefinitely

3) **SIGNIFICANT ACCOUNTING POLICIES**

a) **Statement of Compliance**

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the applicable provisions of the Qatari Commercial Companies Law No. 11 of 2015.

b) **Basis of Measurement**

The financial statements have been drawn up from the accounting records of the Company under the historical cost convention except for the revaluation of certain non-current assets and financial instruments. Historical cost is generally based on fair value of the consideration initially given in exchange for assets.

c) **Functional and Presentation Currency**

The financial statements are presented in Qatari Riyals (QR.), which is the Company's functional currency and all values are rounded to the nearest Qatari Riyals (QR.) except when otherwise indicated.

d) **Use of Estimates and Judgments**

The information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the note 4.

e) **Property, Plant and Equipment**

**Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, including the capitalized borrowing cost.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized net within other income/other expenses in statement of profit or loss.

### **Depreciation**

Depreciation on all property, plant and equipment is charged to the profit or loss on the straight line method, so as to write off the historical cost of such asset over its estimated useful lives as follows:

Buildings and improvements	10-40 years
Motor vehicles	5 years
Furniture and fixtures	5 years
Plants and equipment	6.667 years

### **Subsequent costs**

The cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in statement of profit or loss as incurred.

### **Capital work in progress**

Capital work in progress is stated at cost less any impairment. Cost includes the expenditure incurred on capital projects that have not been completed. When the projects are completed, the capital work in progress will be capitalized either to property, plant and equipment or investment properties and depreciated thereafter.

## **f) Investment Properties**

Investment properties are properties (land or a building – or part of a building – or both) held to earn rentals or for capital appreciation or both, but not for sale in ordinary course of business, use in the production or supply of goods or services or for administrative purpose. Investment properties are stated at cost less accumulated depreciation and impairment losses, if any. Investment properties, other than land, are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	40 years
Building improvements	5 years

Investment property is derecognized when either they have been disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of profit or loss in the period of de-recognition.

## **g) Leases**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### **i) The Company as a Lessee**

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

### **Right-of-use assets**

The company recognizes right-of-use assets at the commencement date of the lease (i.e, the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets are between 10 to 11 years.

If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

**Lease liabilities**

At the commencement dates of the lease. The company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (Example: changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

**Short-term lease and lease of low-value assets**

The company applies the short-term lease recognition exemption to its short-term lease of properties, machinery and equipment, if any (those lease that have lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to lease certain items that is considered of low value (that is below QR. 20,000). Lease payment on short-term leases and lease of low value assets are recognized as expense on a straight-line basis over the lease term.

**ii) The Company as a lessor**

Leases in which the company does not transfer substantially all the risks and rewards incidental to ownership of an assets are classified as operating leases. Rental income arising is accounted on a straight-line basis over the lease term and is included in the statement of profit or loss due to its operating nature. Initial direct costs; incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income, Contingent rents are recognized as revenue in the period in which they are earned.

**iii) Policy applicable before January 01, 2019**

For contract entered into before January 01, 2019, the company determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfillment of the arrangement was dependent on the use of the specific assets; and
- The arrangement had conveyed a right to use the asset. An arrangement convey the right to use of the asset if one of the following was met;
  - the purchaser has the ability or right to operate the asset while obtaining or controlling the more than an insignificant amount of the out put
  - the purchaser had the ability to control the physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output and the price per unit was neither fixed per unit of output nor equal to current market price per unit of output.

**The company as a lessee**

In the comparative period as a lessee, the company classified leases that transfer substantially all of the risk and rewards of ownership of finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower their fair value and present value of minimum lease payment. Minimum lease payment was the payment over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition the assets were accounted in accordance with the accounting policy of that asset.

Asset held under other leases were classified as operating leases and were not recognized in the company's statement of financial position. Payment made under operating lease was recognized in profit or loss over the lease term of the lease. Lease incentives received were recognized as an integral part of the total lease expenses, over the lease term of the lease.

**The company as a lessor**

When the company acted as lessor, it determined at lease inception whether each lease was a finance lease or an operating lease. To classify each lease, the company made an overall assessment of whether the lease transferred substantially all the risk and rewards incidental to ownership of the underlying asset. If this was the case then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment the company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

**h) Impairment of Non-Financial Assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or companies assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

**i) Inventories**

The inventories pertaining to spare parts and tickets are valued at the lower of cost and net realizable value. Costs of inventories are determined using first in first out cost formula.

**j) Employees' End of Service Benefits**

For the expatriate employees, the Company provides for employees' end of service benefits determined in accordance with the requirements of Qatari Labor laws pertaining to retirement and pensions, wherever required. These unfunded charges are made by the Company on the basis of employees' salaries and the number of years of service at the statement of financial position date. Applicable benefits are paid to employees on termination of employment with the Company.

**k) Provision**

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by considering the expected future cash flows of the Company.

**l) Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial Assets**

**Initial Recognition and Measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost (AC), fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

**Subsequent Measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through other comprehensive income (OCI) with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through other comprehensive income (OCI) with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

As of reporting date, that the company contracted with only the financial assets at amortized cost and the financial assets designated at fair value through other comprehensive income (OCI) with no recycling of cumulative gains and losses upon derecognition (equity instruments).

**Financial Assets at Amortized Cost (Debt Instruments)**

The company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The company's financial assets at amortized cost includes accounts, notes and other receivables and bank deposits.

#### **Financial Assets Designed at Fair Value Through Other Comprehensive Income With no Recycling of Cumulative Gains and Losses Upon Derecognition (Equity Instruments)**

The company subsequently measures financial assets at fair value through other comprehensive income at fair value and gains and losses on fair value changers are recognized in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognized in statement of profit or loss as other income when the company's right to receive payments is established, except when the company benefits from such proceeds as a recovery of part of cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity instruments at FVOCI are not subject to impairment.

Listed shares held by the company that are traded in an active market are classified as Equity Instruments at FVOCI and are stated at fair value at the end of each reporting period. Fair value is determined in the manner described in note 30.

#### **Derecognition**

The company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified at FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the company has elected on initial recognition to measure at FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

#### **Impairment of Financial Assets**

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition and ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

In certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### **Financial Liabilities**

##### **Initial Recognition and Measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and financial liabilities at amortized cost. The Company's financial liabilities include accounts and other payables, dividend payable, short term loans, contract liabilities and lease liabilities, if any.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

##### **Subsequent Measurement**

The measurement of financial liabilities depends on their classification, as described below:

##### **Financial Liabilities at Fair Value through Profit or Loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability at fair value through profit or loss.

##### **Financial Liabilities at Amortized Cost**

This is the category most relevant to the Company. After initial recognition, the loans and borrowing and other financial liabilities are subsequently measured at amortized cost using the effective interest. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as finance costs in the statement of profit or loss.

This category generally applies to accounts, retentions and other payables, dividend payable and short term loans.

##### **Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

#### **Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

#### **m) Revenue from Contracts with Customers balances**

##### **Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

##### **Accounts Receivables**

Accounts receivable represents the company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). The accounting policies of financial assets in financial instruments paragraph details the initial recognition and subsequent measurement of accounts receivable.

##### **Contract Liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the company performs under the contract.

#### **n) Revenue Recognition**

The company's revenue streams are mainly consist from following major sources;

- Revenue from contracts with customers
- Rental income from investments properties
- Dividend income
- Interest income
- Others

The company applies different recognition criteria and measurement principals for each of above revenue streams as follows;

##### ***Revenue from Contracts with Customers (Revenue from cinema activity)***

Pursuant to the nature of company's business activities, it has engaged in the business activities of cinema where core income generates from movies, cafeteria and advertising as detailed below;

Revenue from sale of cinema ticket is recognized at the point in time when the ticket is sold at the counter, via electronic forms and through loyalty redemption programs subject to the consideration that the respective film has been screened. The control or right to use or access to cinema is obtained by the customer upon issue of the ticket. The company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated such as customer loyalty points. In determining the transaction price for the sale of cinema ticket, the company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any). The cinema related auxiliary service income are recognized upon performance of actual services.

#### ***Rental income from investments properties***

Rental of investment properties where the company retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognized in profit or loss on a straight-line basis over the lease term. The non-lease component included in the lease rental is recognized over a time by measuring progress towards complete satisfaction of performance obligation at the reporting date.

Initial direct costs incurred by the company in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognized as an expense in profit or loss over the lease term on the same basis as the lease income. Contingent rents are recognized as revenue in the period in which they are earned.

#### ***Dividend Income***

Dividends income is recognized when the company's right to receive payments is established provided that it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably.

#### ***Interest Revenue***

Interest income is accrued on a time basis with reference to the principal outstanding and the amount of revenue is measured using the effective interest method.

#### ***Other income***

Other income is recognized on an accrual basis.

### **o) Contract Cost**

#### ***Incremental costs to obtain a contract***

Incremental costs of obtaining a contract are those costs that would not have been incurred if the contract had not been obtained. The company recognizes, as an asset, the incremental costs of obtaining a contract if the company expects to recover those costs. Costs that would have been incurred whether or not the contract was obtained shall be recognized as an expense when incurred. In general, the company recognizes the incremental costs of obtaining a contract as an expense if the amortization period of the asset that would have been recognized is one year or less.

#### ***Costs to fulfill a contract***

The company incurs cost to fulfill their obligations under a contract once it is obtained, but before transferring goods or services. If the cost to full fill contract with a customer that are not covered under another standard such as inventories, property, plant and equipment, intangible assets are recognized as an asset if those costs meet the following criteria:

- The costs relate directly to a contract or an anticipated contract that the company can identify.
- The costs generate or enhance resources of the company that will be used in satisfying or in continuing to satisfy performance obligation in the future
- The costs are expected to be recovered.

Fulfillment costs that meet all three of the above criteria are required to be recognized as an asset and expensing the costs as they are incurred is not permitted.

### **p) Foreign Currency Transactions**

Transactions in foreign currencies are initially recorded by the Company at Qatari Riyals at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated Qatari Riyals at exchange prevailing at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using Qatari Riyals at exchange rates prevailing at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into Qatari Riyals at exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

**q) Dividend Distribution**

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividend is approved by the Company's shareholders.

**r) Earnings Per Share**

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

**s) Cash and Cash Equivalents**

Cash and cash equivalents comprise of cash in hand, balances under current accounts with the banks and deposits having a maturity between 30 to 90 days. For the purpose of statement of cash flows, cash and cash equivalents consists of cash in hand and cash at banks including short term deposits.

**4) CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described in note 3, the management are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

**a) Critical Judgment in Applying Accounting Policies**

The followings are critical judgments, apart from those involving estimations, that management has made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognized in financial statements;

**i) Classification of financial assets**

Management decides on the acquisition of a financial asset whether to classify it as fair value through other comprehensive income (FVOCI), amortized cost, or financial assets at fair value through profit or loss (FVPL). The company classifies financial assets as amortized cost if the management objective is to hold financial asset in order to collect contractual cash flows or the financial asset, if the management objective is to achieve by both collecting contractual cash flows and selling the financial assets its measured the investment as FVOCI. All other financial assets are measured at FVPL.

The company has invested substantially in quoted securities, the management has primarily decided to account for them on their potential for long term growth rather than the short term profit basis. Consequently, the entire investments are recognized as fair value through other comprehensive income (FVOCI) rather than fair value through profit or loss (FVPL).

**ii) Accounting policy for measurement of investment properties**

Management of the company is required to choose as its accounting policy either the fair value model or the cost model and shall apply this policy to all of its investment properties, if any. The company has chosen to adopt the cost model for the purpose of measuring its investment properties in the statement of financial position.

**iii) Determining the Lease Term**

In determining lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extensions options (or periodic after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

**iv) Determining Lease Commencement Date**

The commencement date of the lease has been determined in relation to the date on which lessor makes the underlying asset available for use by the lessee. Management has applied its best judgment to determine the actual commencement date.

**b) Key Sources of Estimation Uncertainty**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**i) Impairment of non-financial assets**

The company's management evaluate whether there are indicators that suggest non-financial assets have suffered impairment in accordance with accounting policies stated in note 03. The recoverable amount of an asset is determined based on the fair value less cost of disposal of the specific asset impaired.

**ii) Estimated useful lives of investment properties and property, plant and equipment**

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

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

Management has estimated no residual value for any item of investment properties and property, plant and equipment at the end of the useful lives as these have been deemed to be insignificant. Management regularly review this estimate based on the market condition at the end of each reporting period.

**iii) Going concern**

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

**iv) Fair value measurements**

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an assets or liability, the company use market observable data to the extent it is available. Where level 1 inputs are not available, the company engages qualified external valuers to perform the valuation. The management works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and its inputs used in determining the fair value of various assets and liabilities are disclosed in the respective notes and note 30.

**v) Calculation of loss allowance**

When measuring ECL, the company uses reasonable and supportable forward looking information, which is based on assumptions for the future movements of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arises on default. It is based on the different between contractual cash flows due and those that the lender would expect to receive, taking in to account cash flows from a collateral and integral credit enhancement.

Probability of defaults continued a key input of measuring ECL. The probability of default is an estimates of the likelihood default over given time horizon, the calculation of which includes historical data, assumptions and expectation of future conditions.

**vi) Estimating Incremental Borrowing Rate for Leases**

The company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rates (IBR) to measure lease liabilities. The IBR is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. Management has applied judgments and estimates to IBR at the commencement of lease.

**vii) Impairment of right-of-use assets**

In estimating the recoverable amount of the right-of-use assets, the management has made assumptions about the achievable market rates for similar properties with similar lease terms.

5) **PROPERTY, PLANT AND EQUIPMENT AND CAPITAL WORK IN PROGRESS**

a) The details of cost, accumulated depreciation and respective net book value of various categories of property, plant and equipment and capital work in progress are as follows:

	Buildings and improvements (QR.)	Motor vehicles (QR.)	Furniture and fixtures (QR.)	Plants and equipment (QR.)	Capital work in progress (QR.)	Total 2019 (QR.)	Total 2018 (QR.)
<b>Cost</b>							
As at January 1	16,826,432	265,178	6,747,707	14,520,209	887,895	39,247,421	38,755,042
Additions during the year	128,800	-0-	51,724	-0-	9,654,307	9,834,831	887,379
Transfer during the year	120,000	-0-	-0-	-0-	(120,000)	-0-	-0-
Disposals during the year	-0-	-0-	-0-	-0-	-0-	-0-	(150,000)
Written off during the year	-0-	-0-	-0-	-0-	-0-	-0-	(245,000)
<b>As at December 31</b>	<b>17,075,232</b>	<b>265,178</b>	<b>6,799,431</b>	<b>14,520,209</b>	<b>10,422,202</b>	<b>49,082,252</b>	<b>39,247,421</b>
<b>Accumulated Depreciation</b>							
As at January 1	14,266,911	183,706	6,614,941	13,639,063	-0-	34,704,621	34,181,024
Charge for the year	265,208	34,036	66,185	453,717	-0-	819,146	918,597
On disposal	-0-	-0-	-0-	-0-	-0-	-0-	(150,000)
On written off	-0-	-0-	-0-	-0-	-0-	-0-	(245,000)
<b>As at December 31</b>	<b>14,532,119</b>	<b>217,742</b>	<b>6,681,126</b>	<b>14,092,780</b>	<b>-0-</b>	<b>35,523,767</b>	<b>34,704,621</b>
<b>Net Book Value</b>							
As at December 31, 2019 – Exhibit A	2,543,113	47,436	118,305	427,429	10,422,202	13,558,485	-0-
As at December 31, 2018 – Exhibit A	2,559,521	81,472	132,766	881,146	887,895	-0-	4,542,800

b) In addition to improvements and civil works carried out in certain cinemas and certain cost incurred to install surveillance cameras, the capital work in progress mainly comprises, the cost of planning, designing, fit out and all related civil and MEP works including cost of un-installed plants and equipment incurred in connection to highest international standard cinema under constructed on the leased premises at the Cultural Village-Katara. The Cinema Theater is being constructed and not available for use as at the reporting date. Upon completion of works, the amounts will be capitalized to respective class of property, plant and equipment and depreciated thereafter.

c) Buildings are constructed on a land owned by the company. Since, major portion of the buildings constructed on the respective land is used for the purposes of rental income, the cost of land is categorized under investment properties. Apart from the above, the remaining cost of building improvements are incurred for leased properties.

6) **INVESTMENT PROPERTIES**

- a) The details of cost, accumulated depreciation and respective net book value of various categories of investment properties are as follows:

	<b>Lands (QR.)</b>	<b>Buildings (QR.)</b>	<b>Building Improvements* (QR.)</b>	<b>Total (QR.)</b>
<b>Cost</b>				
As at December 31, 2017	508,735	107,357,204	3,893,649	111,759,588
Additions during the year	-0-	-0-	1,750	1,750
As at December 31, 2018	508,735	107,357,204	3,895,399	111,761,338
Additions during the year	-0-	-0-	7,428	7,428
<b>As at December 31, 2019</b>	<b>508,735</b>	<b>107,357,204</b>	<b>3,902,827</b>	<b>111,768,766</b>
<b>Accumulated Depreciation</b>				
As at December 31, 2017	-0-	19,901,029	333,514	20,234,543
Charge for the year	-0-	2,683,930	740,243	3,424,173
As at December 31, 2018	-0-	22,584,959	1,073,757	23,658,716
Charge for the year	-0-	2,683,930	741,577	3,425,507
<b>As at December 31, 2019</b>	<b>-0-</b>	<b>25,268,889</b>	<b>1,815,334</b>	<b>27,084,223</b>
<b>Net Book Value</b>				
As at December 31, 2019-Exhibit A	508,735	82,088,315	2,087,493	84,684,543
	=====	=====	=====	=====
As at December 31, 2018-Exhibit A	508,735	84,772,245	2,821,642	88,102,622
	=====	=====	=====	=====

\*The building improvements are integral part of the building which consists of furniture, fixtures and other improvement attached to investment properties.

- b) The fair value of investment properties determined based on valuation performed by accredited independent valuer as at December 31, 2019 and 2018. The valuer, is an accredited independent valuer with a recognized and relevant professional qualifications and with recent experience in the location and category of those investment properties being valued. In arriving at estimated market values the valuer have used their market knowledge and professional judgment and not only relied on historical transactions comparable.

The details of the fair value of investment properties determined by independent valuer are as follows;

	<b>2019 (QR.)</b>	<b>2018 (QR.)</b>
Lands	549,780,300	564,776,700
Buildings	175,956,100	175,266,500
<b>Total</b>	<b>725,736,400</b>	<b>740,043,200</b>
	=====	=====

- c) The rental income from its investment properties are disclosed in note 19.
- d) Investment properties include a property amounting to QR.97,495,867 at cost (note 16) mortgaged to a local bank as at December 31, 2019.

7) **RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

a) **Right-of-Use Assets**

Movements in right-of-use assets are as follows:	2019 (QR.)	2018 (QR.)
At the initial application of IFRS 16	9,049,168	-0-
Depreciation of right-of-use assets	(829,886)	-0-
<b>Balance at end of the year – Exhibit A</b>	<u>8,219,282</u> =====	<u>-0-</u> =====

The related right-of-use assets pertain to the lease of the building premises on which that the company will operate highest international standard Cinema. The right-of-use assets are depreciated over period of lease terms on a straight line basis for a period started from January 01, 2019 to November 23, 2029.

b) **Lease Liabilities**

Movements in lease liabilities are as follows:	2019 (QR.)	2018 (QR.)
At the initial application of IFRS 16	8,764,618	-0-
Accretion of interest during the period	522,310	-0-
<b>Balance at end of the year – Note 7(c)</b>	<u>9,286,928</u> =====	<u>-0-</u> =====

Lease liability is recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities monitored within the company's treasury functions.

c) **Based on maturity, the lease liabilities are classified in the statement of financial position as follows:**

	2019 (QR.)	2018 (QR.)
Lease liabilities-long term portion – Exhibit A	8,764,618	-0-
Lease liabilities-short term portion – Exhibit A	522,310	-0-
<b>Total –Note 7(b)</b>	<u>9,286,928</u> =====	<u>-0-</u> =====

Except for the initial payment, the repayments of lease payments (installments) will commence from the year 2020.

8) **EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)**

a) The equity instruments at fair value through other comprehensive income (FVOCI) comprise of investments in shares of listed companies in Qatar Exchange. The fair value of the quoted shares is determined by reference to published price quotations in Qatar Exchange.

b) Movements in equity instruments at fair value through other comprehensive income (FVOCI) are as follows:

	2019 (QR.)	2018 (QR.)
Balance at beginning of the year	33,993,839	34,027,485
Net changes in fair value of equity instruments at fair value through other comprehensive income (FVOCI)	2,415,690	10,008,208
Disposal of equity instruments at fair value through other comprehensive income (FVOCI)	-0-	(10,041,854)
<b>Balance at end of the year – Exhibit A</b>	<u>36,409,529</u> =====	<u>33,993,839</u> =====

9) **ACCOUNTS, NOTES AND OTHER RECEIVABLES**

a) This item consists of the following:	2019 (QR.)	2018 (QR.)
Accounts receivable	1,055,754	1,216,018
Tenants receivable	1,013,698	2,221,790
<b>Sub Total –Note 9(b)</b>	<u>2,069,452</u>	<u>3,437,808</u>
Provision for expected credit losses	(861,300)	(861,300)
<b>Net</b>	<u>1,208,152</u>	<u>2,576,508</u>
Notes receivables	1,870,209	1,723,044
Bank margin	447,800	447,800
Staff receivables	200,828	324,505
Advances to suppliers	614,522	391,945
Refundable deposits	383,074	385,073
Prepaid expenses	20,338	330,600
Others	136,165	12,354
<b>Total – Exhibit A</b>	<u>4,881,088</u> =====	<u>6,191,829</u> =====

- b) Concentration: A sum of QR.827,884 receivable from three customers which represents 40% of total accounts and tenants receivable as at December 31, 2019. (2018: QR.1,948,958 receivable from four customers which represents 57% of total accounts and tenants receivable).

10) **CASH AND CASH EQUIVALENTS**

a) This item consists of the following:	2019 (QR.)	2018 (QR.)
Cash in hand	6,540	7,806
Cash at banks	32,701,331	39,974,411
Short term deposits	144,469	177,558
<b>Total – Exhibits A&amp;E</b>	<u>32,852,340</u> =====	<u>40,159,775</u> =====

- b) The short term deposits consist of call and retail deposits matured within 90 days or less.

11) **SHARE CAPITAL**

a) This item consists of the following:	2019 (QR.)	2018 (QR.)
Authorized, issued and fully paid up capital with a par value of QR.1 each – Exhibit A	<u>62,807,950</u> =====	<u>62,807,950</u> =====
Authorized, issued and fully paid up share capital (number of shares) – Note 11(b)	<u>62,807,950</u> =====	<u>62,807,950</u> =====

b) **Share Split**

As per the instruction of the Qatar Financial Markets Authority, the Company's Extraordinary General Assembly held on April 03, 2019, approved to split the nominal value of ordinary shares of the company from QR. 10 per share to QR.1 per share. As a result, the company's shares have been increased from 6,280,795 (with par value of QR.10 per share) to 62,807,950 (with a par value of QR.1 per share). The listing of the new shares on Qatar Exchange was effective from June 23, 2019. Consequently, weighted average number of shares outstanding has been retrospectively adjusted.

12) **LEGAL RESERVE**

The legal reserve of the company amounting to QR.37,992,630 (Exhibit A) as at December 31, 2019 (2018: QR.37,992,630) created, pursuant to Qatari Commercial Companies' Law No. 11 of 2015, which mandates 10% of the net profit for the year is to be deducted annually and retained in the legal reserve account. The deduction shall be suspended when the balance in this reserve account amounts to at least 50% of the Company's capital and is not available for distribution except in the circumstances specified in the law.

Since the reserve has reached 50% of the share capital, the management has not transferred any portion from the profit to legal reserve for the years ended December 31, 2018 and December 31, 2019.

13) **FAIR VALUE RESERVE**

The movements in the fair value reserve of equity instruments at fair value through other comprehensive income (FVOCI) during the year are as follows:

	2019 (QR.)	2018 (QR.)
Balance at beginning of the year	9,932,968	10,770,183
Adjustments on initial application of IFRS 9	-0-	(6,208,782)
<b>Balance at the beginning of the year –after adjustment</b>	<u>9,932,968</u>	<u>4,561,401</u>
Net changes in fair value of equity instruments at FVOCI-Note 8	2,415,690	10,008,208
Derecognition of equity instruments at FVOCI upon disposal	-0-	(4,636,641)
<b>Balance at end of the year – Exhibit A</b>	<u>12,348,658</u> =====	<u>9,932,968</u> =====

14) **EMPLOYEES' END OF SERVICE BENEFITS**

a) The movements in the employees' end of service benefits during the year are as follows:

	2019 (QR.)	2018 (QR.)
Balance at beginning of the year	2,076,912	1,905,106
Provisions for the year	129,173	206,345
Payments during the year	(309,806)	(34,539)
Reversal during the year	(922,346)	-0-
<b>Balance at end of the year – Exhibit A</b>	<u>973,933</u> =====	<u>2,076,912</u> =====

b) The company has settled two of its resigned employee's retirement benefit obligations based on outcome of the legal case filled by the employees. Hence, a considerable value of excess provision made against those employees' end of service benefits have been reversed during the year.

15) **ACCOUNTS, RETENTIONS AND OTHER PAYABLES**

a) This item consists of the following:

	2019 (QR.)	2018 (QR.)
Accounts payables –Note 15(b)	897,805	811,264
Retentions payable	683,258	-0-
Accrued expenses	270,377	379,138
Board of directors' remuneration payable	294,000	369,000
Provision for social and sports fund contribution	159,742	211,388
Others	283,858	62,816
<b>Total – Exhibit A</b>	<u>2,589,040</u> =====	<u>1,833,606</u> =====

b) Concentration: A sum of QR.613,912 payable to two major suppliers of the company, which represents 68% of the total accounts payable as at December 31, 2019 (2018: QR.447,586 payable to a major supplier of the company, which represents 55% of the total accounts payable).

16) **SHORT TERM LOAN**

Short term loan amounting to QR.15,000,000 (Exhibit A) as at December 31, 2019 (2018: QR.15,000,000) represents the rescheduled amount of previously obtained loan from a local bank. The rescheduled amount carries interest rate of QMRL+0.75% annually with minimum rate of 5.5% per annum. The repayment will be a bullet payment (a single payment) of principal on June 01, 2020.

The original loan amount of QR.70,000,000 was initially obtained from the local bank on April 08, 2009 to finance the construction of two residential buildings in Musheireb. The loan would have been repaid in 24 quarterly installments of QR.1,500,000 and QR.20,000,000 after end of seventh year and QR.14,000,000 after the end of third quarter of the eighth year. However, during the years 2013 and 2014, the company rescheduled the loan balance to be settled as single installment in June 2015. Whereas, during the year 2015, the company repaid only an amount of QR.5,000,000 and the remaining balance were rescheduled for the settlement. Subsequently, the loan was rescheduled in numerous years on annual basis.

As such, on October 01, 2019, the company further rescheduled the above loan without any settlements to be paid as onetime payment of QR.15,000,000 on June 1, 2020. The interest and bank charges on the rescheduling amount of QR.1,057,391 charged during the year ended December 31, 2019 (2018: QR.910,153).

The loan is secured by first degree mortgage over the real estate amounting to QR.97,495,867 (Note 6).

17) **CINEMA REVENUE**

This item consists of the following:	2019 (QR.)	2018 (QR.)
Movies income – Note 18(b)	6,737,306	6,209,384
Cafeteria income	262,300	286,042
Advertising income	116,160	116,160
<b>Total – Exhibit B</b>	<u>7,115,766</u> =====	<u>6,611,586</u> =====

18) **CINEMA OPERATING COST**

a) This item consists of the following:	2019 (QR.)	2018 (QR.)
Shares of film distributors	3,473,904	3,163,017
Share of cinema theater owners – Note 18(b)	1,165,903	1,021,278
Short term lease expenses – Note 2	1,460,400	1,574,688
Salaries and employees' benefits	1,142,747	1,282,100
Others	899,362	1,185,666
<b>Total – Exhibit B</b>	<u>8,142,316</u> =====	<u>8,226,749</u> =====

- b) Pursuant to the contractual arrangements with owners of the cinema theater buildings located at two different malls at State of Qatar, the counter party to the contracts will be entitled for 50 % share of profit from respective cinema activities. The respective movie income is included under cinema revenue.

19)	<b>NET INCOME FROM REAL ESTATE ACTIVITY</b>		
	This item consists of the following:	2019	2018
		(QR.)	(QR.)
	Real estate rent income	17,415,761	18,554,473
	Maintenance and cleaning expenses	(1,236,756)	(995,572)
	<b>Net – Exhibit B</b>	<u>16,179,005</u>	<u>17,558,901</u>
		=====	=====
20)	<b>OTHER INCOME</b>		
	This item consists of the following:	2019	2018
		(QR.)	(QR.)
	Dividend income	1,222,862	2,031,593
	Reversal of accounts, other payables and provision for employees' end of service benefits	981,827	56,254
	Gain on disposal of property, plant and equipment	-0-	14,000
	Others	85,377	4,400
	<b>Total – Exhibit B</b>	<u>2,290,066</u>	<u>2,106,247</u>
		=====	=====
21)	<b>DEPRECIATION</b>		
	This item consists of the following:	2019	2018
		(QR.)	(QR.)
	Depreciation of investment properties	3,425,507	3,424,173
	Depreciation of property, plant and equipment	819,146	918,597
	Depreciation of right-of-use assets – Note 2	829,886	-0-
	<b>Total – Exhibit B</b>	<u>5,074,539</u>	<u>4,342,770</u>
		=====	=====
22)	<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
	This item consists of the following:	2019	2018
		(QR.)	(QR.)
	Salaries, wages and allowances	1,700,270	1,973,224
	Board of directors remuneration – Note 26	873,185	887,015
	Professional, legal and government charges	606,870	395,364
	Advertisement expenses	136,300	163,677
	Employees' end of service benefits	129,173	206,345
	Capacity fees-non lease component – Note 2	171,774	23,025
	Travelling and transportation	144,689	146,185
	Short term lease expenses – Note 2	77,080	107,892
	Others	492,062	407,322
	<b>Total – Exhibit B</b>	<u>4,331,403</u>	<u>4,310,049</u>
		=====	=====
23)	<b>FINANCE CHARGES</b>		
	This item consists of the following:	2019	2018
		(QR.)	(QR.)
	Finance cost on lease liabilities – Note 2	522,310	-0-
	Interest expenses on short term loan	907,391	760,153
	Other finance charges	217,216	181,481
	<b>Total – Exhibit B</b>	<u>1,646,917</u>	<u>941,634</u>
		=====	=====

24) **EARNINGS PER SHARE**

a) **Basic Earnings Per Share**

The basic earnings per share is computed by dividing the profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year are as follows:

	2019	2018
Profit attributable to ordinary shareholders of the Company (QR.) – Exhibit B	6,389,662	8,455,532
	=====	=====
Weighted average number of ordinary shares outstanding* – Note 11	62,807,950	62,807,950
	=====	=====
<b>Basic earnings per share (QR.) – Exhibit B</b>	<b>0.102</b>	<b>0.135</b>
	=====	=====

b) **Diluted Earnings Per Share**

No separate diluted earnings per share were calculated since the diluted earnings per share were equal to basic earnings per share.

\*The earning per share for comparative period has been retrospectively adjusted due to the share split made by the company on June 23, 2019.

25) **SOCIAL AND SPORTS FUND CONTRIBUTION**

In accordance with Law No. 13 of 2008, the Company has taken a provision for the support of sports, social, cultural and charitable activities with an amount equivalent to 2.5% of the net profit. As per the instruction issued by the Ministry of Economy and Finance during the year 2010, this social and sports contribution is considered as an appropriation of retained earnings of the Company and presented in statement of changes in shareholders' equity rather than recording it through the statement of profit or loss.

Accordingly, the Company made an appropriation from retained earnings amounting to QR.159,742 (Exhibit D) for the year ended December 31, 2019 (2018: QR.211,388) for contribution to the Social and Sports Development Fund of Qatar.

26) **RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

As at reporting date, there were no reportable related party transactions except for the transactions with key management personnel.

**Transactions with key management personnel**

Key management personnel comprise the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the entity.

**Compensation to key management personnel of the company**

The remuneration and other compensation to the key managerial personnel included in general and administrative expenses under board of directors remunerations as follows:

	2019	2018
	(QR.)	(QR.)
Remuneration for board of directors paid (proposed in last year)	255,185	224,015
Meeting allowance for board members applicable for the year	588,000	588,000
Remuneration for Executive and Managing Director - Accrued	30,000	75,000
<b>Total –Note 22</b>	<b>873,185</b>	<b>887,015</b>
	=====	=====

In addition to the above, the total compensation for key members of the management included in general administrative expenses under the salaries, wages and allowances are as follows:

	2019	2018
	(QR.)	(QR.)
Salaries and other allowances	272,850	567,174
	=====	=====

27) **COMMITMENTS AND CONTINGENCIES**

The following summarizes the significant contractual commitments and contingencies:

	2019 (QR.)	2018 (QR.)
Performance bonds	347,800	347,800
Letters of guarantee	100,000	100,000
	=====	=====

28) **DIVIDENDS**

In respect of year ended December 31, 2019, the Board of Directors proposed a cash dividend distribution amounting to QR.6,280,795 as per the Board meeting held on February 12, 2020 which is equal to 10% of the paid up capital totaling QR.62,807,950 to the shareholders. This proposed dividend is subject to approval by shareholders at the Annual General Assembly.

During 2019, following the approval of the Annual General Assembly held on April 3, 2019, it was decided a cash dividend distribution of 15% of the paid up capital totaling QR.9,421,193 relating to the year ended December 31, 2018 (During 2018: it was decided a cash dividend distribution of 10% of the paid up capital totaling QR.6,280,795 relating to the year ended December 31, 2017).

29) **RISK MANAGEMENT**

The Company monitors and manages the risks relating to its business and operations. The Company has exposure to the following risks from its use of financial instruments.

- Liquidity risk
- Credit risk
- Capital risk
- Market risk
- Operational risk
- Other risks

The Company seeks to minimize the effects of these risks by diversifying the sources of its capital. It maintains timely reports about its risk management function and monitors risks and policies implemented to mitigate risk exposures.

**Risk Management Framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has not yet established separate risk management function with clear terms of reference from the Board of Directors, its committees and the associated executive management committees. This is to be supplemented with a clear organizational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers. A Company's risk management policy framework which sets out the risk profiles for the Company, risk management, control and business conduct standards for the Company's operations will be put in place in the near future.

**a) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate reserves, banking facilities, and by continually monitoring cash flows and matching the maturity profiles of financial assets and liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial assets and financial liabilities including finance cost payments and excluding the impact of netting agreements, if any:

December 31, 2019	Carrying amount (QR.)	Contractual cash outflows (QR.)	Less than 1 year (QR.)
Dividend payable	6,631,996	(6,631,996)	6,631,996
Accounts, retentions and other payables	2,589,040	(2,589,040)	2,589,040
Short term loan	15,000,000	(15,000,000)	15,000,000
Lease liabilities	9,286,928	(9,286,928)	522,310
<b>Total</b>	<b>33,507,964</b>	<b>(33,507,964)</b>	<b>24,743,346</b>

  

December 31, 2018	Carrying amount (QR.)	Contractual cash outflows (QR.)	Less than 1 year (QR.)
Dividend payable	7,245,390	(7,245,390)	7,245,390
Accounts, retentions and other payables	1,833,606	(1,833,606)	1,833,606
Short term loan	15,000,000	(15,000,000)	15,000,000
Lease liabilities	-0-	-0-	-0-
<b>Total</b>	<b>24,078,996</b>	<b>(24,078,996)</b>	<b>24,078,996</b>

It is not expected that the cash flows included in the maturity analysis would occur significantly earlier, or at significantly different amounts.

**b) Credit Risk**

Credit risk refers to risk that a counter party will default on its obligation resulting in financial loss to the company. In order to minimize the credit risk, the management has developed and implemented a credit risk grading for its major customer and other debtors to categorize the company's credit exposure according to their degree of default. The management uses the publicly available financial information's and its own trading records with customer for this purpose.

Financial instruments that are potentially subject the company to the credit risk are cash at banks, accounts, tenants and other receivable.

**Accounts and tenants receivable**

The management has a credit risk policy which monitors the credit risk exposure to accounts and tenants receivable in ongoing basis and credit evaluation are performed on all customers requiring credit and are approved by the management. Further, the company manage it credit risk on tenant receivable by obtaining a refundable deposit from the tenants.

**Other receivables**

Other receivables mainly consist of prepaid expenses and advances, which will be recovered against future expenses of the company.

**Cash at banks**

The credit risk on bank balances is minimal because the counter parties are banks with high credit rating and company maintain all its bank accounts in well reputed banks.

The maximum risk exposure to the Company is represented in the carrying amount of these instruments as disclosed in the relevant notes.

**c) Capital Risk**

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital and retained earnings and other reserves of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

Regularly, the Company reviews its capital structure and considers the cost of capital and the risks associated with it. It manages its capital to ensure that it will be able to support its operations while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Company's net debt to adjusted equity ratio at the reporting date was positive.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

**d) Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The market risk primarily consists of the followings:

- Foreign currency risk
- Interest rate risk
- Equity price risk

**(i) Foreign Currency Risk**

Foreign currency risk is the risk arising from the changes in the value of financial instruments due to fluctuations in foreign currency exchange rates. Management believes that this risk is low since those rates are constant against the Qatari Riyal.

**(ii) Interest Rate Risk**

The Company has recognized financial instruments which are subject to interest rate risk and which may potentially result in changes in the contractually determined cash flows associated with or may cause reprising of such financial instruments.

The Company is exposed to interest rate risk on its interest bearing assets and liabilities.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments are as follows:

Variable rate instruments	Carrying amount 2019 (QR.)	Carrying amount 2018 (QR.)
<b>Financial assets</b>		
Cash at banks	144,469	177,558
<b>Financial liabilities</b>		
Short term loan	15,000,000	15,000,000

#### **Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

#### **(iii) Equity Price Risk**

Equity price risk is the risk that the fair values of equity instruments decrease as a result of changes in the price indices of investments in other entities' equity instruments as part of the Company's investment portfolio.

The following table demonstrates the sensitivity of the effect of cumulative changes in fair value to reasonably possible changes in quoted equity share prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increase shown.

Description	Changes in Equity Prices	Effect on Equity	
		2019 (QR.)	2018 (QR.)
Equity instruments at fair value through other comprehensive income (FVOCI)	± 10%	3,640,953	3,399,384

#### **e) Operational Risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

Operational risks arise from all of the Company's operations. The Company's objective is to manage operational risks so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective.

**f) Other Risks**

Other risks to which the Company is exposed are regulatory risk, legal risk, and reputation risk.

- Regulatory risk is controlled through a framework of compliance policies and procedures. The operations of the Company are subject to regulatory requirements of the State of Qatar.
- Legal risk is managed through the effective use of internal and external legal advisers.
- Reputation risk is controlled through the Company regular examination of issues that are considered to have repercussions for the Company, with guidelines and policies being issued as appropriate.

**30) FAIR VALUE**

**Fair Value Measurement**

The Company measures certain financial instruments and certain non- financial assets, if applicable, at fair value at each reporting date.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value are disclosed in these financial statements, if any.

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

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

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

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

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

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

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

- Level 1:- Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2:- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3:- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

**Accounting Classification And Fair Values**

Based on the above fair value measurements, it has been assessed that the fair values of the financial instruments presented in these financial statements as of reporting date are not materially different from their carrying values.

**Fair Value Hierarchy**

The company uses the following hierarchy for determining and disclosing the fair value of the company's assets by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of assets recorded at fair value by level of the fair value hierarchy:

<b>Equity instruments at FVOCI</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>As at December 31, 2019</b>	<b>36,409,529</b>	<b>-0-</b>	<b>-0-</b>	<b>36,409,529</b>
<b>As at December 31, 2018</b>	<b>33,993,839</b>	<b>-0-</b>	<b>-0-</b>	<b>33,993,839</b>
	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>

During the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

**31) COMPARATIVE FIGURES**

Certain comparative information and figures presented for 2018 have been reclassified where necessary to preserve consistency with the 2019 information and figures. However, such reclassifications did not have any effect on the previously reported net profit, other comprehensive income or equity.