

ANNUAL REPORT

2010



Transforming the future of entertainment

Cineco
bahrain cinema company

Registered office

Building No. 1075, Road No. 830, Block No. 308
Al Zu'bara Avenue
P.O. Box 26573, Manama, Kingdom of Bahrain

Bankers

National Bank of Bahrain
Bank of Bahrain and Kuwait
Ahli United Bank

Registrars

KPMG Fakhro
PO Box 710, Manama, Kingdom of Bahrain

Auditors

Jawad Habib & Co
10th & 11th Floor, GBCORP Tower
Bahrain Financial Harbour
P.O. Box 787, Manama, Kingdom of Bahrain



His Royal Highness
Prince Khalifa Bin Salman Al Khalifa
The Prime Minister
of the Kingdom of Bahrain



His Royal Majesty
King Hamad Bin Isa Al Khalifa
The King of the
Kingdom of Bahrain



His Royal Highness
Prince Salman Bin Hamad Al Khalifa
The Crown Prince and
Deputy Supreme Commander

Our History

30/06/1967: The late Amir of Bahrain, Shaikh Isa Bin Salman Al Khalifa, may God rest his soul in peace, issued a charter to establish the Bahrain Cinema and Film Distribution Company (BC & FDC), with the following founder members:

Late Ali A. Rahman Al Wazan/ Mr. Ali Ben Yousif Fakhro/ Late Ezra Ebrahim Nono/ Late A. Rahman Bin Mohamed Al Khalifa/ Mr. Mohamed Yousif Jalal/ Mr. Ali Ebrahim Abdul Aal/ Mr. Ali Yousif Obaidly/ Mr. Sayed Alawi Sayed Maoosa Al Alawi/ Late A. Rahman A. Ghaffar Al Alawi/ Mr. Jassim Mohamed Fakhro.

Authorized Capital BD 750,000

Issued Capital BD500,000 distributed over 50,000 shares, at a nominal value of BD10.000 per share.

06/06/1968: BC & FDC commences operations after acquisition of Awal Cinema, Bahrain Cinema & Al Nasr Cinema from late Abdul Rahman A. Alawi.

Al Zubara Cinema was leased from late Ali Bin Ahmed Al Khalifa.

08/06/1968: Opening of Al Hamra Cinema, being the first air-conditioned theater in Bahrain.

20/07/1971: Opening new premises of Awal Cinema after demolishing the old one. Taking over Al Zubara Cinema from late Ali Bin Ahmed Al Khalifa.

06/01/1972: Opening of Andalus Cinema at Isa Town.

01/04/1972: Leasing Awali and Sitra Gate Cinemas from Bapco.

1973: Closing down Al Zubara Cinema.

22/02/1973: Leasing Al Jazeera Cinema from the Government.

1974: Increase of issued and paid-up capital to BD750,000 by offering 25,000 shares as rights issue at the rate of BD30.000 per share.

1975: BC & FDC gets compensated with the Central Market Land in lieu of the ex-Bahrain Cinema Land.

Fire breaks out at Andalus Cinema.

1976: BC & FDC changes its name to Bahrain Cinema Company (BCC)

17/06/1978: Another fire breaks out at Andalous Cinema.

27/08/1979: A major fire breaks down at Awal Cinema.

1979: Converting Al Nasr Cinema into an air-conditioned theatre.

1981: Doubling the issued and paid-up capital to BD1,500,000 through issuance of 100% bonus shares, and splitting the share to BD1.000.

1983: Opening new premises of Awal Cinema and closing Sitra Gate Cinema.

1984: Induction of new management force represented by Dr. Esam Abdulla Fakhro as the Managing Director and Mr. Ahmad A. Rehman Rashed, as the General Manager.

1985: Opening of Bahrain Video and Video Matic outlets.

BCC sells its share in Oman Arab Cinema.

1988: Opening of Budaiya Video outlet.

1989: Disposal of Andalus Cinema to the Ministry of Information.

1990: Reduction of paid-up Capital to 1,259,880 following a write off of 240,120 shares + cash in a barter deal with the Government to surrender Andalus Cinema.

1991: sale of usufruct right of Al Jazeera Cinema Closing down Awali Cinema

1992: Increase of authorized capital to BD3 million.

Increase of issued and paid-up capital to BD1,385,868 through issuance of 10% bonus shares.

Split of shares to 100 fils per share.

1993: Increase of issued and paid-up capital to BD1,524,455 by issuance of 10% bonus shares.

1996: Opening 2 screens of Delmon Cinema at GOSI Building.

1997: Increase of paid-up capital to BD1,722,635 through issuance of 13% Bonus shares.

Opening of Al Seef 6 screens Cineplex at Seef Mall.

1998: Increase of paid-up capital to BD1,998,257 through issuance of 16% bonus shares.

05/05/2000: Al Nasr Cinema shuts down permanently after a major fire breaks down. Al Hamra Cinema shuts down temporarily for repairs caused by fire.

28/06/2000: Opening of Al Jazeera 2 Screens Cineplex at Muharraq Island.

26/12/2000: Opening of 4 Screens Saar Cineplex at Saar.

07/02/2001: Re-opening Al Hamra Cinema.

03/04/2001: Closing of Riffain & Awali Video outlets.

19/09/2001: Opening of Seef 10 screens Megaplex.

07/05/2002: Opening of "Rendezvous" open buffet Restaurant.

2002: Closing of Videomatic Video outlet.

28/02/2003: Closing of Budaiya video.

31/12/2003: Closing of Bahrain video.

31/01/2004: Closing of Delmon video.

11/04/2004: Increasing the paid-up capital to BD2,297,993 by issuance of 15% bonus share.

29/04/2004: Opening of a new 14 screens Cineplex at the Doha City Center, Qatar.

16/06/2004: Increase of authorized capital to BD10 million.

30/09/2004: Delmon Cinema, at the Gosi Mall shuts down permanently.

04/01/2005: The signing of a new 20 Screens Cineplex at the Bahrain City Center.

16/01/2005: Increase in the paid-up capital to BD2,597,734 by issuance of 2,846,843 rights issue shares at the rate of 500 fils per share.

29/03/2005: Increase in the paid-up capital to BD2,942,430 by issuance of 15% bonus share.

18/03/2006: Increasing the paid-up Capital to BD3,383,795 by issuance of 15% bonus shares.

25/05/2006: Increase in the paid-up Capital to BD3,825,160 by issuance of 4,413,650 rights issue shares at the rate of 600 fils per share.

13/11/2006: Closing down of Snooker Centre.

01/01/2007: Opening of Tak-a-Tak Casual Indian Restaurant in Awal Cinema Complex.

15/01/2007: The Signing of a 13 Screens Cineplex at the Villagio Mall, Doha, Qatar.

22/10/2007: Reduction of number of directors to seven.

24/01/2008: The sad demise of the Chairman Ali Ben Yousif Fakhro, may his soul rest in peace.

10/02/2008: The formation of the BREADTALK joint venture.

03/03/2008: Increasing the paid-up capital to BD4,590,192 by issuance of 20% bonus shares.

30/04/2008: Sale of Central Market land.

22/10/2009: The opening of Cineco 13 at the Doha Villagio Mall.

26/11/2009: The opening of Cineco 20 at the Bahrain City Centre.

21/01/2010: Opening of Awal Banquet Hall

02/09/2010: Opening of the 3rd branch of Bread Talk at the Bahrain City Center

31/12/2010: The Formation of Qatar Bahrain International Cinema Co W.L.L

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Board of Directors



Dr. Esam Abdulla Fakhro
Chairman



Fareed Yousif Almoayed
Director



Mohammed Ebrahim Kanoo
Director



Ali Yousif Ubaydli
Vice Chairman



Shawqi Ali Fakhro
Director



Jalal Mohamed Jalal
Director



Jehad Yousif Amin
Director



Ahmed A. Rahman Rashed
Chief Executive Officer

Chairman's Message

Dear Shareholders,

It gives me immense pleasure to write to you at the conclusion of another significant and eventful year in the history of Cineco. Last year has been a truly momentous one for our Company. Not only had we excelled in reiterating our leadership position in Bahrain, but also in State of Qatar. We recorded one of our best ever performances in terms of all round growth and improvement in profitability metrics of the company. After 43 years of successful operation and impressive presence in Bahrain, our company is truly on the cusp of a huge transformation, and ready to move to the next level.

Our company has a robust business model that is even more relevant today. Four decades ago, when our company started the operations in a modest way, today with 44 screens in Bahrain and 27 screens in Qatar, Cineco is the market leader in GCC. Our company has the same opportunity to create new business models for the future.

In a year marked with challenges and opportunities, our company has achieved credible financial results. On a consolidated basis, Revenues grew by 50% to BD12.9 Million while net profit grew 18% to go up to BD4.4 Million after providing for impairment charge of BD649,041. We are making impairment provision for the third consecutive year and this year provision mainly represents the big drop in the share price of GFH. Our Earnings per share for the year were Bd. 0.096 fils. Revenue growth was translated into higher profitability at the operating and net levels on the back of good execution. The steady growth achieved by our company has been enabled by conscious strategy of expansion plan of Cineco 20 project executed by our company in the year 2009. The fruits of the expansion are visible during the year. The international business too continued on its growth trajectory due to the operation of new Villagio Joint venture project.

This stellar performance has helped us reward our shareholders in a significant manner with a cash dividend of 50% and a bonus issue of 20% subject to shareholder approval. This takes the total payout ratio to 70% on a consolidated basis in 2010 – among the highest in the corporate sector in Bahrain. This is a strong signal about our policy of rewarding shareholders on a consistent basis.

Cineco devised a strategic plan last year in line with the company's approach to outperform and create superior value for all stakeholders. Under this plan, the company plans to see the topline growth of 50% during the year 2010 due to opening of new Cineco 20 project and our company just achieved that landmark growth. With these types of strategic roadmaps, our company would continue to drive strong profitable growth and create further value for its shareholders, customers, employees and business partners.

Our company was having two joint venture projects in Qatar one in City Center mall and the other one in Villagio mall. To provide an opportunity to pool together the skills, experience, competencies of both the companies, it was decided to merge both the companies and create a new company by name 'Qatar Bahrain International Cinema Company WLL'. Our Company has possessed 23% post merger in the new company. Under this new company's umbrella, we are starting one more new project with 13 screens in the upcoming Gulf Mall, Doha during the next financial year.



I take pride in the fact that Cineco has been nimble footed to take cognizance of the constant churn and change in market dynamics to appropriately build strategies and reap maximum benefit of the emerging opportunities. The changing dynamics of the market drove the point home that our company must always be frugal and efficient. We must have the ability to manage costs without compromising on the investments required.

In addition to steady growth in the existing business, our company has also been focusing on new vistas of opportunities in the GCC region. We are opening our second branch of Rendezvous Restaurant in CityCenter cinema lobby in the month of February 2011. And also our joint venture Bread Talk venturing into Saudi Arabia with a Saudi local partner and we are planning to open 6 outlets throughout Saudi Arabia and our first store is scheduled to be opened in July 2011.

Based on the Group's 2010 financial results, the Board is recommending the following appropriations for approval by the shareholders.

1. Payment of cash dividend at the rate of 50 fils per share amounting to BD2,295,096 to the shareholders representing 50% of the issued share capital.
2. Distribution of bonus shares to the shareholders at the rate of 20% of the paid up capital.
3. Director's remuneration of BD134, 000.
4. Transfer the balance of BD13,021,821 to retained earnings.

Success of any company can only be possible because of its employees and the people who put in their unrelenting efforts to rise to excellence. I would like to say that our company's employees are its greatest asset and it is entirely due to their hard work, perseverance, commitment, professionalism and dedication that the company has been able to deliver superior growth and value creation with every passing year.

I sincerely thank all our shareholders, business partners, employees and last but not the least, our customers for the continued support and faith reposed in our company. I would like to assure you that our company would continue to remain committed to deliver strong growth and be one of the top players in the entertainment industry in GCC.

Finally on behalf of the Board of Directors, management and staff, and the shareholders, I convey my sincere gratitude to his Majesty The King, His Royal Highness the Prime Minister, and his Royal Highness the Crown Prince, for their wise leadership and vision.


Chairman



Independent Auditor's Report

to the shareholders

of Bahrain Cinema Company B.S.C.



Report on financial statement

We have audited the accompanying consolidated financial statements of Bahrain Cinema Company B.S.C. ("the Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2010, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements comprising a summary of significant accounting policies and other explanatory information.

Responsibility of the Directors for the financial statements

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Further, as required by the Bahrain Commercial Companies Law, Decree Number 21 of 2001, in the case of the Company, we report that:

1. we have obtained all the information we considered necessary for the purpose of our audit;
2. the Company has carried out stocktaking in accordance with recognised procedures, has maintained proper books of account and the financial statements are in agreement therewith; and
3. the financial information included in the Directors' report is consistent with the books of account of the Company.

In addition, we report that nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the Bahrain Commercial Companies Law, Decree Number 21 of 2001 or of its Memorandum and Articles of Association, which would materially affect its activities, or its financial position as at 31 December 2010.

Jawad Habib & Co.

Manama, Kingdom of Bahrain
2nd February 2011

Consolidated Statement of Financial Position

as at 31 December 2010

(Expressed in Bahrain Dinars)

	Notes	2010	2009
ASSETS			
Non-current assets			
Property, plant and equipment	6	12,406,490	12,466,601
Investment in joint ventures	7	3,361,730	2,866,721
Available-for-sale investments	8	15,104,937	15,437,070
		30,873,157	30,770,392
Current assets			
Inventories	9	217,265	178,449
Trade and other receivables	10	2,652,959	1,524,442
Cash and cash equivalents	11	3,448,478	1,663,331
		6,318,702	3,366,222
Total assets		37,191,859	34,136,614
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	4,590,192	4,590,192
Less: treasury shares	12	-	(163,182)
		4,590,192	4,427,010
Share premium	13(i)	4,743,573	3,927,656
Investment fair value reserve	13(ii)	984,722	1,255,243
Revaluation reserve	13(iii)	4,792,043	5,098,979
Statutory reserve	13(iv)	2,295,096	2,295,096
Charity reserve	13(v)	700,000	600,000
General reserve	13(vi)	153,251	153,251
Retained earnings		16,234,955	14,029,277
		34,493,832	31,786,512
Current liabilities			
Trade and other payables	14	2,698,027	2,350,102
Total equity and liabilities		37,191,859	34,136,614

These consolidated financial statements, set out on pages 5 to 31, were approved for issue by the Board of Directors on 2nd February 2011 and signed on its behalf by:



Dr Esam Abdulla Fakhro
Chairman



Ali Yousuf Ubaydli
Vice-Chairman

Consolidated Statement of **Income**

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

	Notes	2010	2009
Operating income		12,934,762	8,606,428
Operating costs		(8,859,833)	(5,390,112)
Operating gross profit		4,074,929	3,216,316
Expenses			
General and administrative expenses		(1,512,498)	(1,296,784)
Donations		(50,423)	(76,152)
Preoperative expenses		-	(110,941)
Finance costs	16	(26,322)	(33,673)
		(1,589,243)	(1,517,550)
Operating profit for the year before share of profit from investment in joint ventures and other income		2,485,686	1,698,766
Net share of profit from investment in joint ventures		755,415	612,860
Other income	17	2,038,123	1,968,976
		2,793,538	2,581,836
Profit for the year before impairment loss on available-for-sale investments		5,279,224	4,280,602
Impairment loss on available-for-sale investments	8	(649,041)	(333,721)
Profit for the year before Directors' remuneration and transfer to charity reserve		4,630,183	3,946,881
Directors' remuneration	12	(111,000)	(111,000)
Contribution to charity reserve	13(v)	(100,000)	(100,000)
		(211,000)	(211,000)
Net profit for the year		4,419,183	3,735,881
Earnings per share	18	96 fils	84 fils

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

	Notes	2010	2009
Net profit for the year		4,419,183	3,735,881
Other comprehensive income / (loss)			
Unrealised fair value gain/(loss) on available-for-sale investments	8	476,256	(1,031,433)
Net movement in the fair value reserve on the sale of available-for-sale investments		(1,092,190)	(1,120,177)
Net movement in the fair value reserve on the impairment of available-for-sale investments	8	345,413	-
Revaluation deficit on land	6	(306,936)	(140,405)
Other comprehensive loss for the year		(577,457)	(2,292,015)
Total comprehensive income for the year		3,841,726	1,443,866

Consolidated statement of changes in **shareholders' equity**

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

	Notes	Share capital	Treasury shares	Share premium	Investment fair value reserve	Revaluation reserve	Statutory reserve	General reserve	Charity reserve	Retained earnings	Total
At 31 December 2008		4,590,192	(119,762)	3,927,656	3,406,853	5,239,384	2,287,809	153,251	500,000	12,819,021	32,804,404
Dividends for 2008		-	-	-	-	-	-	-	-	(2,235,215)	(2,235,215)
Purchase of treasury shares		-	(43,420)	-	-	-	-	-	-	(283,123)	(326,543)
Contribution to charity reserve	13(v)	-	-	-	-	-	-	-	100,000		100,000
Total comprehensive income for the year		-	-	-	(2,151,610)	(140,405)	-	-	-	3,735,881	1,443,866
Transferred to statutory reserve	13(iv)	-	-	-	-	-	7,287	-	-	(7,287)	-
At 31 December 2009		4,590,192	(163,182)	3,927,656	1,255,243	5,098,979	2,295,096	153,251	600,000	14,029,277	31,786,512
Dividends for 2009		-	-	-	-	-	-	-	-	(2,213,505)	(2,213,505)
Movement in treasury shares	12	-	163,182	-	-	-	-	-	-	-	163,182
Share premium on issue of treasury shares		-	-	815,917	-	-	-	-	-	-	815,917
Contribution to charity reserve	13(v)	-	-	-	-	-	-	-	100,000	-	100,000
Total comprehensive income for the year		-	-	-	(270,521)	(306,936)	-	-	-	4,419,183	3,841,726
At 31 December 2010		4,590,192	-	4,743,573	984,722	4,792,043	2,295,096	153,251	700,000	16,234,955	34,493,832

Consolidated Statement of Cash Flows

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

	Notes	2010	2009
Operating activities			
Net profit for the year		4,419,183	3,735,881
Adjustments for:			
Depreciation	6	772,175	409,820
Share of profit from investment in joint ventures	7	(755,415)	(612,860)
Transfer to charity reserve	13(v)	100,000	100,000
Impairment loss on available-for-sale investments	8	649,041	333,721
Dividend income	17	(668,314)	(644,812)
Interest income	17	(31,067)	(113,957)
Realised gains on sale of available-for-sale investments	17	(1,225,701)	(1,118,946)
Profit on sale of property, plant and equipment	17	(1,605)	(2,216)
Finance costs	16	26,322	33,673
Changes in operating assets and liabilities:			
Inventories		(29,445)	24,127
Trade and other receivables		(1,128,517)	360,112
Trade and other payables		347,925	200,895
Net cash provided by operating activities		2,474,582	2,705,438
Investing activities			
Purchase of property, plant and equipment	6	(1,044,928)	(5,734,122)
Proceeds from sale of property, plant and equipment		18,162	32,074
Acquisition of investment in joint ventures	7	(8,000)	(289,510)
Reduction in capital of a joint venture	7	31,580	412,000
Purchase of available-for-sale investments	8	(1,502,458)	(443,842)
Proceeds from sale of available-for-sale investments		2,140,730	1,352,653
Interest income received	17	31,067	113,957
Dividend received from joint ventures	7	236,826	951,051
Dividend income received	17	668,314	644,812
Net cash provided by/(used in) investing activities		571,293	(2,960,927)
Financing activities			
Purchase of treasury shares	12	-	(326,543)
Treasury shares issued during the year	12	979,099	-
Net payment towards term loan		-	(1,100,000)
Finance costs paid	16	(26,322)	(33,673)
Dividends paid		(2,213,505)	(2,235,215)
Net cash used in financing activities		(1,260,728)	(3,695,431)
Net increase/(decrease) in cash and cash equivalents		1,785,147	(3,950,920)
Cash and cash equivalents, beginning of the year		1,663,331	5,614,251
Cash and cash equivalents, end of the year	11	3,448,478	1,663,331

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

1 Organisation and activities

Bahrain Cinema Company B.S.C. ("the Company") and its subsidiary comprise "the Group". The Company is a public Bahraini shareholding company incorporated under Royal Decree dated 30 November 1967, is registered with the Ministry of Industry and Commerce in the Kingdom of Bahrain and operates under commercial registration number 1192 obtained on 11 August 1968.

The principal activities of the Group are the screening of films, sale of video and music cassettes, compact discs, advertisements and operation of restaurants and providing leisure and amusement related services.

The registered office of the Company is in the Kingdom of Bahrain.

2 Structure of the Group

The structure of the Group is as follows:

Subsidiary company

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2010	Effective ownership interest 2009
Aradous Properties Management W.L.L.	Kingdom of Bahrain	Managing and leasing of properties	100%	100%

Joint ventures

Name of Joint Ventures	Country of incorporation	Principal activities	Effective ownership interest 2010	Effective ownership interest 2009
Saar Cinema Complex	Kingdom of Bahrain	Screening of films	31%	31%
Al Logistics Company B.S.C (c)	Kingdom of Bahrain	Providing logistic services	10%	-
The Gulf Gourmet Group W.L.L.	Kingdom of Bahrain	Restaurant and coffee shop management	45%	45%
Cineco W.L.L.	State of Qatar	Screening of films	-	50%
Qatar Bahrain Cinema Company W.L.L.	State of Qatar	Screening of films	-	30%
Qatar Bahrain International Cinema Company W.L.L (under formation)	State of Qatar	Screening of films	23%	-

The Board of Directors of Qatar Bahrain Cinema Company W.L.L, Qatar and Cineco W.L.L, Qatar have resolved to merge both the companies into a newly formed Company Qatar Bahrain International Cinema Company W.L.L. with effect from 1 January 2010. The incorporation formalities of this Company have been completed on 13 January 2011. The Group will hold a 23% share in the new joint venture. The 23% profit share of the joint venture will apply to the operations hitherto undertaken by Qatar Bahrain Cinema Company W.L.L. and Cineco W.L.L. retrospectively from 1 January 2010.

These accounts reflect the new 23% profits share from 1 January 2010, as though Qatar Bahrain International Cinema Company W.L.L. had been incorporated from that date.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

3 Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and the requirements of the Bahrain Commercial Companies Law, Decree Number 21 of 2001.

Basis of presentation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements have been prepared under the historical cost convention, modified by the remeasurement of available-for-sale investments and revaluation of freehold land at its market value at the consolidated statement of financial position date.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies.

Standards, amendments and interpretations effective in 2010 and applicable

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2010 and have been adopted in the preparation of these financial statements:

Standard or interpretation	Title	Effective for annual period beginning on or after
IAS 7	Statement of Cash Flows	1 January 2010
IAS 17	Leases	1 January 2010

Standards, amendments and interpretations effective in 2010 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for the accounting periods beginning on or after 1 July 2009/1 January 2010, but are not relevant to the Company's operations:

Standard or interpretation	Title	Effective for annual period beginning on or after
IFRS 1	First Time Adoption of International Financial Reporting Standards	1 July 2009
IFRS 2	Share Based Payments	1 January 2010
IFRS 3	Business Combinations	1 July 2009
IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations	1 July 2009
IFRS 8	Operating Segments	1 January 2010
IAS 1	Presentation of Financial Statements	1 January 2010

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

3 Basis of preparation (continued)

Standards, amendments and interpretations effective in 2010 but not relevant (continued)

Standard or interpretation	Title	Effective for annual period beginning on or after
IAS 28	Investments in Associates	1 July 2009
IAS 31	Interests in Joint Ventures	1 July 2009
IAS 36	Impairment of Assets	1 January 2010
IAS 38	Intangible Assets	1 July 2009
IAS 39	Financial Instruments – Recognition and Measurement	30 June 2009 / 1 July 2009
IFRIC 9	Reassessment of Embedded Derivatives	1 July 2009
IFRIC 16	Hedges of Net Investment in a Foreign Operation	1 July 2009
IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009

Standards, amendments and interpretations issued but not yet effective in 2010

The following IFRS and IFRIC interpretations issued/revised as at 1 January 2010 or subsequent periods have not been adopted early by the Company's management:

Standard or interpretation	Title	Effective for annual period beginning on or after
IFRS 1	First Time Adoption of International Financial Reporting Standards	1 July 2010/ 1 January 2011/ 1 July 2011
IFRS 3	Business Combinations	1 July 2010
IFRS 7	Financial Instruments – Disclosures	1 January 2011/ 1 July 2011
IFRS 9	Financial instruments – Classification and Measurement	1 January 2013
IAS 1	Presentation of Financial Statements	1 January 2011
IAS 12	Income Taxes	1 January 2012
IAS 24	Related Party Disclosures	1 January 2011
IAS 27	Consolidated and Separate Financial Statements	1 July 2010
IAS 32	Financial Instruments – Presentation	1 February 2010
IAS 34	Interim Financial Reporting	1 January 2011
IFRIC 13	Customer Loyalty Programmes	1 January 2011
IFRIC 14	The limit on define benefit assets, minimum funding requirements and their interaction	1 January 2011
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

4 Significant accounting policies

A summary of the significant accounting policies adopted in the preparation of these financial statements is set out below:

Basis of consolidation

The consolidated financial statements incorporate financial statements of the company and its subsidiary from the date that control effectively commenced until the date that control effectively ceased. Control is achieved when the company has the power to govern the financial and operational policies of an entity so as to obtain benefits from its activities. All intergroup balances, transactions and unrealised profits and losses are eliminated in full on consolidation.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation, with the exception of freehold land which is stated at market values, based on valuations undertaken by independent property valuers. Cost includes all costs directly attributable to bringing the asset to working condition for its intended use. Increases in carrying amounts arising on revaluation of freehold land are credited to the revaluation reserve in the consolidated statement of comprehensive income. Decreases that off-set previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the consolidated statement of comprehensive income. On disposal of revalued assets, amounts in the revaluation reserve relating to these assets are transferred directly to retained earnings.

Depreciation is calculated on the straight-line method to write-off the cost of property, plant and equipment to estimated residual values over their expected useful lives which are as follows:

Buildings on freehold land	20 years
Building on leasehold land/leasehold improvements	20 years or the lease period, whichever is lower
Fixtures, furniture and office equipment	3 - 10 years
Motor vehicles	5 years

Freehold land is not depreciated as it is deemed to have an infinite life.

Capital work-in-progress represents expenditure incurred in setting up new commercial facilities which are capitalised and depreciated when put to commercial use.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining net profit.

Repairs and renewals are charged to the consolidated statement of income when the expenditure is incurred.

The carrying amounts of the property, plant and equipment are reviewed quarterly for impairment when events or changes in circumstances indicate that carrying amounts may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amounts, the carrying values are written-down immediately to their recoverable amounts.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

4 Significant accounting policies (continued)

Joint venture

The Group's interests in jointly controlled entities, being entities in which two or more parties contractually agree to share control over an economic activity, are accounted for using the equity method of accounting as the Group's management believes that it exercises significant influence rather than joint control, that is the power, directly or indirectly, to govern the financial and operating policies of the jointly controlled entities. Under the equity method, the group's share of the post acquisition profits or losses of the joint venture are recognised in the consolidated statement of income, and its share of post acquisition movements in reserves are recognised directly in the consolidated statement of change in shareholder's equity. The equity method is applied from the date on which the Group assumes joint control over an entity, and ceases when joint control is relinquished.

Available-for-sale investments

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale investments; These are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the statement of financial position date, or unless they need to be sold to raise operating capital, in which case they are included in current assets. Available-for-sale investments are initially recorded at cost and subsequently re-measured at their fair values. Unrealised gains and losses arising from changes in the fair value of available-for-sale investments are recognised in the consolidated statement of comprehensive income. The fair value of investments listed on active markets is determined by reference to quoted market prices. The fair value of securities listed on inactive markets and unlisted investments are determined using other generally accepted valuation methods. Managed funds and Unquoted investments for which fair values cannot be measured reliably are recognised at cost less impairment.

The fair value changes of available-for-sale investments are reported in the consolidated statement of comprehensive income until such investments are sold, at which time the realised gains or losses are reported in the consolidated statement of income.

The Group assesses at each consolidated statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial assets previously recognised is removed from equity and recognised in the consolidated statement of income.

Share-based payment plan

The Group operates an equity-settled share-based payment plan to certain employees. Equity-settled share-based payments are measured at their fair values (excluding the effect of non-market based vesting conditions) at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the shares vest.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

4 Significant accounting policies (continued)

Inventories

All inventories are stated at the lower of cost and net realisable value. Cost, which is computed on the weighted average basis, comprises expenditure incurred in the normal course of business in bringing inventories to their present location and condition. Net realisable value is the estimate of selling price in the ordinary course of business, less selling expenses. Where necessary, provision is made for obsolete, slow-moving and defective inventories.

Trade receivables

Trade receivables are carried at their anticipated realisable values. An estimate is made for doubtful trade receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

Trade payables

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

Provisions

The Group recognises provisions when it has a present legal, or constructive obligation, to transfer economic benefits as a result of past events, and a reasonable estimate of the obligation can be made.

Employee benefits

Employee benefits and entitlements to annual leave, holiday, air passage and other short-term benefits are recognised as they accrue to the employees. The Group contributes to the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain. This is a defined contribution pension plan and the Group's contributions are charged to the consolidated statement of income in the year to which they relate. In respect of this plan, the Group has a legal obligation to pay the contributions as they fall due, and no obligation exists to pay the future benefits.

The expatriate employees of the Group are paid leaving indemnity in accordance with the provisions of the Bahrain Labour Law. The Group accrues for its liability in this respect on an annual basis.

Treasury shares

Shares of the Company repurchased at the consolidated statement of financial position date are designated as treasury shares until they are reissued or cancelled. The nominal value of treasury shares are disclosed as a deduction from share capital, with the difference between the nominal value of the shares and their purchase cost being adjusted against the retained earnings in the consolidated statement of changes in shareholders' equity. Gains or losses arising on the sale of treasury shares are recognised in the consolidated statement of change in shareholders' equity.

Dividends declared

Dividends are recognised in the consolidated statement of changes in shareholders' equity in the period in which they are approved by the shareholders in the Annual General Meeting.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

4 Significant accounting policies (continued)

Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

Operating income

The income and costs arising from the screening of films rented from other distributors, and advertising income, are recognised in the consolidated statement of income on an accruals basis.

Operating income also includes the sale of food and drinks and the sale of music cassettes and compact discs. Sales are recognised upon delivery of the products or services to the customers.

Other income

Other income is recognised when the Group's right to receive payment is established.

Foreign currency transactions

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Gains and losses arising from the settlement of such transactions and from the translation, at the year-end rates, of monetary assets and liabilities denominated in foreign currencies, are recognised in the consolidated statement of income.

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, bank balances and fixed deposits with original maturities of three months or less, net of bank overdrafts.

5 Critical accounting judgment and key source of estimation uncertainty

Preparation of the consolidated financial statements in accordance with IFRS requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. The determination of estimates requires judgements which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

The most significant areas requiring the use of management estimates and assumptions relate to:

- economic useful lives of property, plant and equipment;
- impairment of available-for-sale-investments;
- provisions; and
- contingencies.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

5 Critical accounting judgement and key source of estimation uncertainty (continued)

Economic useful lives of property, plant and equipment

- The Group's property, plant and equipment are depreciated on a straight-line basis over their economic useful lives.
- Useful economic lives of property, plant and equipment are reviewed by management quarterly. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Group.

Available-for-sale investments

The management assesses quarterly whether there is objective evidence that a financial asset or a group of financial assets is impaired. The review is based on the significant or prolonged decline in the fair value of the securities below their cost.

Provisions

At 31 December 2010, in the opinion of the Group's management, no provision for impaired trade receivables is required (2009: BDNil). When evaluating the adequacy of a provision for impaired trade receivables, management bases its estimate on current overall economic conditions, ageing of the trade receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the provision for impaired trade receivables recorded in the financial statements.

The Group also creates an allowance for obsolete and slow-moving inventories. At 31 December 2010, the provision for obsolete and slow-moving inventories amounted to BD52,369 (2009: BD6,130). These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the statement of financial position date to the extent that such events confirm conditions existing at the end of the period.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

6 Property, plant and equipment

	Freehold land and buildings	Building on leasehold land/leasehold improvements	Fixtures, furniture and office equipment	Motor vehicles	Capital work-in- progress	Total
Cost or valuation						
At 31 December 2008	5,812,398	1,298,018	3,953,240	79,678	315,451	11,458,785
Additions	13,596	-	304,380	31,189	5,384,957	5,734,122
Disposals	-	-	(52,354)	(13,850)	-	(66,204)
Transfer from capital work in progress	-	1,119,298	4,548,110	-	(5,667,408)	-
Revaluation deficit	(140,405)	-	-	-	-	(140,405)
At 31 December 2009	5,685,589	2,417,316	8,753,376	97,017	33,000	16,986,298
Additions	-	90,212	495,499	5,993	453,224	1,044,928
Disposals	-	-	(28,232)	(3,300)	-	(31,532)
Transfer to inventories	-	-	(9,371)	-	-	(9,371)
Revaluation deficit	(306,936)	-	-	-	-	(306,936)
At 31 December 2010	5,378,653	2,507,528	9,211,272	99,710	486,224	17,683,387
Accumulated depreciation						
At 31 December 2008	362,331	622,102	3,119,778	42,012	-	4,146,223
Charge for the year	13,373	63,748	317,450	15,249	-	409,820
Disposals	-	-	(26,773)	(9,573)	-	(36,346)
At 31 December 2009	375,704	685,850	3,410,455	47,688	-	4,519,697
Charge for the year	19,035	118,197	617,437	17,506	-	772,175
Disposals	-	-	(12,552)	(2,423)	-	(14,975)
At 31 December 2010	394,739	804,047	4,015,340	62,771	-	5,276,897
Net book value						
At 31 December 2009	5,309,885	1,731,466	5,342,921	49,329	33,000	12,466,601
At 31 December 2010	4,983,914	1,703,481	5,195,932	36,939	486,224	12,406,490

The freehold land was revalued by independent property valuers as at 31 December 2010 at open market value. The revaluation deficit of BD306,936 (2009: revaluation deficit of BD140,405) has been charged to the consolidated statement of comprehensive income.

Capital work-in-progress represents cost incurred for the construction of the Rendezvous restaurant in Bahrain City Centre Mall and a five storey building in Manama.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

7 Investment in joint ventures

	31 December 2010	31 December 2009
Cost		
Opening balance	2,517,290	2,639,780
Acquisition /(Disposal) of Investment in Al Logistic Co. B.S.C (c)	8,000	(350,000)
(Reduction)/ Acquisition of investment in Gulf Gourmet Group W.L.L	(580)	289,510
Reduction in capital of Saar Cinema	(31,000)	(62,000)
Closing balance	2,493,710	2,517,290
Retained earnings		
Opening balance	349,431	687,622
Share of profit from Qatar Bahrain International Cinema Company W.L.L. (Under formation) (Note 22)	895,746	-
Share of profit from Qatar Bahrain Cinema Company W.L.L. (Note 22)	-	656,000
Share of profit from Saar Cinema Complex (Note 22)	530	17,322
Share of loss from Gulf Gourmet Group W.L.L (Note 22)	(140,861)	(186,210)
Share of profit from Cineco W.L.L (Note 22)	-	125,748
Dividends received from Qatar Bahrain International Cinema Company W.L.L. (Under formation)	(236,826)	(951,051)
Closing balance	868,020	349,431
Net book value		
At 31 December	3,361,730	2,866,721

The above financial information relating to the Group's investment has been extracted from unaudited management accounts prepared as at, and for the year ended, 31 December 2010.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

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8 Available-for-sale investments

	31 December 2010	31 December 2009
Opening balance	15,437,070	17,414,298
Additions	1,502,458	443,842
Disposals	(2,007,219)	(1,353,884)
Transferred from financial assets at fair value through profit and loss	-	297,968
Unrealised fair value losses recognised in investment fair value reserve	476,256	(1,031,433)
	15,408,565	15,770,791
Impairment loss on available-for-sale investments	(303,628)	(333,721)
Closing balance	15,104,937	15,437,070
Analysis of investments		
Shares listed on GCC stock exchanges	10,313,244	10,712,461
Managed funds	4,762,893	4,695,809
Unquoted equity investments	28,800	28,800
	15,104,937	15,437,070
Impairment loss recognized in statement of income is as below;		
Impairment loss charged to available-for-sales investment	303,628	333,721
Net movement through investment fair value reserve in statement of comprehensive income	345,413	-
	649,041	333,721

The Group has performed an impairment test of its available-for-sale investments and concluded that certain of those investments are impaired. Accordingly, an impairment loss of BD649,041 (2009: BD333,721) has been charged to the consolidated statement of income.

Shares listed on Gulf Co-operation Council (GCC) stock exchanges are fair valued annually at the close of business on 31 December. The investments in managed funds are primarily in certain companies located in the GCC countries and the Cayman Islands. In the absence of specific market value information, managed funds and unquoted equity investments are valued at cost. In the Group management's opinion, the fair values of the unquoted equity investments are not significantly different from their carrying values at 31 December 2010.

Available-for-sale investments are denominated in the following currencies:

Currency	2010	2009
Bahrain Dinar	4,013,132	4,850,859
United States Dollar	5,060,377	5,044,508
Kuwait Dinar	5,024,400	4,567,657
Qatari Riyal	500,176	467,617
Saudi Riyal	460,177	462,155
UAE Dirham	32,819	34,774
Omani Riyal	13,856	9,500
	15,104,937	15,437,070

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

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9 Inventories

	31 December 2010	31 December 2009
Films and spares equipment	269,634	184,579
Provision for obsolete and slow-moving inventories	(52,369)	(6,130)
	217,265	178,449

10 Trade and other receivables

	31 December 2010	31 December 2009
Trade receivables	315,781	242,697
Provision for doubtful trade receivables	(14,272)	(14,272)
	301,509	228,425
Employees' share purchase plan receivable (Note 21)	1,284,970	368,988
Deposits / Rental Advance	749,973	744,062
Amounts due from related parties (Note 25)	79,474	117,034
Prepayments	19,051	24,357
Advances to suppliers	151,080	-
Other receivables	66,902	41,576
	2,652,959	1,524,442

At 31 December, the ageing of net trade receivables is as follows:

	Total	Less than 30 days	30-60 days	More than 60 days
2010	301,509	75,890	76,120	149,499
2009	228,425	51,300	45,606	131,519

Trade receivables are generally on 30 to 90 days credit terms.

Deposits represent amounts paid for securing the lease rights at City Centre Mall.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

11 Cash and cash equivalents

	31 December 2010	31 December 2009
Fixed deposits	2,008,419	1,000,000
Current account balances with banks	1,231,797	581,886
Cash on hand	208,262	81,445
	3,448,478	1,663,331

Fixed deposits have maturities of more than 30 days from the date of inception and earn interest rates ranging between 3% and 4.5% per annum (2009: between 3% and 4.5% per annum).

The current account balances with banks are non-interest bearing.

12 Share capital

	31 December 2010	31 December 2009
Authorised		
100,000,000 ordinary shares of 100 fils each (2009: 100,000,000 ordinary shares of 100 fils each)	10,000,000	10,000,000
Issued, subscribed and fully paid-up:		
45,901,920 ordinary shares of 100 fils each (2009: 45,901,920 ordinary shares of 100 fils each)	4,590,192	4,590,192
Treasury shares		
Less: Nil (2009: 1,631,816 ordinary shares of 100 fils each)	-	(163,182)
	4,590,192	4,427,010

In accordance with resolutions passed at the Annual General Meeting held on 4 March 2010, cash dividends of 50 fils per share (2008: 50 fils per share), amounting to a total cash dividend of BD2,213,505 (2008: BD2,235,215), and Directors' remuneration amounting to BD111,000 (2008: BD111,000) in respect of 2009 were approved by the shareholders. Directors' remuneration is accounted through the consolidated statement of income in the year in which it is approved by the shareholders.

Treasury shares

During 2010, 1,631,816 treasury shares were issued under an Employee Share Purchase Plan (at 600 fils per share), which was approved by the shareholders at an Extraordinary General Meeting held on 26 November 2010. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium. (Note13 (i)).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

12 Share capital (continued)

Additional information on shareholding pattern

- i) The names and nationalities of the major shareholders holding 5% or more of the issued shares as at 31 December 2010 are as follows:

	Nationality	Number of shares	Percentage of share-holding interest
Bahrain Family Leisure Company B.S.C.	Bahraini	3,180,069	6.93%
Directors	Bahraini	4,174,604	9.09%
General public and corporations	Various	38,547,247	83.98%
		45,901,920	100.00%

- ii) The Company has only one class of equity shares and the holders of the shares have equal voting rights.

- iii) The distribution of the Company's equity shares analysed by the number of shareholders and their percentage of shareholding as at 31 December 2010 is set out below:

	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	470	23,226,491	50.60%
Between 1% and 5%	23	19,495,360	42.47%
Between 5% and 10%	1	3,180,069	6.93%
	494	45,901,920	100.00%

- iv) Details of the Directors' interests in the Company's shares as at 31 December 2010 are as follows:

	2010 Number of shares	2009 Number of shares
Dr Esam Abdulla Fakhro	1,728,641	1,728,641
Mohamed Ebrahim Kanoo	768,807	768,807
Jehad Yousif Amin	518,160	518,160
Fareed Yousuf Almoayyed	264,325	264,325
Jalal Mohamed Jalal	268,146	268,146
Ali Yousuf Ubaydli	256,373	256,373
Shawqi Ali Fakhro	381,975	370,152
	4,186,427	4,174,604

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

13 Reserves

(i) Share premium

During the current year the Company made an offering of shares to Group's employees, in accordance with the employee purchase plan. As a result of this offering, the difference between the exercise price and the par value of the shares issued has been added to the share premium account amounting to BD 815,917 (Note 12).

(ii) Investment fair value reserve

Gains and losses arising from changes in fair value of available-for-sale investments are recognised in the consolidated statement of comprehensive income. During the year, a fair value gain of BD476,256 (2009: fair value loss of BD1,031,433) has been transferred to the investment fair value reserve. (Note 8)

(iii) Revaluation reserve

The revaluation reserve represents the net surplus arising on revaluation of freehold land (Note 6). This reserve is not available for distribution. During the year a revaluation deficit of BD306,936 (2009: revaluation deficit of BD140,405) has been transferred to revaluation reserve.

(iv) Statutory reserve

Under the provisions of the Bahrain Commercial Companies Law, an amount equivalent to 10% of the Company's net profit before appropriations is required to be transferred to a non-distributable reserve account until such time as a minimum of 50% of the issued share capital is set aside. As this requirement has been met, no further transfer has been made to the statutory reserve for the year ended 31 December 2010 (2009: BD7,287).

(v) Charity reserve

A contribution towards unspecified landmark charitable projects amounting to BD700,000 (2009: BD600,000) has been made by the management. In 2010 BD100,000 (2009: BD100,000) has been charged to the consolidated statement of income and transferred to the charity reserve pending payment to charity.

(vi) General reserve

General reserve represents the amounts transferred in the previous years from the retained earnings of the Group for the purpose of meeting the Group's future expansion plans. In the current year, the Board of Directors do not intend transferring any amount to the general reserve (2009: BDNil).

14 Trade and other payables

	31 December 2010	31 December 2009
Trade payables	728,113	1,138,010
Accruals	1,485,825	813,156
Unclaimed dividends	158,136	140,483
Labour law related provisions	97,934	73,292
Advance from customers	42,911	92,507
Retention payable	174,438	81,686
Other payables	10,670	10,968
	2,698,027	2,350,102

Trade payables are normally settled within 30 to 60 days of the suppliers' invoice date and all the dues are for a period of less than one year.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

15 Bank overdraft

The Group has bank overdraft facilities amounting to BD1,850,000 as at 31 December 2010 (2009: BD2,000,000) which have been obtained to finance the working capital requirements of the Group. Bank overdrafts are unsecured, bear interest at rates ranging between 4.75% and 8.75% per annum (2009: between 4.75% and 9.25% per annum) and are repayable on demand. However, as at 31 December 2010, the overdraft facility has not been utilised by the Group.

16 Finance costs

	Year ended 31 December 2010	Year ended 31 December 2009
Bank charges and interest	26,322	33,673

17 Other income

	Year ended 31 December 2010	Year ended 31 December 2009
Profit on sale of property, plant and equipment	1,605	2,216
Dividend income	668,314	644,812
Realised gains on sale of available-for-sale investments	1,225,701	1,118,946
Rental income	33,364	26,055
Interest income received	31,067	113,957
Miscellaneous income	78,072	62,990
	2,038,123	1,968,976

18 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the number of ordinary shares in issue during the year.

	31 December 2010	31 December 2009
Net profit attributable to the shareholders	4,419,183	3,735,881
Number of ordinary shares issued	45,901,920	44,270,104
Basic earnings per share	96fils	84fils

There are no potentially dilutive ordinary shares at 31 December 2010 (2009:Nil).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

19 Proposed appropriations and directors' remuneration

The Board of Directors have proposed a cash dividend of 50 fils per share (2009: 50 fils per share) amounting to a total dividend of BD2,295,096 (2009: BD2,213,505) and directors' remuneration amounting to BD134,000 (2009: BD111,000) for the year ended 31 December 2010. This is subject to the approval of the shareholders in the Annual General Meeting. These consolidated financial statements do not reflect the proposed dividend and directors' remuneration.

20 Staff costs

Included in operating costs and general and administrative expenses are staff costs amounting to BD1,899,789 for the year ended 31 December 2010 (2009: BD 1,479,189).

Employee benefits

The contributions made by the Group towards the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2010 amounted to BD 112,300 (2009: BD91,313).

Number of staff

The total number of full-time and part-time staff employed by the Group at 31 December 2010 was 336 (2009: 315).

21 Employees' share purchase plan

The Group operates an employees' share purchase plan for certain employees which was approved by the shareholders at the Extraordinary General Meeting held on 7 December 2004 and subsequently on 26 November 2010.

The Group granted share purchase rights at 500 fils per share on 1 December 2005 and at 600 fils per share on 31 December 2010 to these employees, and agreements were entered into whereby the shares would be held for the beneficial interest of the related employees by the nominee, Aradous Properties Management W.L.L., until payment was received in full from the employees. The share purchases are being financed by the Group through interest-free loans granted to the employees. The loans are secured against the shares held by the nominee and are repayable in equal monthly installments over a period of ten years from the time of issue of shares. Legal title to the shares will be transferred to the employees on full settlement of the loan. No share purchase plan expenses have been recognised during the current year as the amount is considered insignificant by the management.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

22 Transactions with joint ventures

The following amounts represent the assets and liabilities, and results of operations of the joint ventures, which are accounted under the equity method.

a) Statement of financial position

	2010			2009			
	Saar Cinema Complex	Qatar Bahrain International Cinema Company W.L.L.	The Gulf Gourmet Group W.L.L.	Saar Cinema Complex	Qatar Bahrain Cinema Company	Cineco W.L.L.	The Gulf Gourmet Group W.L.L.
Long-term assets	54,895	4,652,353	460,670	177,462	981,679	4,353,042	640,645
Current assets	118,673	6,367,974	404,759	84,601	3,070,029	728,990	1,008,296
Current liabilities	173,568 (88,438)	11,020,327 (1,118,871)	865,429 (114,397)	262,063 (78,241)	4,051,708 (263,800)	5,082,032 (1,875,298)	1,648,941 (478,738)
Net assets	85,130	9,901,456	751,032	183,822	3,787,908	3,206,734	1,170,203

b) Statement of income

	2010			2009			
	Saar Cinema Complex	Qatar Bahrain International Cinema Company W.L.L. (Under formation)	The Gulf Gourmet Group W.L.L.	Saar Cinema Complex	Qatar Bahrain Cinema Company	Cineco W.L.L.	The Gulf Gourmet Group W.L.L.
Operating income	524,400	8,315,896	362,128	604,066	5,730,570	604,128	150,576
Share of net profit for the year	530	895,746	(140,861)	17,322	656,000	125,748	(186,210)

The above financial information relating to the Group's investment in joint ventures has been extracted from the unaudited management accounts for the year ended 31 December 2010.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

23 Segmental reporting

The primary segment information is presented in respect of the Group's business segments which are in accordance with the Group's management and internal reporting structure.

The Group's operations in Bahrain are organised under the following major business segments:

- Theatre operations
- Restaurants and bars
- Video and DVD-rental and sale of video cassettes and DVD

For the year ended 31 December 2010

	Theatre operations	Restaurants and bars	Video and DVD	Others	Total
Revenues					
External sales	8,567,971	3,570,797	36,140	759,854	12,934,762
Total revenues	8,567,971	3,570,797	36,140	759,854	12,934,762
Segment results	1,437,288	2,206,027	(58,575)	490,189	4,074,929
Net administration and financial Expenses					(1,589,243)
Share of profit on joint venture operations					755,415
Impairment loss on available for sale investments					(649,041)
Other income					2,038,123
Net income					4,630,183
	Theatre operations	Restaurants and bars	Video and DVD	Others	Total
Identifiable assets	12,011,719	369,268	594	491,770	12,873,351
Identifiable liabilities	510,865	129,711	14	87,523	728,113

Assets amounting to BD24,356,383 and liabilities amounting to BD1,523,505 are not specifically identifiable.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

23 Segmental reporting (continued)

For the year ended 31 December 2009

	Theatre operations	Restaurants and bars	Video and DVD	Others	Total
Revenues					
External sales	5,577,463	2,439,887	93,392	495,686	8,606,428
Total revenues	5,577,463	2,439,887	93,392	495,686	8,606,428
Segment results	1,573,515	1,259,716	8,329	374,758	3,216,318
Net administration and financial Expenses					(1,517,552)
Share of profit on joint venture operations					612,860
Impairment loss on available for sale investments					(333,721)
Other income					1,968,976
Net income					3,946,881

	Theatre operations	Restaurants and bars	Video and DVD	Others	Total
Identifiable assets	11,896,526	472,987	974	96,114	12,466,601
Identifiable liabilities	341,832	199,629	547	76,547	618,555

Assets amounting to BD21,670,013 and liabilities amounting to BD1,731,547 are not specifically identifiable.

Apart from the joint venture operations in Qatar the Group operates in the Kingdom of Bahrain only and accordingly, no geographical segmental information has been disclosed.

24 Commitments

a) Operating lease commitments

The future minimum lease payments under non-cancellable operating leases as at 31 December are as follows:

	31 December 2010	31 December 2009
Not later than one year	921,006	1,071,672
Later than one year and not later than five years	2,868,816	3,321,579
Later than five years	6,257,357	6,342,930
	10,047,179	10,736,181

The lease expense recognised in the consolidated statement of income for the year ended 31 December 2010 amounted to BD1,143,817 (2009: BD604,126).

b) Capital commitments

Capital expenditure contracted for the construction of the Rendezvous restaurant in Bahrain City Centre Mall and a five storey building in Manama at the consolidated statement of financial position date but not recognised in these consolidated financial statements amounted to BD1,174,000 (2009: Rendezvous restaurant in Bahrain City Centre Mall amounted to BD36,000).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

25 Transactions and balances with related parties

Related parties consist of the joint ventures, the Directors of any of the Group's companies, their close family members and businesses under their control. The Group's transactions with related parties are authorised by the management.

A summary of the related party balances as at 31 December is as follows:

	31 December 2010	31 December 2009
Saar Cinema Complex	32,988	52,049
Qatar Bahrain International Cinema Co. W.L.L. (Under formation)	46,486	-
Qatar Bahrain Cinema Co. W.L.L.	-	37,489
Cineco W.L.L.	-	27,496
	79,474	117,034

A summary of the transactions with related parties is as follows:

	Year ended 31 December 2010	Year ended 31 December 2009
Saar Cinema Complex		
Film costs	175,550	213,269
Salaries	79,852	64,309
Management fees	6,000	6,000
Bar purchases	14,842	13,428
Other expenses	64,021	50,531
Qatar Bahrain Cinema Co. W.L.L.		
Salaries	-	27,196
Other expenses	-	10,996
Management Fees	-	12,000
Cineco W.L.L.		
Salaries	-	3,184
Other expenses	-	21,757
Management Fees	-	2,333
Qatar Bahrain International Cinema Co. W.L.L. (Under formation)		
Salaries	39,035	-
Other expenses	22,663	-
Management Fees	24,000	-
Bar purchases	6,750	-

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

26 Financial assets and liabilities and risk management

Financial assets and liabilities carried on the consolidated statement of financial position include cash and cash equivalents, available-for-sale investments, investment in joint ventures, trade and other receivables and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Risk management is carried out by the Finance Department based on policies approved by the Board of Directors of the Group. The Group's treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Capital management

Capital comprises shareholders' capital and reserves attributable to the shareholders of the Group.

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made to the objectives, policies and processes during the years ended 31 December 2010 and 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt trade and other payables less cash and cash equivalents. Capital includes shareholders' capital and reserves attributable to the shareholders of the Group.

	31 December 2010	31 December 2009
Trade and other payables	2,698,027	2,350,102
Less: cash and bank balances	(3,448,478)	(1,663,331)
Net debt	(750,451)	686,771
Share capital	4,590,192	4,427,010
Share premium	4,743,573	3,927,656
Investment fair value reserve	984,722	1,255,243
Revaluation reserve	4,792,043	5,098,979
Statutory reserve	2,295,096	2,295,096
General reserve	153,251	153,251
Charity reserve	700,000	600,000
Retained earnings	16,234,955	14,029,277
Total capital	34,493,832	31,786,512
Total capital and net debt	33,743,381	32,473,283
Gearing ratio	-	2%

Since the company does not have any net debt as at 31 December 2010, there is no gearing ratio.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

(Expressed in Bahrain Dinars)

26 Financial assets and liabilities and risk management (continued)

Currency rate risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has available-for-sale investments in United States Dollars and GCC currencies and foreign currency transactions in Saudi Riyals and Qatari Riyals. The Bahrain Dinar is effectively pegged to the GCC currencies and United States Dollar. Accordingly management assesses the Group's currency rate risk as minimal.

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. Cash is placed with national banks with good credit ratings. Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers. Management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

Price risk is the risk that the Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as available-for-sale and as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk, except for freehold land which is revalued on an annual basis. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Interest rate risk is the risk that the value of financial assets and liabilities will fluctuate due to changes in market interest rates. The Group's bank overdrafts bear market rates of profit. The Group's other assets and liabilities are not sensitive to interest rate risk.

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity risk is managed by monitoring on a regular basis to help ensure that sufficient funds are available, including unutilised credit facilities with banks, to meet all future liabilities as they fall due.

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts.

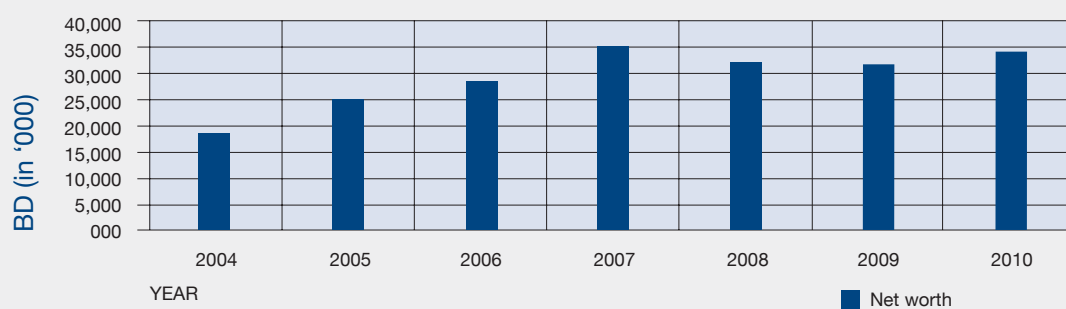
27 Subsequent events

There were no significant events subsequent to 31 December 2010 and occurring before the date of signing of the financial statements that would have a significant impact on these consolidated financial statements.

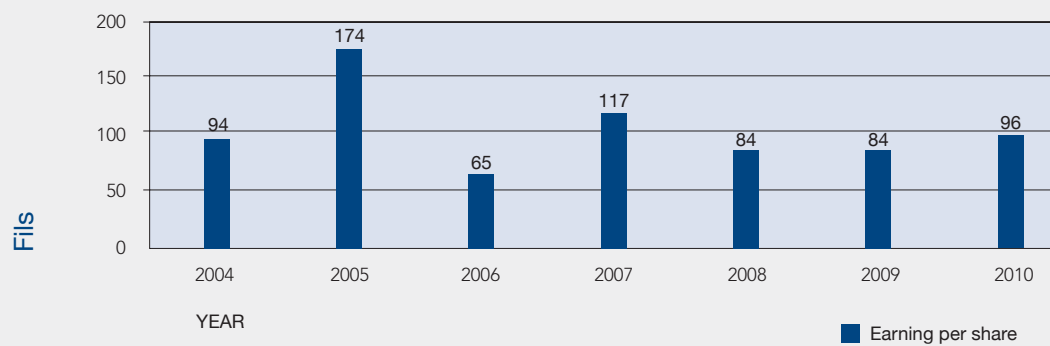
Graphs

Ratio Analysis

Net worth of the Company (capital and reserves)



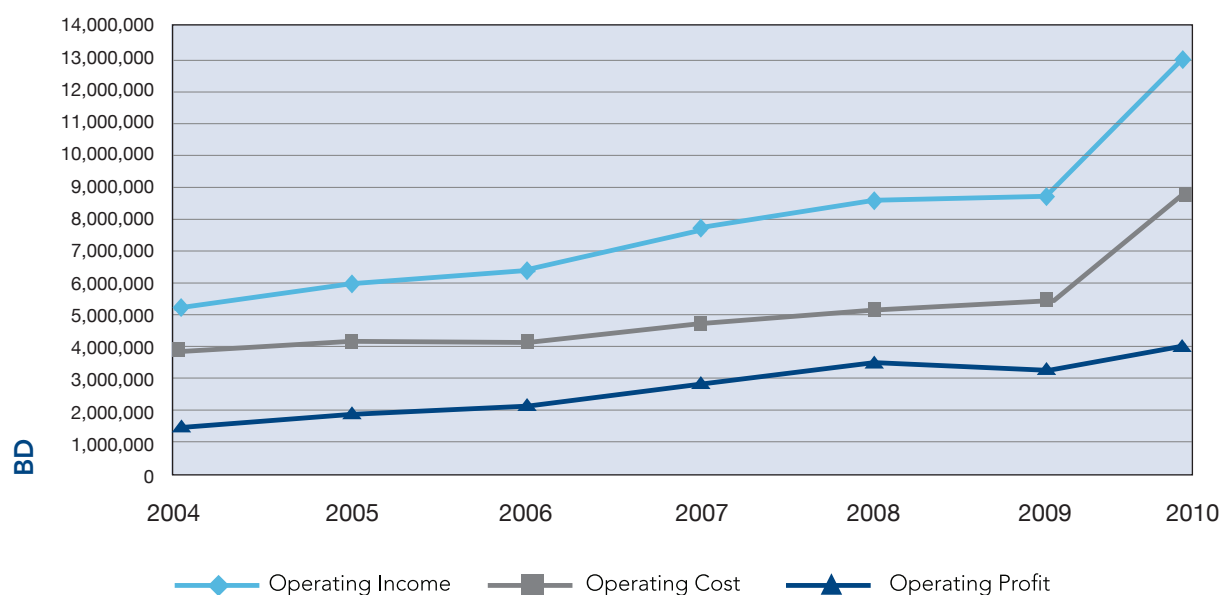
Earning per share



Graphs

Statement of Income

General Trend of Operating Income, Operating Cost and Operating Profit



Yearly Dividend Chart
from year 1988 up to year 2010

