

**QATAR CINEMA AND FILM DISTRIBUTION COMPANY Q.P.S.C.**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2023**

**QATAR CINEMA AND FILM DISTRIBUTION COMPANY Q.P.S.C.**  
**FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023**

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**INDEPENDENT AUDITOR’S REPORT**

**TO THE SHAREHOLDERS OF QATAR CINEMA AND FILM DISTRIBUTION COMPANY Q.P.S.C.**

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

**Opinion**

We have audited the financial statements of Qatar Cinema And Film Distribution Company Q.P.S.C. (the “Company”) which comprise the statement of financial position as at 31 December 2023, and the statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 9 to 41

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

**Basis for opinion**

We conducted our audit in accordance with International Standard on Auditing (ISA). 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 International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the Company’s financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibility described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report, including in relation to other matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for audit opinion on the accompanying financial statements.

<b>Valuation of Investment Properties</b>	
See Note 5 to the financial statements	
<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>Valuation of Investment Property Disclosed in note (5) to these financial statements: As at December 31, 2023 the Company has reported investment property amounted to QR. 72,811,081 represents 47% of the Company's Total Assets. The Company's investment properties consist of land, Furniture, buildings and building improvements. The Company records its investment property using the cost model. The management of the Company has tested its investment properties and concluded that the recoverable value of the investment properties is not less than the net book value. Also, the fair value is determined by external independent real estate valuation expert appointed by the management, the valuation of those properties was derived based on the average market prices and related indicators. Due to the significance of the investment property balance, we determined the valuation of investment property balance as a key audit matter.</p>	<p>Our audit procedures in relation to investment properties included the following:</p> <ul style="list-style-type: none"> <li>• Review the title deeds documents of investment properties.</li> <li>• Inspected the capital expenditures incurred during the year and reviewed the related classification.</li> <li>• Assessed the depreciation method used and the appropriateness of the key assumptions based on our knowledge.</li> <li>• Evaluate the assumptions and estimates made by the management and the independent valuation expert, as well as, the appropriateness of the valuation technique and reasonableness of data used in the valuation.</li> <li>• Review the adequacy of the investment property disclosures, which has been presented in the financial statements of the Company.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE SHAREHOLDERS OF QATAR CINEMA AND FILM DISTRIBUTION COMPANY Q.P.S.C. (Continued)

#### Report on the audit of the financial statements (continued)

Key audit matter	How our audit addressed this key audit matter:
<p>Valuation of Financial Assets at Fair Value Through OCI Disclosed in note no. (8) to the financial statements. As at December 31, 2023 the Company has reported financial assets at fair value through OCI amounted to QR. 31,003,447 represents 20% of the Company's total assets.</p> <p>The Company's investment in financial assets at fair value through OCI comprise securities listed in Qatar Security Exchange Market.</p> <p>Due to the significance of the financial assets at fair value through OCI balance, we determined that financial assets at fair value through OCI balance is a key audit matter.</p>	<p>Our audit procedures in this area included among others:</p> <ul style="list-style-type: none"> <li>• Tested the valuation of listed securities listed in Qatar Security Exchange Market as at December 31, 2023, by agreeing the prices used by Company' management in the valuation to independent and confirmation from third-party sources as at December 31, 2023.</li> <li>• Tested the existence of the financial assets by agreeing the quantities of listed shares disclosed by the Company with independent third-party confirmation.</li> <li>• Review the adequacy of the financial assets' disclosures, which has been presented in the financial statements of the Company.</li> </ul>

#### Other matters

- The financial statements of the Company as at and for the year ended 31 December 2022 were audited by another auditor whose audit report dated 6 February 2023 expressed an unmodified audit opinion.
- we draw attention to note no. (1) regarding Qatar Stock Exchange decision related to the shares of the company, and our opinion is not modified in this regard.

#### Other information

The Board of Directors are responsible for the other information. The other information comprises the information included in the annual report for 2023 but does not include in the financial statements and our auditor's report.

The Company's 2023 annual report is expected to be made available to us after the date of this auditor's report, thereon. Our opinion on these financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact, we have nothing to report in respect of the report on the other information.

#### Responsibilities of the Board of Directors for the financial statements

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

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

#### Auditor's responsibilities for the audit of the financial statements

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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE SHAREHOLDERS OF QATAR CINEMA AND FILM DISTRIBUTION COMPANY Q.P.S.C. (Continued)

### Auditor's responsibilities for the audit of the financial statements (Continued)

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

- Identify and assess the risk 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 Board of Directors.
- Conclude on the appropriateness of the Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our audit'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 the 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, actions taken to eliminate threats or safeguards applied.

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 period and is therefore the key audit matter. We describe this matter 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 legal and other regulatory requirements

Further, as required by the Qatar Commercial Companies Law (QCCL) No. 11 of 2015, whose certain provisions were subsequently amended by Law No. 8 of 2021 ("the amended QCCL"), we report the following:

- The Company has maintained proper books of account and the financial statements are in agreement therewith;
- An inventory count has been conducted in accordance with established principles;
- We have obtained all the information and explanations we considered necessary for the purpose of our audit;
- We are not aware of any violations of the amended QCCL or the Articles of Association having occurred during the year which might have had a material effect on the Company's financial position or on its financial performance as at and for the year ended 31 December 2023; and



Ahmed Tawfik Nassim  
Auditor's Registration No. 69  
QFMA Registration No. 1201911  
10 February 2024  
Doha, State of Qatar



**QATAR CINEMA AND FILM DISTRIBUTION COMPANY Q.P.S.C.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2023**  
(All amounts expressed in Qatari Riyal unless otherwise stated)

	Note	2023	2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	17,635,538	19,025,634
Investment properties	5	72,811,081	75,560,119
Right-of-use asset	6	4,897,464	5,727,350
Financial assets at Fair value through OCI	7	31,003,447	32,627,010
<b>Total non-current asset</b>		<b>126,347,530</b>	<b>132,940,113</b>
<b>Current assets</b>			
Inventories		329,343	338,913
Accounts and other receivables	8	4,132,364	2,737,029
Cash and bank balances	9	22,818,890	17,789,246
<b>Total current assets</b>		<b>27,280,597</b>	<b>20,865,188</b>
<b>TOTAL ASSETS</b>		<b>153,628,127</b>	<b>153,805,301</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	10	62,807,950	62,807,950
Legal reserve	11	37,992,630	37,992,630
General reserve	12	2,663,152	2,663,152
Fair value reserve	13	6,942,576	8,566,139
Retained earnings		21,619,256	21,115,989
<b>TOTAL EQUITY</b>		<b>132,025,564</b>	<b>133,145,860</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Employees' end of service benefits	14	1,308,622	1,203,160
Lease liability	15	7,462,281	8,662,734
<b>Total non-current liabilities</b>		<b>8,770,903</b>	<b>9,865,894</b>
<b>Current liabilities</b>			
Dividends payable	16	6,350,258	6,541,969
Tenants' advances		944,151	809,951
Accounts and other payables	17	3,114,659	2,587,944
Lease liability	15	2,422,592	853,683
<b>Total current liabilities</b>		<b>12,831,660</b>	<b>10,793,547</b>
<b>TOTAL LIABILITIES</b>		<b>21,602,563</b>	<b>20,659,441</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>153,628,127</b>	<b>153,805,301</b>

These financial statements were approved by the Board of Directors on 10 February 2024.

  
**Mr. Ali Ishaq Hussein Al Ishaq**  
Manging Director & CEO

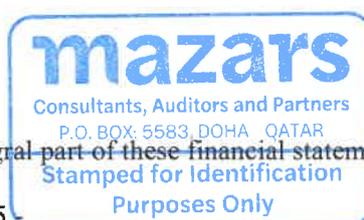
  
**Mr. Mohamed Ali J Al-Sulaiti**  
Chairman

**mazars**  
Consultants, Auditors and Partners  
P.O. BOX: 5583, DOHA QATAR  
Stamped for Financial Statements  
Purposes Only

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

**QATAR CINEMA AND FILM DISTRIBUTION COMPANY Q.P.S.C.**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
(All amounts expressed in Qatari Riyal unless otherwise stated)

	<b>Note</b>	<b>2023</b>	<b>2022</b>
Revenue	20	20,742,854	18,552,241
Cost of revenue	21	(12,547,433)	(11,441,280)
<b>Gross profit</b>		<b>8,195,421</b>	<b>7,110,961</b>
Other income		89,642	143,131
Provision for impairment loss on account receivables	8	(250,000)	(431,453)
General and administrative expenses	22	(3,652,876)	(4,094,669)
<b>Operating profit</b>		<b>4,382,187</b>	<b>2,727,970</b>
Finance cost / income - net	23	(910)	48,902
<b>Profit for the year</b>		<b>4,381,277</b>	<b>2,776,872</b>
<b>Basic and diluted earning per share</b>	24	<b>0.070</b>	<b>0.044</b>

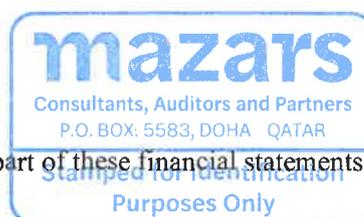


The accompanying notes are an integral part of these financial statements.

**QATAR CINEMA AND FILM DISTRIBUTION COMPANY Q.P.S.C.**  
**STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
 (All amounts expressed in Qatari Riyal unless otherwise stated)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
<b>profit for the year</b>		4,381,277	2,776,872
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Net change in fair value reserve of financial assets at fair value through OCI	6	<u>(1,623,563)</u>	<u>(6,779,467)</u>
<b>Total comprehensive income / (loss) for the year</b>		<u><b>2,757,714</b></u>	<u><b>(4,002,595)</b></u>

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



**QATAR CINEMA AND FILM DISTRIBUTION COMPANY Q.P.S.C.**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Qatari Riyal unless otherwise stated)

	Share capital	Legal reserve	General reserve	Fair value reserve	Retained earnings	Total
<b>At 1 January 2022</b>	62,807,950	37,992,630	2,663,152	15,345,606	22,177,016	140,986,354
Profit for the year	-	-	-	-	2,776,872	2,776,872
Other comprehensive loss for the year	-	-	-	(6,779,467)	-	(6,779,467)
<b>Total comprehensive loss for the year</b>	-	-	-	(6,779,467)	2,776,872	(4,002,595)
Dividends during the year (Note 16)	-	-	-	-	(3,768,477)	(3,768,477)
Social and sports fund contribution	-	-	-	-	(69,422)	(69,422)
<b>At 31 December 2022</b>	<b>62,807,950</b>	<b>37,992,630</b>	<b>2,663,152</b>	<b>8,566,139</b>	<b>21,115,989</b>	<b>133,145,860</b>
Profit for the year	-	-	-	-	4,381,277	4,381,277
Other comprehensive loss for the year	-	-	-	(1,623,563)	-	(1,623,563)
<b>Total comprehensive income for the year</b>	-	-	-	(1,623,563)	4,381,277	2,757,714
Social and sports fund contribution	-	-	-	-	(109,532)	(109,532)
Dividends distribution (Note 16)	-	-	-	-	(3,768,478)	(3,768,478)
<b>At 31 December 2023</b>	<b>62,807,950</b>	<b>37,992,630</b>	<b>2,663,152</b>	<b>6,942,576</b>	<b>21,619,256</b>	<b>132,025,564</b>

In accordance with Law No. 8 of 2011 (Amendment to Law No. 13 of 2008), the Company made an appropriation of profit in amount of QR 109,532 (2022 : QR 69,422) equivalent to 2.5% of the net profit for the year for the support of sports, cultural, social and charitable activities (Note 17).



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

**QATAR CINEMA AND FILM DISTRIBUTION COMPANY Q.P.S.C.**

**STATEMENT OF CASH FLOW**

**FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts expressed in Qatari Riyal unless otherwise stated)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
<b>OPERATING ACTIVITIES</b>			
Profit for the year		4,381,277	2,776,872
<i>Adjustments for:</i>			
Depreciation of investment property	5	2,857,818	3,640,921
Depreciation of property, plant and equipment	4	1,555,922	476,711
Provision for employees end of service benefits	14	137,795	112,405
Depreciation of right-of-use assets	6	829,886	829,886
Provision for impairment of trade receivables	8	250,000	431,453
Finance cost	23	910	(48,902)
Dividends income	15	(1,352,753)	(1,207,147)
<b>Operating profit before changes in working capital</b>		<b>8,660,855</b>	<b>7,012,199</b>
<i>Working capital changes:</i>			
Inventories		9,570	(90,529)
Accounts and other receivables		(1,645,335)	(378,719)
Tenants' advances		134,200	(81,000)
Accounts and other payables		417,183	173,815
<b>Cash generated from operating activities</b>		<b>7,576,473</b>	<b>6,635,766</b>
Employees' end of service benefits paid	14	(32,333)	(91,543)
Interest income received	23	367,546	477,104
<b>Net cash generated from operating activities</b>		<b>7,911,686</b>	<b>7,021,327</b>
<b>INVESTING ACTIVITIES</b>			
Dividend income received	15	1,352,753	1,207,147
Additions of property, plant and equipment and capital work-in-progress	5	(165,826)	(1,233,940)
Additions of investment properties	6	(108,780)	(40,701)
<b>Net cash generated from / (used in) investing activities</b>		<b>1,078,147</b>	<b>(67,494)</b>
<b>FINANCING ACTIVITIES</b>			
Dividend paid	16	(3,960,189)	(3,510,324)
Payment of short-term loan		-	(3,500,000)
Payment of lease installments		-	(293,087)
<b>Cash used in financing activities</b>		<b>(3,960,189)</b>	<b>(7,303,411)</b>
Net increase / (decrease) in cash and cash equivalents		5,029,644	(349,578)
Cash and cash equivalents at 1 January		17,789,246	18,138,824
<b>Cash and cash equivalents at 31 December</b>	10	<b>22,818,890</b>	<b>17,789,246</b>

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



# QATAR CINEMA AND FILM DISTRIBUTION COMPANY Q.P.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts expressed in Qatari Riyal unless otherwise stated)

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### 1. COMPANY INFORMATION AND PRINCIPAL ACTIVITIES

Qatar Cinema and Film Distribution Company Q.P.S.C. (the “Company”) is a Qatari Public Shareholding Company registered in the State of Qatar under the Commercial Registration Number 30. The Company was incorporated as a Qatari Public Shareholding Company by virtue of Emiri Decree No.3 of 1970. The Company shares are listed in Qatar stock market.

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, operating movie theaters and cafeterias for cinemas. Also the Company is engaged in investment in shares, bonds, funds and real-estate investment.

The Company 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 this financial statements.

The Company has a total of eight branches in which five of them are operating and all are engaged in same nature of business which is Cinema operation. The Company’s financial statements include the financial position and performance of the following branches:

<b>Name of branch</b>	<b>Commercial registration No.</b>	<b>Status</b>
Amir Cinema	30/1	Inactive
Qatar Cinema and Film Distribution Company	30/2	Active
Qatar Cinema and Film Distribution Company	30/3	Inactive
Qatar Cinema and Film Distribution Company	30/4	Active
Doha Cinema	30/5	Inactive
Qatar Cinema and Film Distribution Company	30/6	Active
Qatar Cinema and Film Distribution Company	30/7	Active
Qatar Cinema and Film Distribution Company	30/8	Active

On 28 September 2023, the company received a letter from Qatar Stock Exchange stating that, as of 1 October 2023, the company’s stock will be excluded from the stock market index of all stocks and the services and consumer goods index after achieving an annual turnover rate of 0.88% in the index methodology, starting from the beginning of September 2022 until the end of August 2023.

### 2. BASIS OF PREPARATION

#### a) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Qatar Commercial Companies’ Law No. 11 of 2015, as amended by Law No. 8 of 2021. The management is in the process of taking necessary actions needed to ensure full compliance with the amended law, including amending the Articles of Association of the Company where necessary and has concluded that the non-compliance at reporting date does not have material impact on the financial statements of the Company.

#### b) Basis of measurement

These financial statements have been prepared under the historical cost basis except for lease liabilities which are measured at the present value of the lease payments discounted using the Company’s incremental borrowing rate 5.5%, financial assets at fair value through other comprehensive income (FVOCI) have been measured at fair value.

#### c) Functional and presentation currency

These financial statements are presented in Qatari Riyals (QR), which is the Company’s functional and presentation currency.

## QATAR CINEMA AND FILM DISTRIBUTION COMPANY Q.P.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts expressed in Qatari Riyal unless otherwise stated)

## 2. BASIS OF PREPARATION (Continued)

### d) Use of estimates and judgments

The information about significant areas of estimation uncertainty and critical judgments applied in the preparation of the financial statements are disclosed in Note 27.

### e) Newly effective amendments and improvements to standards

During the current year, the below new and amended to International Financial Reporting Standards (“IFRSs” or “standards”) became effective for the first time for financial years beginning on 1 January 2023:

<i>Effective for year beginning 1 January 2023</i>	<ul style="list-style-type: none"><li>• <i>IFRS 17 Insurance Contracts</i></li><li>• <i>Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)</i></li><li>• <i>Definition of Accounting Estimates (Amendments to IAS 8)</i></li><li>• <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)</i></li></ul>
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The adoption of the above new and amendments to standards had no significant impact on the Company’s financial statements.

### f) Amendments to standards not yet effective, but available for early adoption

The below amended International Financial Reporting Standards (“IFRSs” or “standards”) that are available for early adoption for financial years beginning after 1 January 2023 are not effective until a later period, and they have not been applied in preparing these financial statements.

<i>Effective for year beginning 1 January 2024</i>	<ul style="list-style-type: none"><li>• <i>Classification of Liabilities as Current or Non-current (Amendments to IAS 1)</i></li><li>• <i>Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)</i></li></ul>
<i>Effective date deferred indefinitely / available for optional adoption</i>	<ul style="list-style-type: none"><li>• <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)</i></li></ul>

Management does not expect that the adoption in future years of the above amended standards will have a significant impact on the Company’s financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies of the Company applied in the preparation of the financial statements are set out below. These policies have been applied consistently to both years presented in these financial statements.

### Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

## QATAR CINEMA AND FILM DISTRIBUTION COMPANY Q.P.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts expressed in Qatari Riyal unless otherwise stated)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives.

	<u>Years</u>
Buildings	20-40
Motor vehicles	5
Furniture and fixtures	5
Equipment	6-7

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

Capital work in progress comprise constructions in progress of Katara new cinema theatre, and leasehold improvements at Musherib building. Capital work in progress is carried at cost less impairment, if any. Costs are those expenses incurred by the Company that are directly attributable to the construction of properties.

Land and capital work in progress are not depreciated.

#### Investment properties

Investment property represents land and buildings that are occupied substantially for use by third parties and are held by the Company to earn rentals or capital appreciation.

Depreciation is calculated to write-off the cost of items of investment property other than land by using the straight-line method over the estimated useful life and is recognised in the statement of comprehensive income. The estimated useful lives of the investment property is as follows:

	<u>Years</u>
Buildings	40
Furniture and fixtures	5
Building improvements	10-40

Subsequent expenditure is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the Company.

An item of investment property is derecognised upon disposal or when no future economic benefits are expected from its use. Profits and losses on disposals of items of investment property are determined by comparing the proceeds from their disposals with their respective carrying amounts, and are recognised net within the statement of comprehensive income.

#### Right-of-use assets

The right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability (see "Leases" accounting policy) adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

## QATAR CINEMA AND FILM DISTRIBUTION COMPANY Q.P.S.C.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Right-of-use assets (continued)

Depreciation is calculated to write off the cost of items of right-of-use assets using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of first-in-first-out costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

A provision is made for any write-down of inventories to net realisable value and such a provision is reflected as an expense in the statement of comprehensive income in the period of write-down. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised in the statement of comprehensive income in the period in which the reversal occurs.

#### Financial instruments

Accounts receivable and debt securities are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without a significant financing component is initially measured at the transaction price.

#### *Financial assets: Classification and subsequent measurement*

On initial recognition, a financial asset is classified at:

- a) Amortised cost- if it meets both of the following conditions and is not designated as at FVTPL;
  - it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
  - its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.
- b) Fair Value Through Other Comprehensive Income (FVTOCI) - if it meets both of the following conditions and is not designated as at FVTPL:
  - it is held within a business model whose objective achieved by both collecting contractual cash flows and selling financial assets; and
  - its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.
- c) Fair Value Through Profit or Loss (FVTPL) - All financial assets not classified as measured at amortised cost or FVTOCI as described above.

On initial recognition, the Company may irrecoverably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Financial instruments (continued)**

##### *Financial assets: Classification and subsequent measurement*

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company has classified on initial recognition its receivables and cash and cash equivalents at amortised cost. The Company does not hold any other financial assets.

##### *Financial assets: Business model assessment*

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual cash flows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

##### *Financial assets: Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI)*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers: contingent events that would change the amount or timing of cash flows; terms that may adjust the contractual coupon rate, including variable-rate features; prepayment and extension features; and terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (continued)

*Financial assets: Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI) (continued)*

Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

*Financial assets: Subsequent measurement and gains and losses*

- Financial assets at amortized cost - These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of comprehensive income. Any gain or loss on derecognition is recognized in the statement of comprehensive income.
- Financial assets FVTPL - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the statement of comprehensive income. The Company does not hold such assets.
- Debt instruments at FVTOCI - These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of comprehensive income. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the statement of comprehensive income. The Company does not hold such assets.
- Equity investments at FVTOCI - These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of comprehensive income unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never derecognized to the statement of comprehensive income. The Company hold such assets.

*Financial liabilities: Classification and subsequent measurement*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the statement of comprehensive income. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the statement of comprehensive income.

*Financial assets: Derecognition*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- The rights to receive cash flows from the asset have expired; and
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

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### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Financial instruments (continued)**

##### *Financial liabilities: Derecognition*

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

##### **Offsetting**

Financial assets and financial liabilities are not offset and the gross amount presented in the statement of financial position when, and only when, the Company currently has no legally enforceable right to set off the amounts and it intends either not to settle them on a net basis or to realize the asset and settle the liability simultaneously.

##### **Impairment**

##### *Non-derivative financial assets*

The Company recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost. The Company does not hold debt investments measured at amortised cost.

The Company measures loss allowance either at an amount equal to:

- lifetime ECLs, which are those ECLs that result from all possible default events over the expected life of a financial instruments; or
- 12-month ECLs, which includes the portion of ECLs that results from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for accounts and other receivables are always measured at an amount equal to lifetime ECLs.

##### *Non-derivative financial assets*

Loss allowances for accounts receivable are measured either at an amount equal to 12-months or lifetime ECLs depending on the magnitude of increases in credit risk since the initial recognition of the assets.

Loss allowances on cash and bank balances are always measured at an amount equal to 12-month ECLs.

The Company considers a financial asset to be in default when customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).

The Company considers cash and bank balances to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Impairment (continued)**

*Non-derivative financial assets (continued)*

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

*Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes a breach of contract such as a default.

*Presentation of allowance for ECL in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

*Write-off*

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Financial assets were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor will enter bankruptcy; or
- observable data indicating that there is measurable decrease in expected cash flows from a Company of financial assets.

*Financial assets measured at amortised cost*

The Company considered evidence of impairment for these assets (accounts and other receivables and cash at bank) at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by Companying together assets with similar risk characteristics.

In assessing collective impairment, the Company used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

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### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Impairment (continued)**

##### *Financial assets measured at amortised cost (continued)*

An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in the statement of comprehensive income and reflected in an allowance account.

When the Company considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through the statement of comprehensive income.

##### *Non-financial assets*

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (right-of-use assets, investment property, property, plant and equipment, but not inventories to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs).

The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or a CGU.

An impairment loss is recognised if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income. They are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

#### **Cash and bank balances**

For the purpose of the statement of cash flows, cash and bank balances comprise cash and bank balances and bank deposits with original maturities of three months or less, unrestricted balances held with banks, and highly liquid financial assets with original maturities ranging three to six months, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments, net of outstanding bank overdrafts and restricted bank balances.

#### **Share capital**

Ordinary shares are classified as equity.

#### **Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Provisions (continued)**

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The increase in the provision due to the passage of time is recognised as interest expense. Provisions are reviewed annually to reflect current best estimates of the expenditure required to settle the obligations.

#### **Employees' end of service benefits**

The Company provides end of service benefits to its expatriate employees in accordance with employment contracts and the Qatar Labor Law No. 14 of 2004. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

The resulting charge is included within the "Staff cost" in the statement of comprehensive income. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due. This has been presented as other noncurrent liability in the statement of financial position.

The Company provides end of service benefits to its expatriate employees in accordance with employment contracts and the Company's remuneration policy. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. The resulting charge is included within the "Staff cost" in the statement of comprehensive income.

The Company has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due. This has been presented as other noncurrent liability in the statement of financial position.

#### **Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either the Company has the right to operate the asset; or the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their stand-alone price. However, for the lease of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Leases (continued)**

*The Company as a lessee*

The Company recognizes right-of-use asset (see “Right-of-use assets” accounting policy) and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct cost incurred and an estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right to use the assets is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of right-of-use assets are determined on the same basis of as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain premeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The Company presents the right-of-use assets that do not meet the definition of investment property in “Property, plant and equipment” and lease liabilities in “Lease liabilities” in the statement of financial position.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

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

The Company has not elected to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets (i.e., below QR 20,000). The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Leases (continued)**

##### *The Company as a lessor*

When the Company acts as lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of underlying assets. If this is the case, then the lease is the finance lease; or if not, then it is an operating lease. As part of the assessment, the Company considers certain indicators such as whether the lease is for major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use assets arising from the head lease, not with reference to the underlying asset.

If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 “Revenue from Contracts with Customers” to allocate the consideration in the contract.

The Company recognises lease payments received under operating lease as income on straight-line basis over the lease term as part of real estate rental income.

#### **Dividends**

The Company recognises a liability when dividend distribution is authorised and the distribution is no longer at the discretion of the Company. As per the Qatar Commercial Law No 11 of 2015, amended by Law No. 8 of 2021, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

#### **Fair value measurement**

The Company measures equity investments at fair value at each reporting date.

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. 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 minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the 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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fair value measurement (continued)**

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.

**Revenue recognition**

*Revenue from contracts with customers*

The Company recognizes revenue from contracts with customers based on a five step model as set out in IFRS 15:

- Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognize revenue when (or as) the Company satisfies a performance obligation.

The Company satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or
2. The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

When the Company satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. When the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue is recognised in the statement of profit and loss to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably.

## **QATAR CINEMA AND FILM DISTRIBUTION COMPANY Q.P.S.C.**

### **NOTES TO THE FINANCIAL STATEMENTS**

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### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Revenue recognition (continued)**

##### *Sale of service*

The Company generates its revenue from the sale of tickets of movies and revenue 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 is recognized upon performance of actual services.

A receivable is recognized by the Company when the services are rendered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

##### *Rental income*

Rental income receivable from operating leases, less the Company's initial direct costs of entering into the leases, is recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised when it arises.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the lessors are reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the statement of comprehensive income when they arise.

##### *Dividend income*

Dividend income is recognized when the Company's right to receive the payment is established which is generally when shareholders approve the dividend.

##### *Other income*

Revenue is recognized when earned.

#### **Interest income / expense**

Interest income and expense are recognised in the statement of profit using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability. Interest income and expense presented in the statement of comprehensive income include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Interest income / expense (continued)**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the qualifying asset.

**Current versus non-current classification**

The Company presents assets and liabilities based on current / non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle,
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting.

The Company classifies all other liabilities as non-current.

**Contingent assets and liabilities**

Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

**Income tax**

Taxes are calculated based on tax laws and regulations in jurisdictions in which the Company operates. A tax provision is made based on an evaluation of the expected tax liability.

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**4. PROPERTY, PLANT AND EQUIPMENT**

	<u>Land</u>	<u>Building</u>	<u>Motor vehicles</u>	<u>Furniture and fixture</u>	<u>Plant and equipment</u>	<u>Capital work in progress</u>	<u>Total</u>
<b>Cost</b>							
At 1 January 2022	-	-	379,698	2,136,248	8,684,384	16,189,736	27,390,066
Additions	-	-	-	36,590	5,210	1,192,140	1,233,940
Transferred during the year (1)	-	12,555,254	-	1,824,860	2,174,885	(16,554,999)	-
Transferred to investment properties	-	-	-	-	-	(500,833)	(500,833)
Reclassification from investment property (2)	389,094	6,666,825	-	-	-	-	7,055,919
At 31 December 2022	389,094	19,222,079	379,698	3,997,698	10,864,479	326,044	35,179,092
Additions	-	64,425	-	91,901	9,500	-	165,826
Disposal	-	-	-	(15,000)	-	-	(15,000)
At 31 December 2023	389,094	19,286,504	379,698	4,074,599	10,873,979	326,044	35,329,918
<b>Accumulated depreciation</b>							
At 1 January 2022	-	-	263,013	1,900,331	8,572,787	-	10,736,131
Reclassification from investment property	-	4,940,616	-	-	-	-	4,940,616
Charge for the year (Note 21)	-	156,941	35,030	165,809	118,931	-	476,711
At 31 December 2022	-	5,097,557	298,043	2,066,140	8,691,718	-	16,153,458
Charge for the year (Note 21)	-	843,169	33,964	436,136	242,653	-	1,555,922
Disposal	-	-	-	(15,000)	-	-	(15,000)
At 31 December 2023	-	5,940,726	332,007	2,487,276	8,934,371	-	17,694,380
<b>Carrying amounts</b>							
At 31 December 2023	<u>389,094</u>	<u>13,345,778</u>	<u>47,691</u>	<u>1,587,323</u>	<u>1,939,608</u>	<u>326,044</u>	<u>17,635,538</u>
At 31 December 2022	<u>389,094</u>	<u>14,124,522</u>	<u>81,655</u>	<u>1,931,558</u>	<u>2,172,761</u>	<u>326,044</u>	<u>19,025,634</u>

(1) During the year 31 December 2022, the capital work in progress amounted to QR 16,554,999 is completed and is transferred to lease hold improvement, furniture and fixture and plant equipment of QR 12,555,254, QR 1,824,860 and 2,174,885 respectively.

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**4. PROPERTY, PLANT AND EQUIPMENT (Continued)**

(2) This pertains to reclassification of a portion of buildings to property, plant and equipment from investment property which represents fair presentation of the management use of properties.

In addition to improvements and civil works carried out in certain cinemas and certain investment properties, 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 property, plants and equipment incurred in connection to highest international standard cinema under constructed on the leased premises at the Cultural Village-Katara.

During the year 2022, Cinema theatre at Cultural Village-Katara has been opened for public and available for use. Accordingly, and as per Board meeting on December 2022, all leasehold improvements related to Civil works and MEP works has been capitalized and it will be depreciated thereafter.

Certain 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.

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**5. INVESTMENT PROPERTIES**

	<u>Land</u>	<u>Building</u>	<u>Furniture and fixture</u>	<u>Building improvements</u>	<u>Capital work in progress</u>	<u>Total</u>
<b>Cost</b>						
At 1 January 2022	508,735	107,357,204	3,722,742	18,130,677	-	129,719,358
Additions	-	-	-	40,701	-	40,701
Transfer from property, plant and equipment	-	-	-	298,431	202,402	500,833
Reclassification to property, plant and equipment (1)	(389,094)	-	-	(6,666,825)	-	(7,055,919)
At 31 December 2022	119,641	107,357,204	3,722,742	11,802,984	202,402	123,204,973
Additions	-	-	-	-	108,780	108,780
At 31 December 2023	119,641	107,357,204	3,722,742	11,802,984	311,182	123,313,753
<b>Accumulated depreciation</b>						
At 1 January 2022	-	30,636,749	3,105,458	15,202,342	-	48,944,549
Charge for the year (Note 21)	-	2,683,930	604,655	352,336	-	3,640,921
Reclassification to property, plant and equipment	-	-	-	(4,940,616)	-	(4,940,616)
At 31 December 2022	-	33,320,679	3,710,113	10,614,062	-	47,644,854
Charge for the year (Note 21)	-	2,683,930	10,966	162,922	-	2,857,818
At 31 December 2023	-	36,004,609	3,721,079	10,776,984	-	50,502,672
<b>Carrying amounts</b>						
<b>At 31 December 2023</b>	<b>119,641</b>	<b>71,352,595</b>	<b>1,663</b>	<b>1,026,000</b>	<b>311,182</b>	<b>72,811,081</b>
<b>At 31 December 2022</b>	<b>119,641</b>	<b>74,036,525</b>	<b>12,629</b>	<b>1,188,922</b>	<b>202,402</b>	<b>75,560,119</b>

(1) This pertains to reclassification of a portion of buildings to property, plant and equipment from investment property which represents fair presentation of the management use of properties.

The fair value of investment properties determined based on valuation performed by accredited independent valuer as at December 31, 2022 and 2021. The valuer, is an accredited independent valuer with a recognized and relevant professional qualification and with recent experience in the location and category of those investment properties being valued. In arriving at estimated market values the valuer has used their market knowledge and professional judgment and not only relied on historical transactions comparable.

Company's management has concluded that there is no impairment in investment property as the market value is greater than its net book value. Investment property building is depreciated on its useful life over the period of 40 years.

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**5. INVESTMENT PROPERTIES (Continued)***Investment properties are located in State of Qatar*

Investment property comprises a number of commercial and residential properties intended for leasing. Changes in fair values are not recognized as the Company recognized these investment properties at cost model and carries investments at cost less accumulated depreciation.

The fair value of investment properties amounted QR 602,004,896 at 31 December 2023.

The following amounts are recognized in statement of comprehensive income:

	<u>2023</u>	<u>2022</u>
Rental income (Note 20)	13,092,543	13,261,929
expenses generating rental income	(7,683,223)	(12,310,132)
Profit arising from investment properties	<u><b>5,409,320</b></u>	<u><b>951,806</b></u>

**6. RIGHT-OF-USE ASSETS**

	<u>Buildings</u>	<u>Total</u>
<b>Cost</b>		
At 31 December 2022	9,049,168	9,049,168
<b>At 31 December 2023</b>	<u><b>9,049,168</b></u>	<u><b>9,049,168</b></u>
<b>Accumulated depreciation</b>		
At 31 December 2021	2,491,932	2,491,932
Charge for the year (Note 21)	829,886	829,886
At 31 December 2022	<b>3,321,818</b>	<b>3,321,818</b>
Charge for the year (Note 21)	829,886	829,886
<b>At 31 December 2023</b>	<u><b>4,151,704</b></u>	<u><b>4,151,704</b></u>
<b>Carrying amounts</b>		
<b>At 31 December 2023</b>	<u><b>4,897,464</b></u>	<u><b>4,897,464</b></u>
<b>At 31 December 2022</b>	<u><b>5,727,350</b></u>	<u><b>5,727,350</b></u>

The above right-of-use-asset represent the lease of Cinema theatre at Cultural village-Katara. The right-of-use-assets were measured at the net present value of future lease payments. When measuring lease liability, the Company discounted lease payments using its incremental borrowing rate. The incremental borrowing rate used is 5.5%. The Company has right to use such cinema theater up to December 2029. The lease amounts are amortizing on a straight-line basis over the lease period.

For additional information about leasing activities, refer to Note 15.

**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMREHENSIVE INCOME**

	<u>2023</u>	<u>2022</u>
At 1 January	32,627,010	39,406,477
Changes in the fair value	(1,623,563)	(6,779,467)
<b>At 31 December</b>	<u><b>31,003,447</b></u>	<u><b>32,627,010</b></u>

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**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)***Quoted shares: concentration of investment portfolio*

Concentration of investment portfolio arises when a number of investments are made in entities engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would be affected by changes in economic, political or other conditions. The Company manages this risk through diversification of investments in terms of industry concentration. The industry concentration of the investment portfolio is as follows:

	<u>2023</u>	<u>2022</u>
<i>Listed shares located in State of Qatar</i>		
Banks and financial institutions	26,375,235	27,933,537
Consumer goods and services	1,557,028	1,685,685
Industrial	3,071,184	3,007,788
	<u><b>31,003,447</b></u>	<u><b>32,627,010</b></u>

(iii) Equity instruments at FVOCI include investments in listed equity shares. The Company holds non-controlling interest less than 1% in these companies. These investments were irrevocably designated at FVOCI as the Company considers these investments to be strategic in nature.

**8. ACCOUNTS AND OTHER RECEIVABLES**

	<u>2023</u>	<u>2022</u>
Tenants' receivables	3,122,480	1,983,927
Trade receivables	1,190,252	984,362
	<u><b>4,312,732</b></u>	<u><b>2,968,289</b></u>
Provision for impairment loss on accounts receivables (1)	(1,542,753)	(1,292,753)
<b>Account receivables, net</b>	<u><b>2,769,979</b></u>	<u><b>1,675,536</b></u>
Staff receivables	270,146	201,201
Prepaid expenses	333,240	222,219
Refundable deposits	758,999	638,073
	<u><b>4,132,364</b></u>	<u><b>2,737,029</b></u>

(1) The movements in the provision for impairment loss on accounts receivable were as follows:

	<u>2023</u>	<u>2022</u>
At 1 January	1,292,753	861,300
Allowance provided during the year	250,000	431,453
At 31 December	<u><b>1,542,753</b></u>	<u><b>1,292,753</b></u>

Information about the Company's exposure to credit risk for accounts receivables is included in Note 26.

**9. CASH AND CASH EQUIVALENT**

	<u>2023</u>	<u>2022</u>
Bank current accounts	12,818,890	17,669,221
Deposits *	10,000,000	120,025
	<u><b>22,818,890</b></u>	<u><b>17,789,246</b></u>

\*This pertains to short term deposits with reputed bank in the State of Qatar which earns 5.4% interest with rollover period of every three months

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**10. SHARE CAPITAL**

	<u>2023</u>	<u>2022</u>
Capital - authorized and issued:		
62,807,950 shares with a par value of QR. 1 each	<u>62,807,950</u>	<u>62,807,950</u>
(31 December 2023: QR 1 par value of each share)		

**11. LEGAL RESERVE**

In accordance with the requirements of the Qatar Commercial Companies Law No. 11 of 2015 and the Company's Articles of Association, an amount equal to 10% of the net profit for the year should be transferred to a legal reserve each year until this reserve is equal to 50% of the paid-up share capital. The reserve is not available for distribution except in the circumstances stipulated in the above law and the Company's Article of Association. In accordance with its Article of Association, and statutory law requirements, the Company is transferring a specific percentage from its annual net profit to the legal reserve. No transfer has made during the year since the Company has reached the prescribed amount.

**12. GENERAL RESERVE**

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

**13. FAIR VALUE RESERVE**

	<u>2023</u>	<u>2022</u>
At 1 January	8,566,139	15,345,606
Changes in fair value	<u>(1,623,563)</u>	<u>(6,779,467)</u>
<b>At 31 December</b>	<b><u>6,942,576</u></b>	<b><u>8,566,139</u></b>

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

	<u>2023</u>	<u>2022</u>
At 1 January	1,203,160	1,182,298
Provided during year (Note 22)	137,795	112,405
Paid during the year	<u>(32,333)</u>	<u>(91,543)</u>
<b>At 31 December</b>	<b><u>1,308,622</u></b>	<b><u>1,203,160</u></b>

Management has classified the obligation within non-current liability in the statement of financial position as it does not expect that there will be significant payments towards its employees' end of service benefits obligation within 12 months from the reporting date. The provision is not discounted to present value as the effect of the time value of money is not expected to be significant.

**15. LEASE LIABILITY**

	<u>2023</u>	<u>2022</u>
At 1 January	9,516,417	9,381,302
Finance cost	368,456	428,202
lease payments	<u>-</u>	<u>(293,087)</u>
<b>At 31 December</b>	<b><u>9,884,873</u></b>	<b><u>9,516,417</u></b>

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**15. LEASE LIABILITY (Continued)**

The lease liability is presented in the statement of financial position as mentioned below:

	<u>2023</u>	<u>2022</u>
Current liability	2,422,592	853,683
Non-current liability	7,462,281	8,662,734
<b>At 31 December</b>	<b><u>9,884,873</u></b>	<b><u>9,516,417</u></b>

The maturity analysis of the contractual undiscounted cash flows of lease liabilities is as follows:

	<u>2023</u>	<u>2022</u>
Less than one year	3,458,425	2,167,762
One to five years	5,561,638	5,399,651
More than five years	1,113,819	2,566,469
<b>Total undiscounted lease liabilities at 31 December</b>	<b><u>10,133,882</u></b>	<b><u>10,133,882</u></b>

The amounts recognized in the statement of comprehensive income are as follows:

	<u>2023</u>	<u>2022</u>
Interest on lease liabilities (Note 23)	368,456	428,202
Depreciation expense (Note 21)	829,886	829,886
Expense relating to short-term lease (Note 21)	1,137,348	937,878

The Company recognized the following amounts in the statement of cash flows:

	<u>2023</u>	<u>2022</u>
<i>Cash flow from operating activity</i>		
Interest expense (added back)	368,456	428,202
Depreciation on right-on-use of asset (added back)	829,886	829,886
<i>Cash flows from financing activities</i>		
Interest paid	368,456	428,202

**16. DIVIDENDS PAYABLES**

	<u>2023</u>	<u>2022</u>
Balance at 1st January	6,541,969	6,283,816
Dividends declared during the year (1)	3,768,478	3,768,477
Dividends Paid during the year	(3,960,189)	(3,510,324)
Balance at 31 January 2023	<b><u>6,350,258</u></b>	<b><u>6,541,969</u></b>

(1) The Annual general assembly meeting held on 8th of March 2023 has approved dividends per share amounted QAR 0.06 total amounting QAR 3,768,478 (2022: QAR 3,768,477).

(2) The board of directors in its meeting dated 10th February 2024 has recommended dividends distribution of 7% of share capital amounted QAR 0.07 per share, total dividends amounted QAR 4,381,277 which is subject to approval of Company General assembly.

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**17. ACCOUNTS AND OTHER PAYABLES**

	<u>2023</u>	<u>2022</u>
Accounts payables	2,722,432	1,736,897
Accrued expenses	219,879	167,040
Provision for social and sports contribution (1)	109,532	69,422
Other payables	62,816	62,816
Retention payable	-	551,769
	<u><b>3,114,659</b></u>	<u><b>2,587,944</b></u>

(1) The movements in the provision for social and sports contribution were as follows:

	<u>2023</u>	<u>2022</u>
At 1 January	69,422	53,895
Allowance settled during the year	(69,422)	(53,895)
Allowance provided during the year	109,532	69,422
At 31 December	<u><b>109,532</b></u>	<u><b>69,422</b></u>

**18. RELATED PARTY DISCLOSURES****(i) Related party transactions***Transactions with key management personnel:*

The following are the transactions that happened during the year.

	<u>2023</u>	<u>2022</u>
Board of directors' remuneration (Note 22)	-	658,000
Salaries and other short-term benefits	-	267,150
Long-term benefits	-	10,500
	<u><b>-</b></u>	<u><b>935,650</b></u>

**19. CONTINGENT LIABILITIES**

The Company had the following contingent liabilities from which it is anticipated that no material liabilities will arise.

	<u>2023</u>	<u>2022</u>
Advance payment guarantee	<u><b>100,000</b></u>	<u><b>100,000</b></u>

**20. REVENUE**

	<u>2023</u>	<u>2022</u>
Real estate income	13,092,543	13,261,929
Movies income	4,812,675	3,423,149
Cafeteria income	1,450,553	507,393
Dividends income	1,352,753	1,207,147
Other revenue	34,330	152,623
	<u><b>20,742,854</b></u>	<u><b>18,552,241</b></u>

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**21. COST OF REVENUE**

	<u>2023</u>	<u>2022</u>
Depreciation of investment properties (Note 5)	2,857,818	3,640,921
Depreciation of property, plant and equipment (Note 4)	1,555,922	476,711
Depreciation of Right-of-use-assets (Note 6)	829,886	829,886
Share of film distributors	2,415,699	1,685,917
Salaries and employee benefits	1,323,310	1,432,745
Short term lease expenses (Note 15)	1,137,348	437,878
Maintenance and cleaning expenses	1,215,395	1,157,261
Other operating expenses	1,212,055	1,779,961
	<u><b>12,547,433</b></u>	<u><b>11,441,280</b></u>

**22. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>2023</u>	<u>2022</u>
Staff cost	2,107,485	1,776,324
Legal and professional fees	439,590	461,065
Advertisement expenses	155,394	133,700
Employees' end of service benefits (Note 14)	137,795	112,405
Traveling and transportation	107,079	129,942
Bank charges	85,399	113,680
Board of directors' remuneration (Note 18)	-	658,000
Other expenses	620,134	709,553
	<u><b>3,652,876</b></u>	<u><b>4,094,669</b></u>

**23. FINANCE COST / INCOME - NET**

	<u>2023</u>	<u>2022</u>
Finance cost on lease liabilities (Note 15)	(368,456)	(428,202)
Interest income on term deposits	367,546	477,104
	<u><b>(910)</b></u>	<u><b>48,902</b></u>

**24. EARNING PER SHARE**

Net profit for the year	<u>4,381,277</u>	<u>2,776,872</u>
Weighted average number of shares	<u>62,807,950</u>	<u>62,807,950</u>
Basic earnings per share	<u>0.070</u>	<u>0.044</u>

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**25. FAIR VALUE MEASUREMENT**

**FINANCIAL INSTRUMENTS**

*Accounting classification and fair values*

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	<i>Carrying amount</i>		<i>Fair Values</i>			
	<i>FVOCI – equity investment</i>	<i>Carrying amount</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b>FINANCIAL ASSETS</b>						
<i>As at 31 December 2023</i>						
<b>Financial assets measured at fair value</b>						
Financial asset at fair value through OCI	31,003,447	-	31,003,447	-	-	31,003,447
<i>As at 31 December 2022</i>						
<b>Financial assets measured at fair value</b>						
Financial assets at fair value through OCI	32,627,010	-	32,627,010	-	-	32,627,010
<b>NON-FINANCIAL ASSETS</b>						
<i>As at 31 December 2023</i>						
<b>Non-financial assets not measured at fair value</b>						
Investment properties	-	72,811,081	-	-	602,004,896	602,004,896
<i>As at 31 December 2022</i>						
<b>Non-financial assets not measured at fair value</b>						
Investment properties	-	75,560,119	-	-	75,560,119	75,560,119

The following table shows the valuation techniques used in measuring Level 2 fair values as at 31 December 2023 and 2022 for assets and liabilities measured at fair value in the statement of financial position, as well as the significant unobservable inputs used. Related valuation processes are described in (Note 3).

<i>Type</i>	<i>Valuation technique</i>	<i>Significant unobservable inputs</i>	<i>Inter-relationship between significant unobservable inputs and fair value measurement</i>
Investment property –Land and building in the State of Qatar	<i>Market comparison technique:</i> The fair values are calculated as derived from the current market prices available for the properties or nearby / adjacent properties adjusted for any differences with the comparable properties.	Not applicable	Not applicable

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## 26. FINANCIAL RISKS AND CAPITAL MANAGEMENT

### Financial risks management

**The risk management function within the Company is carried out in respect of financial risks.**

The Company has exposure to the following risks from its use of financial instruments:

- a. *Market risk;*
- b. *Credit risk; and*
- c. *Liquidity risk*

Financial risks are risks arising from financial instruments to which the Company is exposed during or at the end of the reporting period. Financial risk comprises market risk (including currency risk, equity price risk and interest rate risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

#### a) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial assets. The objective of market risks management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company has a set of acceptable parameters, based on value at risk, that may be accepted and which is monitored on a regular basis.

##### (i) *Currency risk*

The Company is not exposed to significant foreign exchange risk as it primarily transacts in Qatari Riyal, which is the Company's functional currency. Also, some transactions of the Company in the US Dollar bear no foreign currency risk as the US Dollar is pegged with the Qatari Riyal.

##### (ii) *Interest rate risk*

Interest rate risk arises when the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are independent of changes in market interest rates.

##### (iii) *Equity price risk*

The Company's listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities.

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## 26. FINANCIAL RISKS AND CAPITAL MANAGEMENT (Continued)

### Financial risks management (continued)

#### a) Market risk (continued)

##### (iii) Equity price risk (continued)

The Company manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to equity investments at fair value listed on the QSE was 31,003,447. Given that the changes in fair values of the equity investments held are strongly positively correlated with changes of the QSE market index, the Company has determined that an increase/(decrease) of 10% on the QSE market index could have an impact of approximately QR 3,100,345 increase/(decrease) on the income and equity attributable to the Company.

#### b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivables and cash and cash equivalent.

The carrying amount of the financial assets represent the maximum credit exposures.

	<u>2023</u>	<u>2022</u>
Accounts and other receivable	3,799,124	2,514,810
cash and cash equivalent	22,818,890	17,789,246
<b>At 31 December</b>	<b><u>26,618,014</u></b>	<b><u>20,304,056</u></b>

##### *Accounts and other receivable*

The Company limits its exposure to credit risk from these financial assets by evaluating the creditworthiness of each counter - party prior to entering into contracts; establishing sale limits for each counter-party, which are reviewed regularly; and periodically reviewing the collectability of its receivables for identification of any impaired amounts.

The Company uses an allowance matrix to measure the ECLs of its accounts receivables. In monitoring the credit risk from customers, the customers are grouped according to their credit characteristics.

##### *Cash at cash equivalents*

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Company uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt securities.

#### c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions. without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

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## 26. FINANCIAL RISKS AND CAPITAL MANAGEMENT (Continued)

### Financial risks management (continued)

#### c) Liquidity risk (continued)

The table summarises the maturity profile of the Company's undiscounted financial liabilities at 31 December based on contractual payment dates and current market profit.

	2023			Total
	Less than 1 year	1-5 years	More than 5 years	
Accounts and other payables ( <i>excluding non-financial liabilities</i> )	2,785,248	-	-	2,785,248
Lease liabilities	3,458,425	5,561,638	1,113,819	10,133,882
Tenants advances	944,151	-	-	944,151
	<b>7,187,824</b>	<b>5,561,638</b>	<b>1,113,819</b>	<b>13,863,281</b>

	2022			Total
	Less than 1 year	1-5 years	More than 5 years	
Accounts and other payables ( <i>excluding non-financial liabilities</i> )	1,992,818	-	-	1,992,818
Lease liabilities	2,167,762	5,399,651	2,566,469	10,133,882
Tenants advances	853,683	-	-	853,683
	<b>5,014,263</b>	<b>5,399,651</b>	<b>2,566,469</b>	<b>12,980,383</b>

## 27. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In preparing these financial statements, the Board has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about significant areas that involve higher degree of judgment or complexity, or areas where assumptions or estimates have a significant risk of resulting in a material adjustment to the amounts recognised in the financial statements are as follows:

### *Going concern*

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

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**NOTES TO THE FINANCIAL STATEMENTS**

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**27. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)**

***Useful lives of right-of-use assets and property, plant and equipment and investment property***

The Company's management determines the estimated useful lives of its right-of-use assets and property, plant and equipment in order to calculate the depreciation and the amortization. This estimate is determined after considering the expected usage of the asset and intangibles, physical wear and tear, technical or commercial obsolescence. The Company's management reviews the residual value and useful lives annually and future depreciation and amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

***Valuation of lease liabilities and right-of-use assets***

The application of IFRS 16 requires the Company to make judgments and estimates that affect the valuation of the lease liabilities and right-of-use assets. These include determining the contracts in scope of IFRS 16, determining the contract term and the finance cost rate used for discounting of future cash flows.

The lease term determined by the Company comprises non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Company is certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

For lease contracts with indefinite term, the Company estimates the length of the contract to be equal to the estimated useful life of non-current assets located in the leased physically connected with it or determines the length of the contract to be equal to the average or typical market contract term of particular type of lease. The same economic useful life is applied to determine the depreciation rate of right-of-use assets.

The present value of the lease payment is determined using the discount rate representing the rate of finance cost rate swap applicable for currency of the lease contract and for similar tenor, corrected by the average credit spread of entities with rating similar to the Company's rating, observed in the period when the lease contract commences or is modified.

***Depreciation of property and equipment***

Items of property and equipment are depreciated over their estimated individual useful lives. The determination of useful lives is based on the expected usage of the asset, physical wear and tear, and technological or commercial obsolescence, and impacts the annual depreciation charge recognized in profit or loss. Management reviews annually the useful lives of these assets. Future depreciation charge could be materially adjusted where management believes the useful lives differ from previous estimates.

***Distinction between property and equipment and investment properties***

The Company determines whether a property qualifies as an investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Property and equipment or owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.

***Impairment of non-financial assets***

The carrying amounts of the Company's non-financial assets (right-of-use assets, property, plant and equipment, but not inventories and investment properties) are reviewed at each reporting date to determine whether there is any indication of impairment. The determination of what can be considered impaired requires significant judgement. As at the reporting date, management did not identify any evidence from internal reporting indicating impairment of an asset or class of assets.

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**27. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)**

***Business model assessment***

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how group of financial assets are managed together to achieve a particular business objective.

This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how the managers of the assets are compensated. The Company monitors financial assets measured at amortized cost that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes required during the year.

***Impairment of receivables***

The expected credit loss (ECL) impairment model requires forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. It also requires management to assign probability of default to various categories of receivables. Probability of default constitutes a key input in measuring an ECL and entails considerable judgement; it is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

***Provision for employees' end of service benefits***

Management has measured the Company's obligation for the post-employment benefits of its employees based on the provisions of the Qatar Labour Law No. 14 of 2004. Management does not perform an actuarial valuation as required by International Accounting Standard 19 "Employee Benefits" as it estimates that such valuation does not result to a significantly different level of provision. The calculation of the provision is performed by management at the end of each year, and any change to the projected benefit obligation at the year-end is adjusted in the provision for employees' end of service benefits in the statement of comprehensive income.

***Other provisions and liabilities***

Other provisions and liabilities are recognised in the period only to the extent management considers it probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgment to existing facts and circumstances, which can be subject to change.

Since the actual cash outflows can take place in subsequent years, the carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances. A change in estimate of a recognised provision or liability would result in a charge or credit to the statement of comprehensive income in the period in which the change occurs.

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## 28. OPERATING SEGMENTS

### *Basis for segmentation*

For management purposes, the Company is organized into business units based on its business activities and has four reportable segments. These divisions offer different products and services and are managed separately because they require different technology and marketing strategies.

### Reportable segments

Residential and commercial properties  
Investments  
Cinema Income

### Operations

Rental of real estate properties.  
Investing in shares.  
Operating movie theaters and distribution of cinema films.

No operating segments have been aggregated to form the above reportable operating segments. The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements.

The following table presents revenues and expenses regarding the Company's operating segments.

<b>2023</b>	<b>Residential and commercial properties</b>	<b>Investments</b>	<b>Cinema income</b>	<b>Total</b>
Revenues	13,092,543	-	6,297,558	19,390,101
Dividends income from equity investments	-	1,352,753	-	1,352,753
Cost of revenue	(4,966,736)	-	(7,580,697)	(12,547,433)
General and administrative expenses	(2,466,487)	-	(1,186,389)	(3,652,876)
Other income	-	-	89,642	89,642
Finance cost – net	-	-	(910)	(910)
Provision for impairment loss on account receivables	(250,000)	-	-	(250,000)
<b>Segment profit</b>	<b>5,409,320</b>	<b>1,352,753</b>	<b>(2,380,796)</b>	<b>4,381,277</b>

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**28. OPERATING SEGMENTS (Continued)**

<b>2022</b>	<b>Residential and commercial properties</b>	<b>Investments</b>	<b>Cinema income</b>	<b>Total</b>
Revenues	13,261,929	-	4,083,165	17,345,094
Dividends income from equity investments	-	1,207,147	-	1,207,147
Cost of revenue	(8,747,917)	-	(2,693,363)	(11,441,280)
General and administrative expenses	(3,130,753)	-	(963,916)	(4,094,669)
Other income	-	-	143,131	143,131
Finance income - net	-	-	48,902	48,902
Provision for impairment loss on account receivables	(431,453)	-	-	(431,453)
<b>Segment profit</b>	<b>951,806</b>	<b>1,207,147</b>	<b>617,919</b>	<b>2,776,872</b>

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**29. COMPARATIVE INFORMATION**

Certain changes in the classification of accounts and accordingly, to the supporting note disclosures have been made to the previous year's financial statements to conform to the current year's financial statement presentation.

The reclassification did not materially affect previously reported profit or equity.

<b>Statement of comprehensive income</b>	<b>As previously reported 31 December 2022</b>	<b>Adjustments</b>	<b>As reclassified 31 December 2022</b>
Cinema revenue	4,083,165	(4,083,165)	-
Cinema operating cost	5,336,501	(5,336,501)	-
Net income from real estate activity	12,104,668	(12,104,668)	-
Other income	1,827,382	(1,684,251)	143,131
General and administrative expenses	4,412,442	(317,773)	4,094,669
Depreciation expense	4,947,518	(4,947,518)	-
Finance cost	541,882	590,784	(48,902)
Revenue	-	18,552,241	18,552,241
Cost of revenue	-	11,441,280	11,441,280
<b>Statement of financial position</b>			
Property and equipment	17,112,733	1,912,901	19,025,634
Investment property	77,473,020	1,912,901	75,560,119
Accounts and other payables	2,445,163	142,781	2,587,944
Accounts and other receivables	2,594,248	142,781	2,737,029

The presentation and classification of items in the financial statements shall be retained from one period to the next unless a change in presentation including the reclassification of comparative figures provides more reliable and relevant information to the users of the financial statements. The reclassifications of comparative figures did not affect the previously reported results of operations and retained earnings.

**30. SUBSEQUENT EVENTS**

There were no significant subsequent events which have a bearing on the understanding of this financial statements.