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ALJAZEERA INTERNATIONAL

AL JAZEERA INTERNATIONAL LIMITED
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018

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AL JAZEERA INTERNATIONAL LIMITED

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for the year ended 31 December 2018

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AL JAZEERA INTERNATIONAL LIMITED

COMPANY INFORMATION

for the year ended 31 December 2018

DIRECTORS: Muftah Al Suwaidan
Khalid Abdulla M Al-Mulla

REGISTERED OFFICE: Premier Suite
4 Churchill Court
58 Station Road
North Harrow
Middlesex
HA2 7ST

BUSINESS ADDRESS: Level 16
The Shard
32 London Bridge Street
London
SE1 9SG

REGISTERED NUMBER: 05233333 (England and Wales)

INDEPENDENT AUDITORS : Chapmans Associates Limited, Chartered Accountants
Statutory Auditors
3 Coombe Road
London
NW10 0EB

BANKERS: Qatar National Bank
51 Grosvenor Street
London
W1K 3HH

AL JAZEERA INTERNATIONAL LIMITED

STRATEGIC REPORT

for the year ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

REVIEW OF BUSINESS

The company's principal activities during the year continued to be the provision of satellite broadcasting services including production of programmes for broadcasting.

The company is predominantly a service based organisation, established to provide a news and current affairs service to the general public worldwide, and is financed by the Qatari government. The profit shown in the financial statements relates to the mark-up of 5%/6% on costs charged by the company to Al Jazeera Media Network, Doha.

The key financial and other performance indicators during the year were as follows:

	2018	2017	2016	2015
Turnover	£30.3m	£31.3m	£32.4m	£33.8m
Gross profit	£14.9m	£15.9m	£15m	£15.2m
Net profit/(loss)	£1.73	£1.8m	£2.2m	£7.8m
Shareholders' funds	£35.5m	£33.8m	£31.8m	£29.5m
Number of employees	128	136	138	132

The results are in accordance with the company's long term objectives.

The Board expects the ensuing year to be in line with the 2018 results. The shareholders' funds have increased due to profit generated by the company for the year.

The company has assurances from related parties that they will continue their financial and operating support on the basis of which the Board has confirmed that it considers the company to be a going concern. Thus the financial statements have been prepared on a going concern basis.

PRINCIPAL RISKS AND UNCERTAINTIES

The company's business is exposed to a number of risks and uncertainties, which could, either on their own or in combination with others, potentially have a material adverse effect on the company's strategy, business, performance, results, financial or trading condition, and/or reputation.

One such risk is political risk. For instance, governments may alter fiscal or other terms governing broadcasting or media operations. To mitigate this risk the company conforms rigidly to Ofcom requirements and all other statutes relevant to the company's activities.

Another risk is cyber-attack leading to system denial or significant reputational damage, for example the ability to broadcast our programmes or personnel and sensitive data being compromised.

This risk is mitigated by employing sophisticated up to date internal security systems, running internal awareness campaigns and employing sophisticated disaster recovery management tools.

ABOUT THE COMPANY

The company is a limited liability company registered in England & Wales, and has its registered office address at 4 Churchill Court, 58 Station Road, North Harrow, HA2 7ST. The company's operational headquarters are based at Level 16, The Shard, 32 London Bridge Street, London SE1 9SG.

AL JAZEERA INTERNATIONAL LIMITED

STRATEGIC REPORT

for the year ended 31 December 2018

KEY SERVICE POINTS

Several factors contribute to the effectiveness of our services, but the following key values are the foundations of the company.

People

The company's employees are its most important asset. Our human resources policy aims at a lasting relationship with our personnel. This allows us to develop processes for the benefit of our clients' development projects.

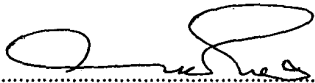
The company follows best practice employment policies, which espouses equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status.

The company encourages employee involvement in policy decisions relating to the content produced and aired by the company by means of regular communication programmes, meetings and conferences

Integrity

A lot of emphasis is made on ethical values both with our suppliers as well as personnel which has ensured long term relationships which are essential to the growth of the company.

ON BEHALF OF THE BOARD:



.....
Muftah Al Suwaidan - Director

Date: 05 / 06 / 2019

AL JAZEERA INTERNATIONAL LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2018

The directors present their report with the financial statements of the company for the year ended 31 December 2018.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of satellite broadcasting services to a related company.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2018.

FUTURE DEVELOPMENTS

No major developments are planned for the ensuing year.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2018 to the date of this report.

Muftah Al Suwaidan
Khalid Abdulla M Al-Mulla

PRINCIPAL RISKS AND UNCERTAINTIES

The company has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the achievement of the company's performance objectives.

The objectives aim to limit undue counterparty exposure, ensure sufficient working capital and monitor the management of risk at business unit level.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AL JAZEERA INTERNATIONAL LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2018

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

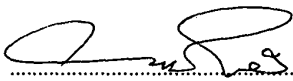
So far as each person currently serving as a director of the company at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware and each director hereby confirms that he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information, and to establish that the company's auditors are aware of that information.

They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

AUDITORS

Chapmans Associates Limited, Chartered Accountants were appointed as auditors during the year in place of KPMG LLP who resigned. A resolution to re-appoint Chapmans Associates Limited, Chartered Accountants as auditors will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD:



.....
Muftah Al Suwaidan - Director

Date: 05/06/2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AL JAZEERA INTERNATIONAL LIMITED

Opinion

We have audited the financial statements of Al Jazeera International Limited (the 'company') for the year ended 31 December 2018 which comprise the Statement of Profit or Loss, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and Notes to the Statement of Cash Flows, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Directors' Report, but does not include the financial statements and our Auditors' Report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AL JAZEERA INTERNATIONAL LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Praful Patel FCA (Senior Statutory Auditor)
for and on behalf of Chapmans Associates Limited, Chartered Accountants
Statutory Auditors
3 Coombe Road
London
NW10 0EB

Date: 12/6/2019

AL JAZEERA INTERNATIONAL LIMITED**STATEMENT OF PROFIT OR LOSS**
for the year ended 31 December 2018

		2018 £	2017 £
CONTINUING OPERATIONS			
Revenue		30,370,272	31,308,232
Cost of sales		(15,387,369)	(15,912,474)
GROSS PROFIT		14,982,903	15,395,758
Other operating income		-	46,783
Administrative expenses		(13,257,872)	(13,676,193)
OPERATING PROFIT		1,725,031	1,766,348
Finance costs	4	-	(40)
Finance income	4	622	553
PROFIT BEFORE INCOME TAX	5	1,725,653	1,766,861
Income tax	6	-	-
PROFIT FOR THE YEAR		<u>1,725,653</u>	<u>1,766,861</u>

The notes on pages 14 to 21 form part of these financial statements

AL JAZEERA INTERNATIONAL LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2018


	2018 £	2017 £
PROFIT FOR THE YEAR	1,725,653	1,766,861
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME		
FOR THE YEAR	<u>1,725,653</u>	<u>1,766,861</u>

The notes on pages 14 to 21 form part of these financial statements

AL JAZEERA INTERNATIONAL LIMITED (REGISTERED NUMBER: 05233333)**STATEMENT OF FINANCIAL POSITION****31 December 2018**

	Notes	2018 £	2017 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	5,589,544	12,119,103
Loans and other financial assets	9	567	567
		<u>5,590,111</u>	<u>12,119,670</u>
CURRENT ASSETS			
Inventories	10	66,432	156,277
Trade and other receivables	11	33,862,409	25,891,474
Cash and cash equivalents	12	1,314,036	1,419,225
		<u>35,242,877</u>	<u>27,466,976</u>
TOTAL ASSETS		<u><u>40,832,988</u></u>	<u><u>39,586,646</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	13	50,000	50,000
Capital contribution	14	38,292,794	38,292,794
Retained earnings	14	(2,818,287)	(4,543,940)
TOTAL EQUITY		<u>35,524,507</u>	<u>33,798,854</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	4,328,731	4,808,042
Provisions	17	979,750	979,750
		<u>5,308,481</u>	<u>5,787,792</u>
TOTAL LIABILITIES		<u>5,308,481</u>	<u>5,787,792</u>
TOTAL EQUITY AND LIABILITIES		<u><u>40,832,988</u></u>	<u><u>39,586,646</u></u>

The financial statements were approved by the Board of Directors on 05/06/2019 and were signed on its behalf by:


 Muftah Al Suwaidan - Director

The notes on pages 14 to 21 form part of these financial statements

AL JAZEERA INTERNATIONAL LIMITED**STATEMENT OF CHANGES IN EQUITY**
for the year ended 31 December 2018

	Called up share capital £	Retained earnings £	Capital contribution £	Total equity £
Balance at 1 January 2017	50,000	(6,310,801)	38,089,104	31,828,303
Changes in equity				
Profit for the year	-	1,766,861	-	1,766,861
Other comprehensive income	-	-	203,690	203,690
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	1,766,861	203,690	1,970,551
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	50,000	(4,543,940)	38,292,794	33,798,854
	<hr/>	<hr/>	<hr/>	<hr/>
Changes in equity				
Profit for the year	-	1,725,653	-	1,725,653
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	1,725,653	-	1,725,653
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	50,000	(2,818,287)	38,292,794	35,524,507
	<hr/>	<hr/>	<hr/>	<hr/>

The notes on pages 14 to 21 form part of these financial statements

AL JAZEERA INTERNATIONAL LIMITED

STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

		2018 £	2017 £
Cash flows from operating activities			
Cash generated from operations	1	105,772	(429,373)
Interest paid		-	(40)
Net cash from operating activities		<u>105,772</u>	<u>(429,413)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(211,583)	(56,239)
Interest received		622	553
Net cash from investing activities		<u>(210,961)</u>	<u>(55,686)</u>
Cash flows from financing activities			
Proceeds from capital contribution		-	203,690
Net cash from financing activities		<u>-</u>	<u>203,690</u>
Decrease in cash and cash equivalents		<u>(105,189)</u>	<u>(281,409)</u>
Cash and cash equivalents at beginning of year	2	1,419,225	1,700,634
Cash and cash equivalents at end of year	2	<u><u>1,314,036</u></u>	<u><u>1,419,225</u></u>

The notes on pages 14 to 21 form part of these financial statements

AL JAZEERA INTERNATIONAL LIMITED**NOTES TO THE STATEMENT OF CASH FLOWS**
for the year ended 31 December 2018**1. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS**

	2018	2017
	£	£
Profit before income tax	1,725,653	1,766,861
Depreciation charges	6,741,144	8,041,453
Loss on disposal of fixed assets	-	3,709
Finance costs	-	40
Finance income	(622)	(553)
	<u>8,466,175</u>	<u>9,811,510</u>
Decrease in inventories	89,845	96,690
(Increase)/decrease in trade and other receivables	(7,970,936)	450,493
Decrease in trade and other payables	(479,312)	(10,788,066)
	<u>105,772</u>	<u>(429,373)</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2018

	31.12.18	1.1.18
	£	£
Cash and cash equivalents	<u>1,314,036</u>	<u>1,419,225</u>

Year ended 31 December 2017

	31.12.17	1.1.17
	£	£
Cash and cash equivalents	<u>1,419,225</u>	<u>1,700,634</u>

The notes on pages 14 to 21 form part of these financial statements

AL JAZEERA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

1. STATUTORY INFORMATION

Al Jazeera International Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2018.

The financial statements are presented in Sterling and all values are rounded to the nearest pound except when otherwise indicated.

Revenue recognition

Revenue represents invoiced sales of services, including 5%/6% mark-up and excluding value added tax. Revenue is derived entirely from services provided to Al Jazeera Media Network based in the state of Qatar.

Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Short leasehold	- 15 years
Plant and machinery	- 20% on cost
Fixtures and fittings	- 25% on cost
Motor vehicles	- 25% on cost
Computer equipment	- 33.3% on cost

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs attributable to assets under construction are recognised as an expense.

The carrying values of property, plant, and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively. An item of property, plant, and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognised.

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

AL JAZEERA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued **for the year ended 31 December 2018**

2. ACCOUNTING POLICIES - continued

Trade and other receivables

Trade receivables, which are generally received from Al Jazeera Media Network, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence the balances will not be recovered in full. Balances are written off when the probability of recovery is assessed as being remote.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to transfer pricing provisions as applicable to the company.

Tax on the income or loss for the year comprises current and deferred tax. Income tax is charged or credited directly to the income statement.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates enacted or substantively enacted at the statement of financial position date.

Deferred tax is recognised on all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements with the exception of deferred income tax assets which are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Foreign currencies

The functional and presentation currency of Al Jazeera International Limited is Sterling. Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences arising on translation are taken to the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Financial liabilities

Contributions are paid into the money purchase pension schemes held by certain employees. The assets of the scheme are held separately. The contributions are recognised in the income statement in the period in which they become payable.

AL JAZEERA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 December 2018

2. ACCOUNTING POLICIES - continued

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to the income statement in the period to which they relate.

Contributions are paid into the money purchase pension schemes held by certain employees. The assets of the scheme are held separately. The contributions are recognised in the income statement in the period in which they become payable

Going concern

The financial statements have been prepared on a going concern basis which assumes that the company will continue receiving the financial support of Al Jazeera Media Network, Qatar.

The Board believes that this basis is appropriate and they are not aware of any reasons why the financial support should not continue in the near future.

Inventories

Inventories comprise of amounts expended on TV programmes which had not been transmitted at the balance sheet date, and are valued at cost less impairment, if any.

3. EMPLOYEES AND DIRECTORS

	2018 £	2017 £
Wages and salaries	8,514,491	8,051,550
Social security costs	1,100,158	955,646
Other pension costs	874,631	756,430
	<u>10,489,280</u>	<u>9,763,626</u>

The average number of employees during the year was as follows:

	2018	2017
Production	108	115
Administration and finance	20	21
	<u>128</u>	<u>136</u>

The directors received no emoluments from the company during the year (2017 - Nil). The directors' emoluments are borne by a related party.

4. NET FINANCE INCOME

	2018 £	2017 £
Finance income:		
Deposit account interest	470	553
Other income	152	-
	<u>622</u>	<u>553</u>

AL JAZEERA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 December 2018

4. NET FINANCE INCOME - continued

	2018 £	2017 £
Finance costs:		
Bank interest	-	40
	<u> </u>	<u> </u>
Net finance income	<u>622</u>	<u>513</u>

5. PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging:

	2018 £	2017 £
Cost of inventories recognised as expense	15,387,369	15,912,474
Depreciation - owned assets	6,741,142	8,041,453
Loss on disposal of fixed assets	-	3,710
Auditors' remuneration	23,554	62,000
	<u> </u>	<u> </u>

6. INCOME TAX

Analysis of tax expense

No liability to UK corporation tax arose for the year ended 31 December 2018 nor for the year ended 31 December 2017.

Factors affecting the tax expense

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £	2017 £
Profit before income tax	<u>1,725,653</u>	<u>1,766,861</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.246%)	327,874	340,050
Effects of:		
Tax effect of capital allowances	(625,446)	(738,353)
Tax effect of losses brought forward	(3,407,971)	(2,998,274)
Tax effect of losses carried forward	3,761,271	3,450,457
Tax effect of Transfer Pricing adjustment	(55,728)	(53,880)
	<u> </u>	<u> </u>
Tax expense	<u>-</u>	<u>-</u>

7. TOTAL COMPREHENSIVE INCOME

Total comprehensive income for this and the previous period is attributable to owners of Al Jazeera International Limited and arises from continuing operations.

AL JAZEERA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 December 2018

8. PROPERTY, PLANT AND EQUIPMENT

	Short leasehold £	Plant and machinery £	Fixtures and fittings £
Cost			
At 1 January 2018	979,750	31,048,124	6,068,970
Additions	29,080	169,769	2,339
At 31 December 2018	1,008,830	31,217,893	6,071,309
Depreciation			
At 1 January 2018	261,267	20,754,257	5,007,246
Charge for year	66,331	5,627,605	1,018,961
At 31 December 2018	327,598	26,381,862	6,026,207
Net book value			
At 31 December 2018	681,232	4,836,031	45,102
At 31 December 2017	718,483	10,293,867	1,061,724
	Motor vehicles £	Computer equipment £	Totals £
Cost			
At 1 January 2018	43,699	1,287,401	39,427,944
Additions	-	10,395	211,583
At 31 December 2018	43,699	1,297,796	39,639,527
Depreciation			
At 1 January 2018	43,699	1,242,372	27,308,841
Charge for year	-	28,245	6,741,142
At 31 December 2018	43,699	1,270,617	34,049,983
Net book value			
At 31 December 2018	-	27,179	5,589,544
At 31 December 2017	-	45,029	12,119,103

9. LOANS AND OTHER FINANCIAL ASSETS

	2018 £	2017 £
1% shareholding in Al Jazeera Turk Channel, Turkey	567	567

AL JAZEERA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 December 2018

10. INVENTORIES

	2018 £	2017 £
Work-in-progress	<u>66,432</u>	<u>156,277</u>

11. TRADE AND OTHER RECEIVABLES

	2018 £	2017 £
Current:		
Other debtors	91,197	754
Amounts due from related parties	32,357,728	24,645,030
Staff Advances	105,121	9,996
Social security and other taxes	-	118,484
VAT	475,820	321,083
Called up share capital not paid	50,000	50,000
Prepayments and accrued income	782,543	746,127
	<u>33,862,409</u>	<u>25,891,474</u>

12. CASH AND CASH EQUIVALENTS

	2018 £	2017 £
Cash in hand	76,185	86,942
Bank accounts	<u>1,237,851</u>	<u>1,332,283</u>
	<u>1,314,036</u>	<u>1,419,225</u>

13. CALLED UP SHARE CAPITAL

Allotted and issued:			2018	2017
Number:	Class:	Nominal value:	£	£
50,000	Ordinary £1 shares	£1	<u>50,000</u>	<u>50,000</u>

At the balance sheet date, the share capital called up but unpaid amounted to £50,000 (2017 - £50,000).

14. RESERVES

	Retained earnings £	Capital contribution £	Totals £
At 1 January 2018	(4,543,940)	38,292,794	33,748,854
Profit for the year	<u>1,725,653</u>	<u>-</u>	<u>1,725,653</u>
At 31 December 2018	<u>(2,818,287)</u>	<u>38,292,794</u>	<u>35,474,507</u>

AL JAZEERA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 December 2018

14. RESERVES - continued

	Retained earnings £	Capital contribution £	Totals £
At 1 January 2017	(6,310,801)	38,089,104	31,778,303
Profit for the year	1,766,861	-	1,766,861
Increase in capital contribution	-	203,690	203,690
At 31 December 2017	<u>(4,543,940)</u>	<u>38,292,794</u>	<u>33,748,854</u>

15. TRADE AND OTHER PAYABLES

	2018 £	2017 £
Current:		
Trade creditors	293,650	634,273
Employee salaries	142,315	142,315
Pension Contributions Payable	66,704	65,439
Deferred income	23,140	156,276
Accrued expenses	3,802,922	3,809,739
	<u>4,328,731</u>	<u>4,808,042</u>

16. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2018 £	2017 £
Within one year	1,389,050	1,389,050
Between one and five years	5,556,202	5,556,202
In more than five years	6,945,254	8,334,304
	<u>13,890,506</u>	<u>15,279,556</u>

Operating lease commitments

Commitments under operating leases relate primarily to the rental of office space. Minimum lease rentals payable under non-cancellable operating leases as at 31 December 2018 are as shown above

17. PROVISIONS

	2018 £	2017 £
Other provisions	<u>979,750</u>	<u>979,750</u>
Analysed as follows:		
Current	<u>979,750</u>	<u>979,750</u>

AL JAZEERA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 December 2018

17. PROVISIONS - continued

	2018	2017
	£	£
Provision for dilapidation brought forward	979,750	979,750
Movement during the year	-	-
Balance carried forward	<u>979,750</u>	<u>979,750</u>

The provision relates to the company's dilapidation obligations in respect of the main business premises at The Shard.

18. CONTINGENT LIABILITIES

The company is engaged in negotiations with HMRC on the matter of Transfer Pricing adjustment to the tax liability payable in the United Kingdom. Due to the impasse in the negotiations, it is likely that the matter will have to be pursued through the Tax Tribunal. In the event that the Tribunal decides against the company, the tax payable including interest would be approximately £8.2m.

19. RELATED PARTY DISCLOSURES

The details of related party transactions are as follows:

Related Party	Description	2018	2017
		£	£
Al Jazeera Media Network	Sales	30,077,563	31,145,573
Al Jazeera Satellite Channel Limited	Sales	191,487	162,659
		<u>30,269,050</u>	<u>31,308,232</u>

At the balance sheet date the amounts owed by related parties were as follows:

Related Party	£	£
Al Jazeera Media Network	32,311,384	24,999,360
Al Jazeera Washington	19,310	18,259
Al Jazeera Kuala Lumpur	8,339	-
	<u>32,339,033</u>	<u>25,017,619</u>

20. ULTIMATE CONTROLLING PARTY

The directors consider that with effect from 10 March 2018, Al Jazeera Network, the registered address of which is at Television Roundabout, PO Box 23123, Doha, Qatar is the ultimate controlling party. Prior to that H H Emir of Qatar was the ultimate controlling party.