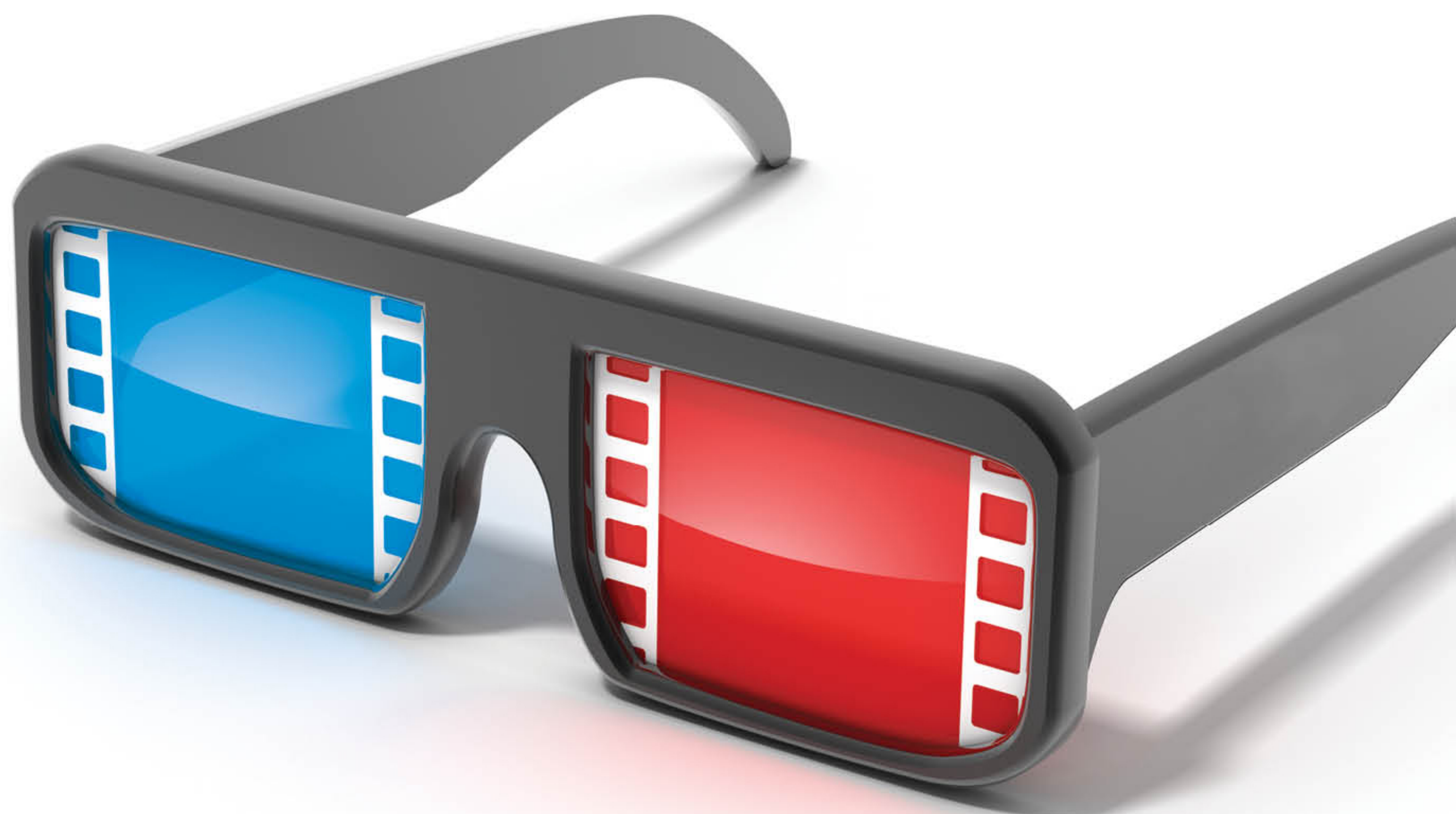




Revolution

with new dimension



**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

Bahrain Share Registering Company W.L.L.
PO Box 710, Manama
Kingdom of Bahrain

Auditors

BDO
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/ Late 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 Al 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 down at Andalus Cinema.

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

17/06/1978: Another fire breaks down 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 Al Raffain & 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 Taka 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 W.L.L.

22/03/2011: Increase in the paid-up capital to BD5,508,230 by issuance of 20% bonus shares.

07/04/2011: The opening of the 2nd branch of Rendezvous in City Center.



CONTENTS

Board of Directors	5
Chairman's Message	6
Corporate Governance Report	8
Independent Auditor's Report	16
Consolidated Statement of Financial Position	17
Consolidated Statement of Income	18
Consolidated Statement of Comprehensive Income	19
Consolidated statement of Changes in Shareholders' Equity	20
Consolidated Statement of Cash Flows	21
Notes to the Consolidated Financial Statements	22
Graphs	42

BOARD OF DIRECTORS



Dr. Esam Abdulla Fakhro
Chairman



Ali Yousif Ubaydli
Vice Chairman



Mohammed Ebrahim Kanoo
Director



Jalal Mohamed Jalal
Director



Fareed Yousif Almoayed
Director



Jehad Yousif Amin
Director



Shawqi Ali Fakhro
Director



Ahmed A. Rahman Rashed
Chief Executive Officer



Dear Shareholders,

As for the overseas expansion plans, the tremendous success of the Company's projects in the State of Qatar has strongly motivated the management to look to further expansion overseas, especially in the GCC states.

On behalf of the members of the Board of Directors, I am pleased to present this Annual Report at the end of a difficult year experienced by the Company in view of the severe security crisis witnessed in the Country that erupted on 14th February, 2011. These developments had a significant impact upon all the business sectors in general and on the tourism sector in particular, whose sector includes the cinema business. Disinterest shown by Gulf nationals to visit Bahrain during the crisis period was the principal reason for the decline of the Company's revenues from the cinema theatres and restaurants which reflected on the year's total net profits. The Company's net profit fell from BD4,419,183 in 2010 to BD2,737,318 in 2011 and it is hoped that stability would be restored and normal conditions would prevail in the near future.

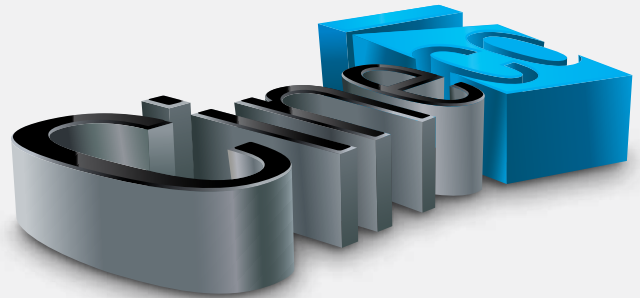
We are also pleased to inform the shareholders that the second branch of Rendezvous Restaurant was opened at the Bahrain City Centre in April 2011 and ever since it has been a great success, which was beyond expectations. This further motivates us to go ahead with opening more restaurants inside and outside Bahrain.

Meanwhile, the management has plans for renovation of the Cinema Complex and Rendezvous Restaurant at the Seef Mall to achieve further growth in this year's operations through the enhancement of performance and to realize the Company's objectives based on the expansion plan drawn up by the Board.

For the Company's expansion, the management has several plans to be carried out inside and outside Bahrain to counter the impact of the economic consequences arising from the security crisis that affected the Company's business. As for the overseas expansion plans, the tremendous success of the Company's projects in the State of Qatar has strongly motivated the management to look to further expansion overseas, especially in the GCC states. The management is planning to set up two more cinema complexes in the State of Qatar. The first will be in the Gulf Mall comprising 13 cinema screens and the second will be in Al Khor Mall comprising 4 cinema screens. I hope that they would be opened by the end of 2012 and there are other expansion plans that will be announced in due course.

The results of the financial year ended on 31st December, 2011 were within one half of the budget projections for the financial year 2011 owing to the effects of the security crisis that reached their peak in the months of February, March and April, which was followed by a period of gradual improvement from May to reach some 80% of the normal revenue levels by the end of the year. Therefore, the Company's consolidated results were lower than last year's results, as the earnings per share reached 50 fils only compared with 80 fils in the previous year.

For the issue of the Central Market land in Kuwait, the Company is still awaiting the results of liquidating the debtors' properties and distributing them to all the creditors by the Kuwait Public Investment Authority, which was appointed as the bankruptcy officer.



In view of the Company's financial results for the financial year ended on 31st December, 2011 the Board of Directors recommends approving the following appropriations by the Shareholders:

- 1 Payment of cash dividends at the rate of 50 fils per share, which equals BD2,754,115, to the Shareholders.
- 2 Transfer of a sum of BD273,732 to the legal reserve.
- 3 Allocation of a sum of BD134,000 as the Directors' remuneration.
- 4 Transfer of the remaining balance of BD12,884,543 to the retained earnings.

The Board of Directors would like to extend its appreciation and gratitude to His Majesty King Hamad bin Isa Al Khalifa, King of the Kingdom of Bahrain, His Royal Highness Prince Khalifa bin Salman Al Khalifa, prime Minister and His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and pray that the Kingdom of Bahrain and its people would enjoy peace and security at all times.



Chairman

CORPORATE GOVERNANCE (CG) REPORT

Year ended 31 December 2011

Corporate Governance (CG)

Our Company is committed to good corporate governance and emphasizes on best business practices by setting and achieving the high standards of accountability, transparency, integrity and equity in all its spheres and in all its dealings with its stakeholders. This gives us the confidence of having put in the right building blocks for future growth and ensuring that we achieve our ambitions in a prudent and sustainable manner. The Company is committed to enhance the value of all its stakeholders by implementing good corporate governance measures. CG practices are driven by strong board oversight, timely disclosures, transparent accounting policies and high levels of integrity in decision making. Our strong belief is that strong governance is integral to creating value on a sustainable basis.

The board of directors of Bahrain Cinema Company approved the implementation of CG endorsed by the audit committee on 27th September 2011. The CG code will be published on the web site in the coming quarter. The board will deliver the company's 1st CG report on 26th Feb. 2012. Currently the audit committee supported by CEO & CFO overseas and monitors the CG compliance of company.

BCC currently complies with all the elements of code with exception of following:

CEO succession planning has been discussed in the board meeting held on 27-Sept-2011 and responsibility of succession planning of CEO vested on the nominating committee.

Since all the directors are fully experienced in our line of business, except one director all other directors are serving in the board for more than six years, the nomination committee felt no need for the training of the directors.

Some information requested in appendix E of the code, such as detailed individual directors remuneration, and executive remuneration and performance incentives is available for inspection through the finance department of the company subject to prior approval of the chairman, and is only provided in summary in the annual report.

The governance of the Company remains under continuous review, in order to enhance compliance levels according to international standards and best practice. The direct responsibility of the Board of Directors is to endeavor to be in line with policies of regulatory authorities and statutory requirements.

Composition of Board of Directors:

Name Of The Director	Year Of Birth	Nationality	Term Expiry
Dr. Esam Abdulla Fakhro	1947	Bahraini	2013
Mr. Ali Yousif Ubaydli	1942	Bahraini	2013
Mr. Jalal Mohamed Jalal	1948	Bahraini	2013
Mr. Fareed Yousif Almoayed	1953	Bahraini	2013
Mr. Shawqi Ali Fakhro	1953	Bahraini	2013
Mr. Jehad Yousif Amin	1958	Bahraini	2013
Mr. Mohammed Ebrahim Kanoo	1940	Bahraini	2013

The Company is governed through its Board of Directors and the details of composition of the board of directors are set out in the following table. The Board's main roles are to create value to shareholders, to provide entrepreneurial leadership of the Company, to approve Company's strategic objectives and to ensure that the necessary financial and other resources are made available to enable them to meet those objectives.

CORPORATE GOVERNANCE (CG) REPORT *(continued)*

Year ended 31 December 2011

Allocation of tasks within the Board of Directors:

Name Of Director		Audit Committee	Executive, Nomination & Remuneration Committee
Dr.Esam Abdulla Fakhro	Chairman		(CHAIR)
Mr.Ali Yousif Ubaydli	Vice Chairman		XX
Mr. Jalal Mohamed Jalal	Director	XX	
Mr. Fareed Yousif Almoayed	Director	XX	
Mr. Shawqi Ali Fakhro	Director	(CHAIR)	
Mr. Jehad Yousif Amin	Director	XX	
Mr. Mohammed Ebrahim Kanoo	Director		XX

The Board, which meets at least four times a year, has a schedule of matters reserved for its approval. All directors currently on the Board are independent non-executive except the chairman.

During the Year 2011, the Board of Directors held five meetings attended by directors as follows:

Directors	No. of Attendance
Dr.Esam Abdulla Fakhro	5
Mr.Ali Yousif Ubaydli	4
Mr. Jalal Mohamed Jalal	4
Mr. Fareed Yousif Almoayed	5
Mr. Shawqi Ali Fakhro	4
Mr. Jehad Yousif Amin	4
Mr. Mohammed Ebrahim Kanoo	4

Board Procedure:

The Company has a well defined process of placing material and sufficient information before the board pertaining to the business to be considered at each board meeting so as to enable the members of the board to participate in the discussion and discharge their responsibilities effectively.

After finalizing the agenda of the board and committee meetings in consultation with the chairman, all the necessary and material information will be circulated to the board/committee members well in advance to ensuring effective deliberations and discussions at the meetings of the board. The proceedings of every meeting are recorded and minutes are prepared accordingly. The draft minutes are circulated to the members of the board, for their review and confirmation/approval, after which the same is signed by the Directors.

The board has complete access to all the information and data, relevant to the business of the company.

The specific responsibilities reserved to the Board include:

- reviewing Company strategy and approving the annual budget;
- reviewing operational and financial performance;
- approving acquisitions and divestments;
- reviewing the Company's systems of financial control and risk management;
- ensuring that appropriate management development ;
- approving appointments to the Board
- ensuring that a satisfactory dialogue takes place with shareholders.

CORPORATE GOVERNANCE (CG) REPORT *(continued)*

Year ended 31 December 2011

Election of Directors:

The company shall be administered by board of directors appointed/elected respectively in accordance with the provision of the articles of the association and article 175 of the law. A shareholder who owns 10% or more of the capital shall appoint one director. The ordinary general meeting may from time to time determine the member of the board of directors otherwise than specified above.

Member of the board of director shall be elected for three year renewable term. No person shall be appointed or elected to membership of the board of directors unless he consents in writing thereto. All the directors are liable to retire by rotation and eligible for re-election.

Attendance Fees:

The total amount of attendance fees for the year 2011 is BD.17,500/- .The annual remuneration fees of the directors are determined by the shareholders at the same annual shareholders meeting approving the company's previous fiscal year's financial statements.

Attendance allowance of BD 500/- per meeting was a decision by the board in year 2008.

Key Person Trading Policies:

Members of the Board of Directors and key persons are bound by specific regulations relating to Key person trading policies and are required to disclose details of their shareholdings in the Company. The Company's compliance with latest key person trading regulations of the Bahrain Bourse is supervised by the Audit Committee reporting to the Board of Directors. During the year, all relevant procedures and documentation were reviewed and updated.

Board Committees:

The Board has set up an Executive Nomination & Remuneration Committee and an Audit Committee with approved terms of reference and mandates to carry out the assigned functions.

Executive Nomination & Remuneration Committee:

The Executive Committee currently comprises three directors and is chaired by Dr. Esam A Fakhro. There were four meetings of the committee during the year. The details of the composition of the committee and attendance of its meetings are set out in the following table:

Directors	No. of Attendance
Dr. Esam Abdulla Fakhro	4
Mr. Ali Yousif Ubaydli	4
Mr. Mohammed Ebrahim Kanoo	2

The Board has delegated the following responsibilities to the Executive Committee:

- the development and recommendation of strategic plans for consideration by the Board that reflect the long-term objectives and priorities established by the Board;
- implementation of the strategies and policies of the Company as determined by the Board;
- monitoring of the operating and financial results against plans and budgets;
- monitoring the quality and effectiveness of the investment process against objectives and guidelines;
- prioritizing allocation of capital, technical and human resources;
- Evaluating expansion plans and future investments
- Nominating the new board members and reviewing the remuneration and compensation policies of the company.

CORPORATE GOVERNANCE (CG) REPORT *(continued)*

Year ended 31 December 2011

Audit Committee:

The Audit Committee currently comprises four independence directors and is chaired by Mr. Shawqi Ali Fakhro. There were five meetings of the committee during the year. The details of the composition of the committee and attendance of its meetings are set out in the following table:

Directors	No. of Attendance
Mr. Shawqi Ali Fakhro	5
Mr. Fareed Yousif Almoayed	3
Mr. Jalal Mohamed Jalal	3
Mr. Jehad Yousif Amin	5

The Board has delegated the following responsibilities to the Audit Committee:

- reviewing the Company's draft financial statements and interim results statement prior to Board approval and reviewing the external auditor's detailed reports thereon;
- reviewing the appropriateness of the Company's accounting policies and other operational procedures;
- reviewing regularly the potential impact in the Company's financial statements of certain matters such as impairment of investments and proposed changes in International Financial Reporting Standards and International Accounting Standards applicable to the Company;
- reviewing compliance of requirements specified in the Rulebook issued by the Central Bank of Bahrain;
- reviewing and approving the terms of engagement for the audit;
- reviewing an annual report on the Company's systems of internal control and its effectiveness, reporting to the Board on the results of the review and receiving regular updates on key risk areas of financial control; and
- reviewing the internal audit reports terms of reference, its work programme and quarterly reports on its work during the year.
- Implementing the corporate governance code and reviewing.

Under its terms of reference, the Audit Committee monitors the integrity of the Company's financial statements and any formal announcements relating to the Company's performance. The Committee is responsible for monitoring the effectiveness of the external audit and internal audits.

It is responsible for ensuring that an appropriate relationship between the Company and the external auditors is maintained. It also reviews annually the Company's systems of internal control and the processes for monitoring and evaluating the risks facing the Company. The Committee reviews the effectiveness of the internal audit and is responsible for approving, upon the recommendation of the Chief Executive, the appointment and termination of the internal auditors. The Committee reviews its terms of reference and its effectiveness annually and recommends to the Board any changes required as a result of the review.

The Committee meets with Directors and management, and as and when considered required with both the external and internal auditors.

The internal audit function is outsourced to Grand Thornton, Bahrain who conduct their procedures as per the agreed terms of reference, and provide their periodic reports directly to the Audit Committee.

CORPORATE GOVERNANCE (CG) REPORT *(continued)*

Year ended 31 December 2011

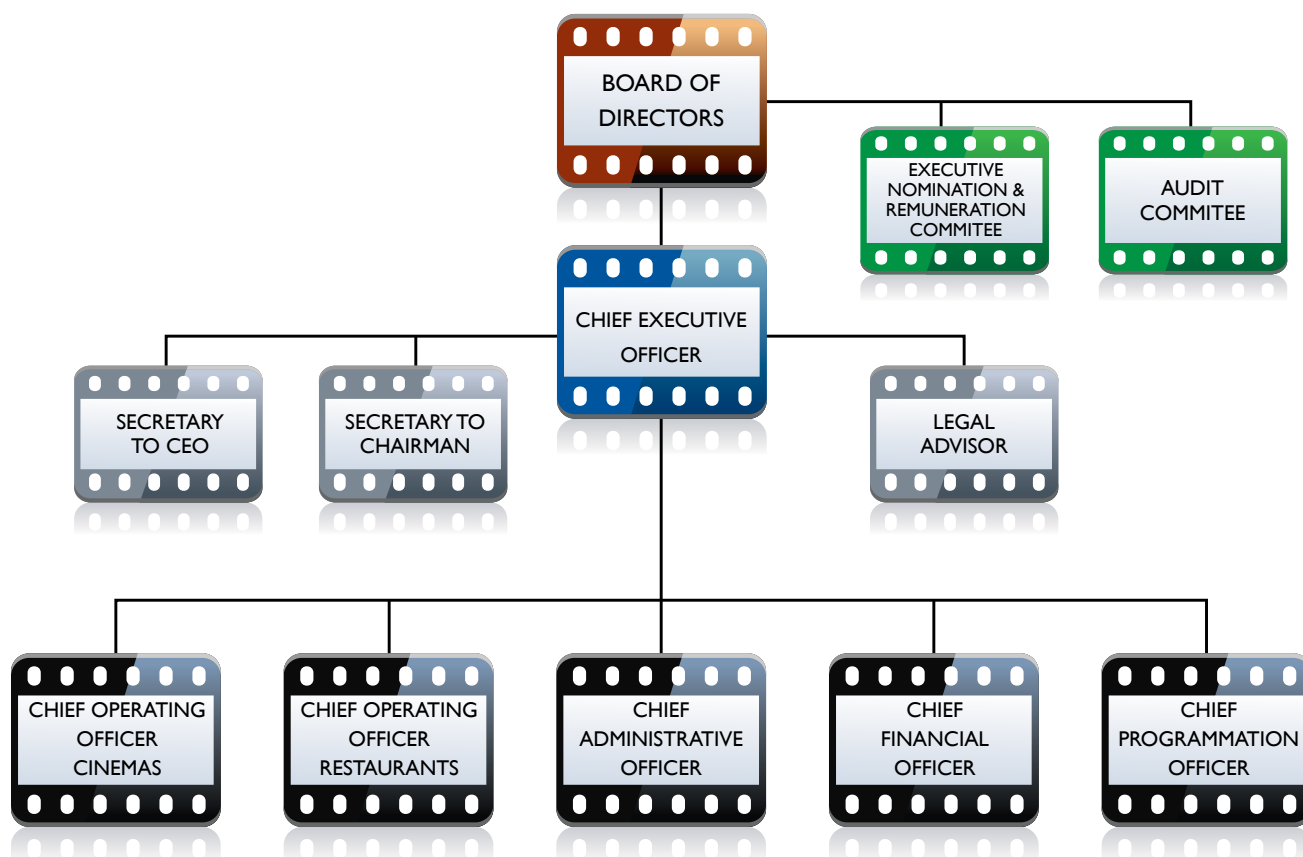
Internal Control:

The Directors have continued to review the effectiveness of the Company's system of financial and non-financial controls, including operational and compliance controls, risk management and the Company's high level internal control arrangements. These reviews have included an assessment of internal controls, and in particular internal financial controls, by the internal audit function, management assurance of the maintenance of control and reports from the external auditor on matters identified in the course of its statutory audit work.

Compliance:

The Company has a separate Compliance function to handle all regulatory requirements stipulated by the Central Bank of Bahrain and mandatory requirements stipulated by the Central Bank of Bahrain and mandatory requirements of the Bahrain Bourse where BCC is listed. CFO is responsible for this function and during the year, no penalties were imposed on BCC by any regulatory authority for non-compliance with applicable legal or regulatory requirements.

I. Organizational Structure:



CORPORATE GOVERNANCE (CG) REPORT *(continued)*

Year ended 31 December 2011

2. DIRECTORS' PROFILES:

Dr. Esam Abdulla Fakhro - Chairman

Chairman	Abdulla Yousif Fakhro & Sons
Chairman	Bahrain Chamber of Com & Industry
Board Director	Economic Development Board (EDB)
Board Director	Bahrain Holding Company (Mumtalakat)
Board Director	Bahrain Stock Exchange (1997-2010)
Chairman & Excu.Comm. Member	Bahrain Cinema Company BSC
Deputy Chairman	Qatar Bahrain Int'l Cinema WLL
Deputy Chair. & Exec. Comm.Member	National Bank of Bahrain BSC
Executive Director	General Trading & Food Processing Co.BSC
Board Director	Bahrain Live Stock Company BSC©
Chairman	Business International (Xerox) WLL
Chairman	Fakhro Electronics (Ericsson) WLL
Board Director	Fakhro Restaurants Co. (Mcdonald's) WLL
Chairman	Budget Rent – A Car (Bahrain)
Chairman	Fakhro Insurance Services Co.WLL
Chairman	Fakhro Contracting Co.
Board Director	Fakhro Shipping
Chairman	Go Rent A Car (Qatar)
Chairman	Go Rent A Car (Dubai)
Chairman	Fakhro Motors (BYD)
Chairman	Gulf Gourmet Group WLL
Director	Aradous Properties Mngt. WLL

Mr. Ali Yousif Ubaydli – Vice Chairman

Director	Yousif Ali Ubydli Co.WLL
Director	Bahrain Cinema Company BSC
Director	Paradise Reality Holiday BSC ©
Director	Royal University for Women BSC©
Director	Al Borooj Trading Co. WLL
Director	The Mall Real Estate Development BSC©)
Director	The Gulf Gourment Group WLL

Mr. Mohammed Ebrahim Kanoo - Director

Director	Ebrahim Khalil Kanoo BSC (c)
Director	Bahrain Cinema Company BSC
Director	Arab Int'l Trading & Auto Parts Co.
Director	Bahrain Marketing & Servicing Co.WLL
Director	Awal Gulf Manufacturing Co. BSC (c)
Director	Aljazeera Motors Co.
Director	Dar Al Methaq For Journalism & Publishing Co BSC (c)
Director	Royal University for Women BSC©
Director	Asian Motors WLL
Director	Green Valley Real Estate Co.WLL
Director	Al Borooj Trading Co. WLL
Director	The Malls Real Estate Dvlp. BSC©
Director	The Gulf Gourmet Group WLL
Director	Kanoo Motos SPC

CORPORATE GOVERNANCE (CG) REPORT *(continued)*

Year ended 31 December 2011

Mr. Fareed Yousif Almoayed – Director

Director	Bahrain Cinema Company BSC
Deputy Chairman	Y. K. Almoayyed & Sons & Group Co's.
Chairman	Bahrain Property Management
Director	Crown Industries
Director	Bahrain Foundation Construction Co.WLL
Director	Bahrain Scrapmould Comapny WLL

Mr. Jehad Yousif Amin - Director

Board & Executive Comm. Member	Bahrain National Hospital
Executive Comm. Member	Bahrain National Insurance, BSC
Member	Bahrain Emirates Insurance
Board & Investment Comm.Member	United Insurance
Board & Committee Member	Trafco BSC & Metro Market
Board & Audit Comm. Member	Bahrain Live Stock, BSC©
Board & Executive Comm. Member	BMMI BSC
Board Member	Banader Hotel Co. BSC
Board & Audit Committee Member	Bahrain Cinema Co. BSC
Director	Gulf Gourmet Group WLL

Mr. Jalal Mohamed Jalal - Director

Managing Director	Awal Printing Press W.L.L.
Director	Bahrain Cinema Company BSC
Chairman	Bahrain Business Machine
Director	Bah. Tourism Co. – Crown Plaza Bah.
Chairman	Bahrain Airport Services Company Bas
Director	Aer Rianta Middle East, Bahrain
Director	Bahrain Tourism Company
Director	BIADCO Bahrain.
Managing Director	Mohammed Jalal & Sons Group of Companies
Chairman	Gulf Business Machines B.S.C (C)
Director	Bahrain Duty Free Shop Complex BSC
Director	Golden Falcon Real Estate Co.
Director	Benz Bahrain

Mr. Shawqi Ali Fakhro - Director

Director	Mohammed Fakhroo & Brothers W.L.L
Director	Bahrain Cinema Company BSC
Director	Shutdown Maintenance Services W.L.L.
Director	Bahrain Kuwait Insurance Company, Bsc
Director	Bmmi B.S.C
Director	Fakhro Investment Co W L L
Director	Fakhroo Trading Company
Director	Ali Bin Yousif Fakhro & Sons Co.
Director	Bahrain Family Leisure Company
Director	Zallaq Resort Company Bsc Closed Sofitel
	Bahrain Zallaq Thalassa Sea & Spa
Director	Tashyeed Properties Company B.S.C.(c)
Director	Bayader Co. For Resturant Mngt. Spc
Director	Showki Ali Fakhroo And Sons Wll

CORPORATE GOVERNANCE (CG) REPORT *(continued)*

Year ended 31 December 2011

The Roles of the Chairman and Executive Management:

The division of responsibilities between the Chairman of the Board and the Chief Executive Officer is clearly defined and has been approved by the Board. The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organizing the business of the Board, ensuring its effectiveness and setting its agenda. The chairman facilitates the effective contribution of Directors and constructive relations between them, ensures directors receive accurate, timely and clear information and effective communication with shareholders.

The Chief Executive has direct charge of the Company on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Company. Mr. Ahmed A. Rashed has been the company's Chief Executive Officer and he is working in the Company since 1984. He holds an Ordinary National Diploma (OND) in Business studies from England. Overall operational responsibilities of the company have been assigned to Mr. Rashed. He heads the executive management of the company. He lays the policies and procedures for the life stream systems in the company.

Whistle Blower Policy:

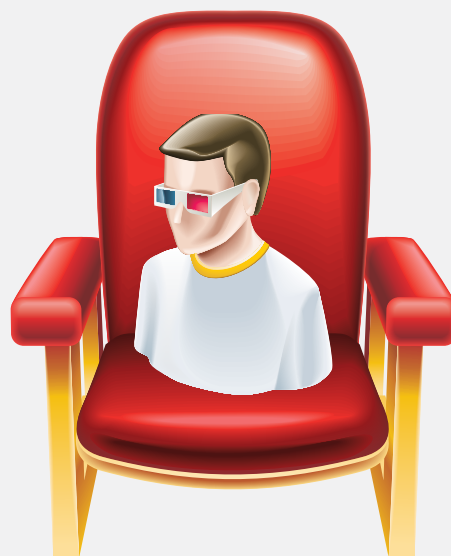
The Company promotes ethical behavior in all its business activities and has put in place a mechanism of reporting illegal or unethical behavior. The Company has a whistle blower policy wherein the employees are free to report violations of laws, rules, regulations or unethical conduct to their immediate supervisor or such other person as may be notified by the management. Such reports received are reviewed by the board. The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory practice.

CEO & CFO Certifications:

CEO & CFO of the company give annual certification on financial reporting and internal controls to the audit committee.

Means of Communication with Share Holders and Investors:

- The company's web site will be revamped to include investor's relation links in this quarter.
- The company has appointed BHRC to provide share registrar services to the shareholders and investors.
- The Bahrain Bourse website.
- Notice to shareholders through publications in Arabic and English news papers.
- CFO will be the point of contact with MOIC, Bahrain Bourse, CBB.



INDEPENDENT AUDITOR'S REPORT

to the shareholders

of Bahrain Cinema Company B.S.C.



Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Bahrain Cinema Company B.S.C. ("the Company") and its subsidiary (together referred as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2011, 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 consolidated financial statements comprising a summary of significant accounting policies and other explanatory notes.

Responsibility of the Directors for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these 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 consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 2011, and 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 2011.

A handwritten signature in blue ink, appearing to read 'BDO', located at the bottom left of the page.

Manama, Kingdom of Bahrain
6 February 2012



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2011

(Expressed in Bahrain Dinars)

	Notes	2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	6	11,680,457	12,406,490
Investment in joint ventures	7	1,457,755	3,361,730
Available-for-sale investments	8	13,628,276	15,104,937
		26,766,488	30,873,157
Current assets			
Inventories	9	240,023	217,265
Trade and other receivables	10	2,342,053	2,652,959
Cash and cash equivalents	11	5,263,573	3,448,478
		7,845,649	6,318,702
Total assets		34,612,137	37,191,859
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	5,508,230	4,590,192
Share premium	13(i)	4,743,573	4,743,573
Investment fair value reserve	13(ii)	(1,346,045)	984,722
Revaluation reserve	13(iii)	4,557,442	4,792,043
Statutory reserve	13(iv)	2,568,828	2,295,096
Charity reserve	13(v)	700,000	700,000
General reserve	13(vi)	-	153,251
Retained earnings		15,638,658	16,234,955
		32,370,686	34,493,832
Current liabilities			
Trade and other payables	14	2,241,451	2,698,027
Total equity and liabilities		34,612,137	37,191,859

These consolidated financial statements, set out on pages 16 to 41, were approved for issue by the Board of Directors on 6th February 2012 and signed on its behalf by:

Dr Esam Abdulla Fakhro

Chairman

Ali Yousuf Ubaydli

Vice-Chairman

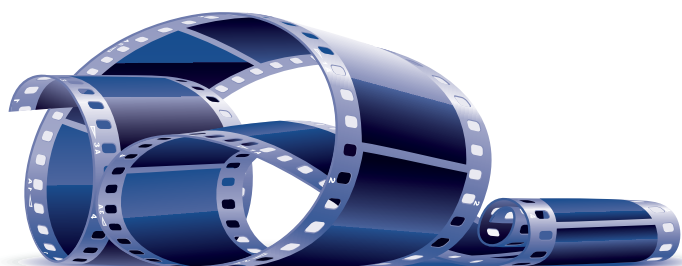
CONSOLIDATED STATEMENT OF INCOME

to the shareholders

of Bahrain Cinema Company B.S.C.

(Expressed in Bahrain Dinars)

	Notes	2011	2010
Operating income		10,138,185	12,934,762
Operating costs		(7,537,599)	(8,859,833)
Operating gross profit		2,600,586	4,074,929
Expenses			
General and administrative expenses		(1,418,780)	(1,512,498)
Donations		(48,174)	(50,423)
Finance costs	16	(23,374)	(26,322)
		(1,490,328)	(1,589,243)
Operating profit for the year before share of profit from investment in joint ventures and other income		1,110,258	2,485,686
Net share of profit from investment in joint ventures	7	911,043	755,415
Other income	17	2,631,592	2,038,123
		3,542,635	2,793,538
Profit for the year before impairment loss on available-for-sale investments		4,652,893	5,279,224
Impairment loss on available-for-sale investments	8	(1,781,575)	(649,041)
Profit for the year before Directors' remuneration and transfer to charity reserve		2,871,318	4,630,183
Directors' remuneration	19	(134,000)	(111,000)
Contribution to charity reserve	13(v)	-	(100,000)
		(134,000)	(211,000)
Net profit for the year		2,737,318	4,419,183
Earnings per share	18	50 fils	80 fils



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

(Expressed in Bahrain Dinars)

	Notes	2011	2010
Net profit for the year		2,737,318	4,419,183
Other comprehensive income/(loss)			
Unrealised fair value (loss)/gain on available-for-sale investments	8	(1,043,922)	476,256
Net movement in the fair value reserve on the sale of available-for-sale investments		(1,692,719)	(1,092,190)
Net movement in the fair value reserve on the impairment of available-for-sale Investments	8	405,874	345,413
Revaluation deficit on land	6	(234,601)	(306,936)
Other comprehensive loss for the year		(2,565,368)	(577,457)
Total comprehensive income for the year		171,950	3,841,726



CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 December 2011

(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 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		-	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
Dividends for 2010	12	-	-	-	-	-	-	-	-	(2,295,096)	(2,295,096)
Bonus Shares	12	918,038	-	-	-	-	-	-	-	(918,038)	-
Transfer to retained earnings	13(vi)	-	-	-	-	-	-	(153,251)	-	153,251	-
Total comprehensive income for the year		-	-	-	(2,330,767)	(234,601)	-	-	-	2,737,318	171,950
Transfer to statutory reserve	13(iv)	-	-	-	-	-	273,732	-	-	(273,732)	-
At 31 December 2011		5,508,230	-	4,743,573	(1,346,045)	4,557,442	2,568,828	-	700,000	15,638,658	32,370,686



CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

(Expressed in Bahrain Dinars)

	Notes	2011	2010
Operating activities			
Net profit for the year		2,737,318	4,419,183
Adjustments for:			
Depreciation	6	777,436	772,175
Share of profit from investment in joint ventures	7	(911,043)	(755,415)
Transfer to charity reserve	13(v)	-	100,000
Impairment loss on available-for-sale investments	8	1,781,575	649,041
Dividend income	17	(704,918)	(668,314)
Interest income	17	(118,719)	(31,067)
Profit on reorganisation of shareholding in Qatar Bahrain International Cinema W.L.L.	17	(297,165)	-
Realised gains on sale of available-for-sale investments	17	(1,421,237)	(1,225,701)
Loss/(profit) on sale of property, plant and equipment	17	2,729	(1,605)
Finance costs	16	23,374	26,322
Changes in operating assets and liabilities:			
Inventories		(18,468)	(29,445)
Trade and other receivables		310,906	(1,128,517)
Trade and other payables		(456,576)	347,925
Net cash provided by operating activities		1,705,212	2,474,582
Investing activities			
Purchase of property, plant and equipment	6	(295,220)	(1,044,928)
Proceeds from sale of property, plant and equipment		2,197	18,162
Acquisition of investment in joint ventures	7	-	(8,000)
Reduction in capital of a joint venture		1,998,441	31,580
Purchase of available-for-sale investments	8	(5,385,221)	(1,502,458)
Proceeds from sale of available-for-sale investments		4,170,777	2,140,730
Interest income received	17	118,719	31,067
Dividend received from joint ventures	7	1,113,742	236,826
Dividend income received	17	704,918	668,314
Net cash provided by investing activities		2,428,353	571,293
Financing activities			
Treasury shares issued during the year		-	979,099
Finance costs paid	16	(23,374)	(26,322)
Dividends paid	12	(2,295,096)	(2,213,505)
Net cash used in financing activities		(2,318,470)	(1,260,728)
Net increase in cash and cash equivalents		1,815,095	1,785,147
Cash and cash equivalents, beginning of the year		3,448,478	1,663,331
Cash and cash equivalents, end of the year	11	5,263,573	3,448,478

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2011

(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

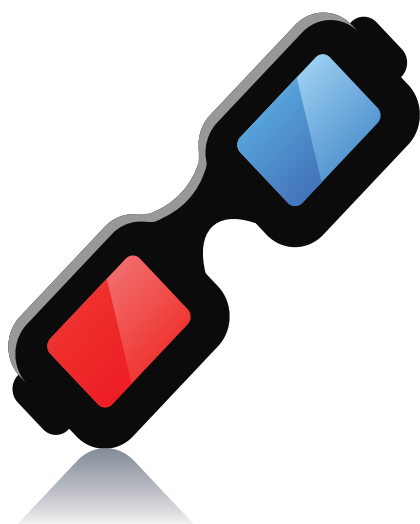
The structure of the Group is as follows:

Subsidiary company

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Principal Activities</u>	Effective ownership interest 2011	Effective ownership interest 2010
Aradous Properties Management W.L.L.	Kingdom of Bahrain	Managing and leasing of properties	100%	100%

Joint ventures

<u>Name of joint ventures</u>	<u>Country of incorporation</u>	<u>Principal Activities</u>	Effective ownership interest 2011	Effective ownership interest 2010
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%	10%
The Gulf Gourmet Group W.L.L.	Kingdom of Bahrain	Restaurant and coffee shop management	45%	45%
Qatar Bahrain International Cinema W.L.L.	State of Qatar	Screening of films	23%	23%



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2011

(Expressed in Bahrain Dinars)

3 Basis of preparation

Statement of compliance

The consolidated 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 consolidated 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 judgment in the process of applying the Group's accounting policies.

Standards, amendments and interpretations issued and effective in 2011 but not relevant

The following new standards, amendments to existing standards and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2011 or subsequent periods, but are not relevant to the Company's operations:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IFRS 1	First Time Adoption of International Financial Reporting Standards	1 July 2010/ 1 January 2011
IFRS 3	Business Combinations	1 July 2010
IFRS 7	Financial Instruments – Disclosures	1 January 2011
IAS 32	Financial Instruments – Presentation	1 February 2010
IFRIC 13	Customer Loyalty Programmes	1 January 2011
IFRIC 14	The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

Improvements/amendments to IFRS (2010/2011)

Improvements/amendments to IFRS issued in 2010/2011 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for the Group's 2011 annual audited consolidated financial statements with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2011

(Expressed in Bahrain Dinars)

3 Basis of preparation *(continued)*

Standards, amendments and interpretations issued but not yet effective in 2011

The following IFRS and IFRIC interpretations issued/revised as at 1 January 2011 or subsequent periods have not been early adopted by the Company's management:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IAS 1	Presentation of Financial Statements	1 January 2012
IAS 12	Income Taxes	1 January 2012
IAS 19	Employee benefits	1 January 2013
IAS 27	Separate Financial Statements	1 January 2013
IAS 28	Investments in Associates and Joint Ventures	1 January 2013
IFRS 1	First Time Adoption of International Financial Reporting Standards	1 July 2011
IFRS 7	Financial Instruments – Disclosures	1 July 2011
IFRS 9	Financial Instruments – Classification and Measurement	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Agreements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013

There would have been no change in the operational results of the Group for the year ended 31 December 2011 had the Group early adopted any of the above standards applicable to the Group.

4 Significant accounting policies

A summary of the significant accounting policies adopted in the preparation of these consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2011

(Expressed in Bahrain Dinars)

4 Significant accounting policies *(continued)*

Property, plant and equipment *(continued)*

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.

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 consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2011

(Expressed in Bahrain Dinars)

4 Significant accounting policies *(continued)*

Available-for-sale investments *(continued)*

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 those 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.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2011

(Expressed in Bahrain Dinars)

4 Significant accounting policies *(continued)*

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2011

(Expressed in Bahrain Dinars)

4 Significant accounting policies *(continued)*

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 judgments 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.

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 2011, in the opinion of the Group's management, receivables amounting to BD14,272 are impaired and have been provided for (2010: BD14,272). 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 consolidated financial statements.

The Group also creates an allowance for obsolete and slow-moving inventories. At 31 December 2011, the provision for obsolete and slow-moving inventories amounted to BD29,083 (2009: BD52,369). These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the consolidated statement of financial position date to the extent that such events confirm conditions existing at the end of the year.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

(Expressed in Bahrain Dinars)

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

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 judgment and estimates of the outcome of future events.

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 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
Additions	1,885	67,696	176,296	-	49,343	295,220
Disposals	-	-	(1,395)	(5,993)	-	(7,388)
Transfer from CWIP	-	-	512,730	-	(512,730)	-
Reclassification	57,197	-	(57,197)	-	-	-
Transfer to inventories	-	-	(4,290)	-	-	(4,290)
Revaluation deficit	(234,601)	-	-	-	-	(234,601)
At 31 December 2011	5,203,134	2,575,224	9,837,416	93,717	22,837	17,732,328
Accumulated depreciation						
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
Charge for the year	22,166	121,846	620,816	12,608	-	777,436
Reclassification	5,207	-	(5,207)	-	-	-
Disposals	-	-	(1,119)	(1,343)	-	(2,462)
At 31 December 2011	422,112	925,893	4,629,830	74,036	-	6,051,871
Net book value						
At 31 December 2010	4,983,914	1,703,481	5,195,932	36,939	486,224	12,406,490
At 31 December 2011	4,781,022	1,649,331	5,207,586	19,681	22,837	11,680,457

The freehold land was revalued by independent property valuers as at 31 December 2011 at open market value. The revaluation deficit of BD234,601 (2010: revaluation deficit of BD306,936) has been charged to the consolidated statement of comprehensive income.

Capital work-in-progress represents cost incurred for the construction of five storeys building in Manama.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2011

(Expressed in Bahrain Dinars)

7 Investment in joint ventures

	31 December 2011	31 December 2010
Cost		
Opening balance	2,493,710	2,517,290
Acquisition of investment in Al Logistic Co. B.S.C. (c)	-	8,000
Reduction of investment in Gulf Gourmet Group W.L.L.	-	(580)
Reorganisation of shareholding in Qatar Bahrain International Cinema W.L.L.	(1,670,276)	-
Reduction in capital of Saar Cinema	(31,000)	(31,000)
Closing balance	792,434	2,493,710
Retained earnings		
Opening balance	868,020	349,431
Share of profit from Qatar Bahrain International Cinema W.L.L. (Note 22)	975,797	895,746
Share of profit from Saar Cinema Complex (Note 22)	2,140	530
Share of loss from Gulf Gourmet Group W.L.L. (Note 22)	(66,894)	(140,861)
Dividends received from Qatar Bahrain International Cinema W.L.L.	(1,113,742)	(236,826)
Closing balance	665,321	868,020
Net book value		
At 31 December	1,457,755	3,361,730

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 2011.

8 Available-for-sale investments

	31 December 2011	31 December 2010
Opening balance	15,104,937	15,437,070
Additions	5,385,221	1,502,458
Disposals	(4,442,259)	(2,007,219)
Unrealised fair value (loss)/gain recognised in investment fair value reserve	(1,043,922)	476,256
	15,003,977	15,408,565
Impairment loss on available-for-sale investments	(1,375,701)	(303,628)
Closing balance	13,628,276	15,104,937
Analysis of investments		
Shares listed on GCC stock exchanges	9,685,887	10,313,244
Managed funds	3,913,589	4,762,893
Unquoted equity investments	28,800	28,800
	13,628,276	15,104,937

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2011

(Expressed in Bahrain Dinars)

8 Available-for-sale investments *(continued)*

Impairment loss recognized in consolidated statement of income is as below:

	31 December 2011	31 December 2010
Impairment loss charged to available-for-sales investment	1,375,701	303,628
Net movement through investment fair value reserve in consolidated statement of comprehensive income	405,874	345,413
	1,781,575	649,041

The Group has performed an impairment test over the available-for-sale investments and concluded that certain of those investments are impaired. Accordingly, an impairment loss of BD1,781,575 (2010: BD649,041) 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 placed through the fund managers located in the GCC countries. Investments in managed funds and unquoted equity investments are valued at cost less impairment, if any, using information on project returns made available by the fund managers, or discounted cash flow values where no such information is published.

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

Currency	2011	2010
Bahrain Dinar	4,629,509	4,013,132
United States Dollar	4,124,344	5,060,377
Kuwait Dinar	3,931,781	5,024,400
Qatari Riyal	811,469	500,176
Saudi Riyal	92,070	460,177
UAE Dirham	26,442	32,819
Omani Riyal	12,661	13,856
	13,628,276	15,104,937

9 Inventories

	31 December 2011	31 December 2010
Films and spares equipment	269,106	269,634
Provision for obsolete and slow-moving inventories	(29,083)	(52,369)
	240,023	217,265

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

(Expressed in Bahrain Dinars)

10 Trade and other receivables

	31 December 2011	31 December 2010
Trade receivables	245,155	315,781
Provision for doubtful trade receivables	(14,272)	(14,272)
	230,883	301,509
Interest free loans to employees for purchase of share capital (Note 21)	1,100,298	1,284,970
Deposits / Rental Advance	630,020	749,973
Advances to suppliers	151,551	151,080
Amounts due from related parties (Note 25)	140,142	79,474
Prepayments	37,817	19,051
Other receivables	51,342	66,902
	2,342,053	2,652,959

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

	Total	Less than 30 days	30-60 days	More than 60 days
2011	230,883	48,671	45,032	137,180
2010	301,509	75,890	76,120	149,499

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

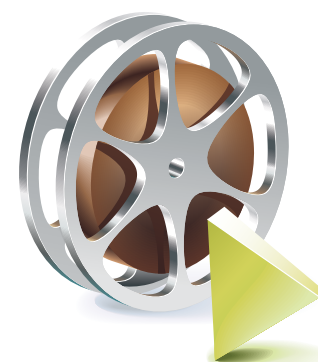
Deposits represent amounts paid for securing the lease rights at City Centre Mall.

11 Cash and cash equivalents

	31 December 2011	31 December 2010
Fixed deposits	4,263,542	2,008,419
Current account balances with banks	774,881	1,231,797
Cash on hand	225,150	208,262
	5,263,573	3,448,478

Fixed deposits have maturities of more than 30 days from the date of inception and earn interest rates ranging between 3% and 3.75% per annum (2010: between 3% and 4.5% per annum).

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

(Expressed in Bahrain Dinars)

12 Share capital

Authorised

100,000,000 ordinary shares of 100 fils each
(2010: 100,000,000 ordinary shares of 100 fils each)

**31 December
2011** 31 December
2010

10,000,000 10,000,000

Issued, subscribed and fully paid-up:

55,082,300 ordinary shares of 100 fils each
(2010: 45,901,920 ordinary shares of 100 fils each)

5,508,230 4,590,192

In accordance with resolutions passed at the Annual General Meeting held on 22 March 2011, cash dividend of 50 fils per share (2009: 50 fils per share), amounting to a total cash dividend of BD2,295,096 (2009: BD2,213,505), bonus shares at the rate of 20% of paid up capital, amounting to BD918,038 (2009: BDNil), and directors' remuneration amounting to BD134,000 (2009: BD111,000) in respect of 2010, were approved by the shareholders.

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 2011 are as follows:

	Nationality	Number of shares	Percentage of share-holding interest
Bahrain Family Leisure Company B.S.C.	Bahraini	3,816,061	6.93%
Directors	Bahraini	5,023,708	9.12%
General public and corporations	Various	46,242,531	83.95%
		55,082,300	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 2011 is set out below:

	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	457	26,886,208	48.81%
Between 1% and 5%	20	17,452,290	31.69%
Between 5% and 10%	3	10,743,802	19.50%
	480	55,082,300	100.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2011

(Expressed in Bahrain Dinars)

12 Share capital *(continued)*

iv) Details of the Directors' interests in the Company's shares as at 31 December 2011 are as follows:

	2011 Number of shares	2010 Number of shares
Dr Esam Abdulla Fakhro	2,074,369	1,728,641
Mohamed Ebrahim Kanoo	922,568	768,807
Jehad Yousif Amin	621,792	518,160
Fareed Yousuf Almoayyed	317,189	264,325
Jalal Mohamed Jalal	321,773	268,146
Ali Yousuf Ubaydli	307,647	256,373
Shawqi Ali Fakhro	458,370	381,975
	5,023,708	4,186,427

13 Reserves

(i) Share premium

Share premium represents the difference between the exercise price and the par value of the shares issued has been added to the share premium account.

(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 loss of BD1,043,922 (2010: fair value gain of BD476,256) 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 BD234,601 (2010: revaluation deficit of BD306,936) 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. During the year, an amount of BD273,732 has been transferred to the statutory reserve (2010: BDNIL)

(v) Charity reserve

A contribution towards unspecified landmark charitable projects amounting to BDNIL (2010: BD100,000) has been made by the management.

(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 balance in general reserve was transferred to retained earnings as approved by shareholders in the Annual General Meeting dated 22 March 2011 amounting to BD153,251.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

(Expressed in Bahrain Dinars)

14 Trade and other payables

	31 December 2011	31 December 2010
Trade payables	644,161	728,113
Accruals	1,145,200	1,485,825
Unclaimed dividends	184,171	158,136
Labour law related provisions	125,902	97,934
Retention payable	82,186	174,438
Advance from customers	49,401	42,911
Other payables	10,430	10,670
	2,241,451	2,698,027

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.

15 Bank overdraft

The Group has bank overdraft facilities amounting to BDI,850,000 as at 31 December 2011 (2010: BDI,850,000) 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 (2010: between 4.75% and 8.75% per annum) and are repayable on demand. However, as at 31 December 2011, the overdraft facility has not been utilised by the Group.

16 Finance costs

	Year ended 31 December 2011	Year ended 31 December 2010
Bank charges and interest	23,374	26,322

17 Other income

	Year ended 31 December 2011	Year ended 31 December 2010
(Loss)/profit on sale of property, plant and equipment	(2,729)	1,605
Profit on reorganisation of shareholding in Qatar Bahrain International Cinema W.L.L.	297,165	-
Dividend income	704,918	668,314
Realised gains on sale of available-for-sale investments	1,421,237	1,225,701
Rental income	30,864	33,364
Interest income received	118,719	31,067
Miscellaneous income	61,418	78,072
	2,631,592	2,038,123

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2011

(Expressed in Bahrain Dinars)

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 2011	31 December 2010
Net profit attributable to the shareholders	2,737,318	4,419,183
Number of ordinary shares issued	55,082,300	55,082,300
Basic earnings per share	50 fils	80 fils

There are no potentially dilutive ordinary shares at 31 December 2011 (2010: Nil).

19 Proposed appropriations and directors' remuneration

The Board of Directors have proposed a cash dividend of 50 fils per share (2010: 50 fils per share) amounting to a total dividend of BD2,754,115 (2010: BD2,295,096) and directors' remuneration amounting to BD134,000 (2010: BD134,000) for the year ended 31 December 2011. 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 BD1,852,278 for the year ended 31 December 2011 (2010: BD 1,899,789).

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 2011 amounted to BD102,385 (2010: BD112,300).

Number of staff

The total number of full-time and part-time staff employed by the Group at 31 December 2011 was 366 (2010: 336).

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 2011

(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

	2011			2010		
	Saar Cinema Complex	Qatar Bahrain International Cinema W.L.L.	The Gulf Gourmet Group W.L.L.	Saar Cinema Complex	Qatar Bahrain International Cinema W.L.L.	The Gulf Gourmet Group W.L.L.
Long-term assets	50,478	4,536,514	437,249	54,895	4,652,353	460,670
Current assets	66,042	3,209,123	508,719	118,673	6,367,974	404,759
	116,520	7,745,637	945,968	173,568	11,020,327	865,429
Current liabilities	(124,043)	(1,562,501)	(849,302)	(88,438)	(1,118,871)	(114,397)
Net assets	(7,523)	6,183,136	96,666	85,130	9,901,456	751,032

b) Statement of income

	2011			2010		
	Saar Cinema Complex	Qatar Bahrain International Cinema W.L.L.	The Gulf Gourmet Group W.L.L.	Saar Cinema Complex	Qatar Bahrain International Cinema W.L.L.	The Gulf Gourmet Group W.L.L.
Operating income	306,941	8,045,249	441,411	524,400	8,315,896	362,128
Share of net profit for the year	2,140	975,797	(66,894)	530	895,746	(140,861)

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 2011.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

(Expressed in Bahrain Dinars)

23 Segmental reporting (continued)

For the year ended 31 December 2011

	Theatre operations	Restaurants and bars	Video and DVD	Others	Total
Revenues					
Total external sales	6,033,299	3,469,348	-	635,538	10,138,185
Less: total variable cost	2,631,437	1,011,804	-	43,508	3,686,749
Segment results	3,401,862	2,457,544	-	592,030	6,451,436
Less: fixed cost					3,850,850
Operating gross profit					2,600,586
Net administration and financial Expenses					(1,490,328)
Share of profit on joint venture Operations					911,043
Impairment loss on available for sale investments					(1,781,575)
Other income					2,631,592
Net income					2,871,318
	Theatre operations	Restaurants and bars	Video and DVD	Others	Total
Identifiable assets	10,784,812	830,761	-	202,575	11,818,148
Identifiable liabilities	870,602	211,006	-	21,476	1,103,084

Assets amounting to BD22,793,989 and liabilities amounting to BD 1,138,367 are not specifically identifiable.

For the year ended 31 December 2010

	Theatre operations	Restaurants and bars	Video and DVD	Others	Total
Revenues					
Total external sales	8,567,971	3,711,156	36,140	619,495	12,934,762
Less: total variable cost	3,639,057	927,810	86,853	49,029	4,702,749
Segment results	4,928,914	2,783,346	(50,713)	570,466	8,232,013
Less: fixed cost					4,157,084
Operating gross profit					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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

(Expressed in Bahrain Dinars)

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 2011	31 December 2010
Not later than one year	1,168,818	921,006
Later than one year and not later than five years	4,675,272	2,868,816
Later than five years	7,555,119	6,257,357
	13,399,209	10,047,179

The lease expense recognised in the consolidated statement of income for the year ended 31 December 2011 amounted to BDI,087,478 (2010: BDI,143,817).

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 BD60,500 (2010: Rendezvous restaurant in Bahrain City Centre Mall and five story building in Manama amounted to BDI,174,000).

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 2011	31 December 2010
Saar Cinema Complex	38,707	32,988
Qatar Bahrain International Cinema W.L.L.	101,435	46,486
	140,142	79,474

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

	Year ended 31 December 2011	Year ended 31 December 2010
Saar Cinema Complex		
Film costs	98,650	175,550
Salaries	63,678	79,852
Management fees	6,000	6,000
Bar purchases	9,595	14,842
Other expenses	53,535	64,021
Qatar Bahrain International Cinema Co.W.L.L.		
Salaries	36,796	39,035
Other expenses	27,832	22,663
Management Fees	24,000	24,000
Bar purchases	50,100	6,750

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

(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 2011 and 2010.

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 2011	31 December 2010
Trade and other payables	2,241,451	2,698,027
Less: cash and bank balances	(5,263,573)	(3,448,478)
Net debt	(3,022,122)	(750,451)
Share capital	5,508,230	4,590,192
Share premium	4,743,573	4,743,573
Investment fair value reserve	(1,346,045)	984,722
Revaluation reserve	4,557,442	4,792,043
Statutory reserve	2,568,828	2,295,096
General reserve	-	153,251
Charity reserve	700,000	700,000
Retained earnings	15,638,658	16,234,955
Total capital	32,370,686	34,493,832
Total capital and net debt	29,348,564	33,743,381
Gearing ratio	-	-

Since the company does not have any net debt as at 31 December 2011 and 2010, there is no gearing ratio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2011

(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.

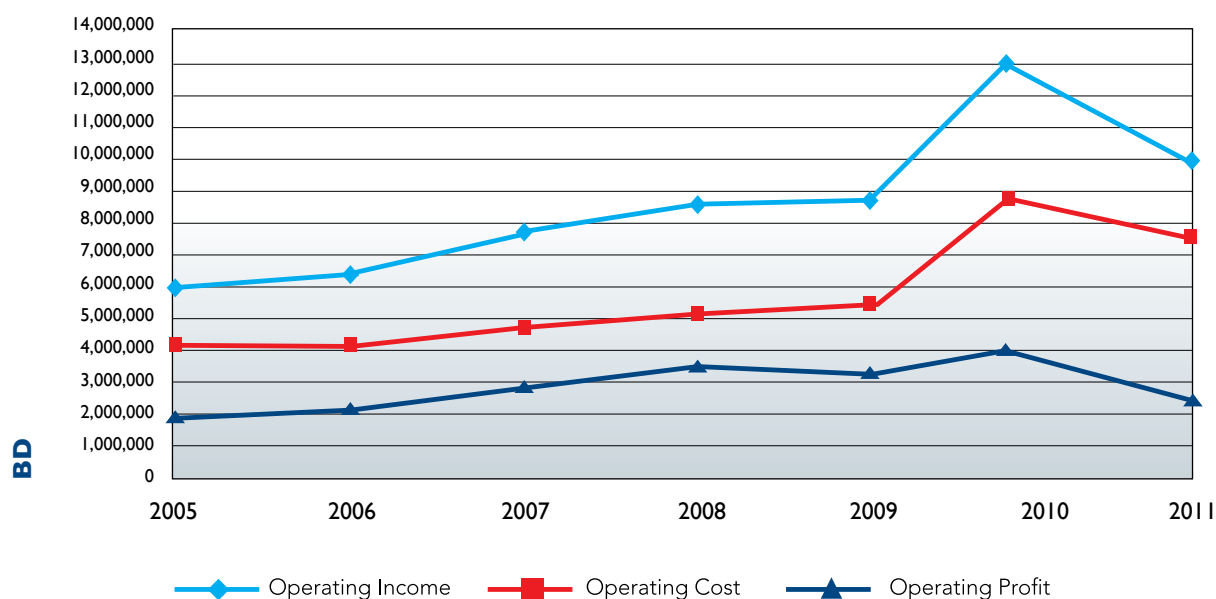
The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts.

27 Subsequent events

There were no significant events subsequent to 31 December 2011 and occurring before the date of signing of the financial statements that would have a significant impact on these consolidated financial statements.

Statement of **Income**

General Trend of Operating Income, Operating Cost and Operating Profit



Yearly Dividend Chart
from year 1988 up to year 2011

