



سوق البحرين للأوراق المالية  
Bahrain Stock Exchange

Annual Report 2009



His Royal Highness  
Prince Khalifa bin  
Salman Al Khalifa

The Prime Minister of  
the Kingdom of Bahrain



His Majesty King  
Hamad bin Isa  
Al Khalifa

The King of  
the Kingdom of Bahrain



His Royal Highness  
Prince Salman bin  
Hamad Al Khalifa

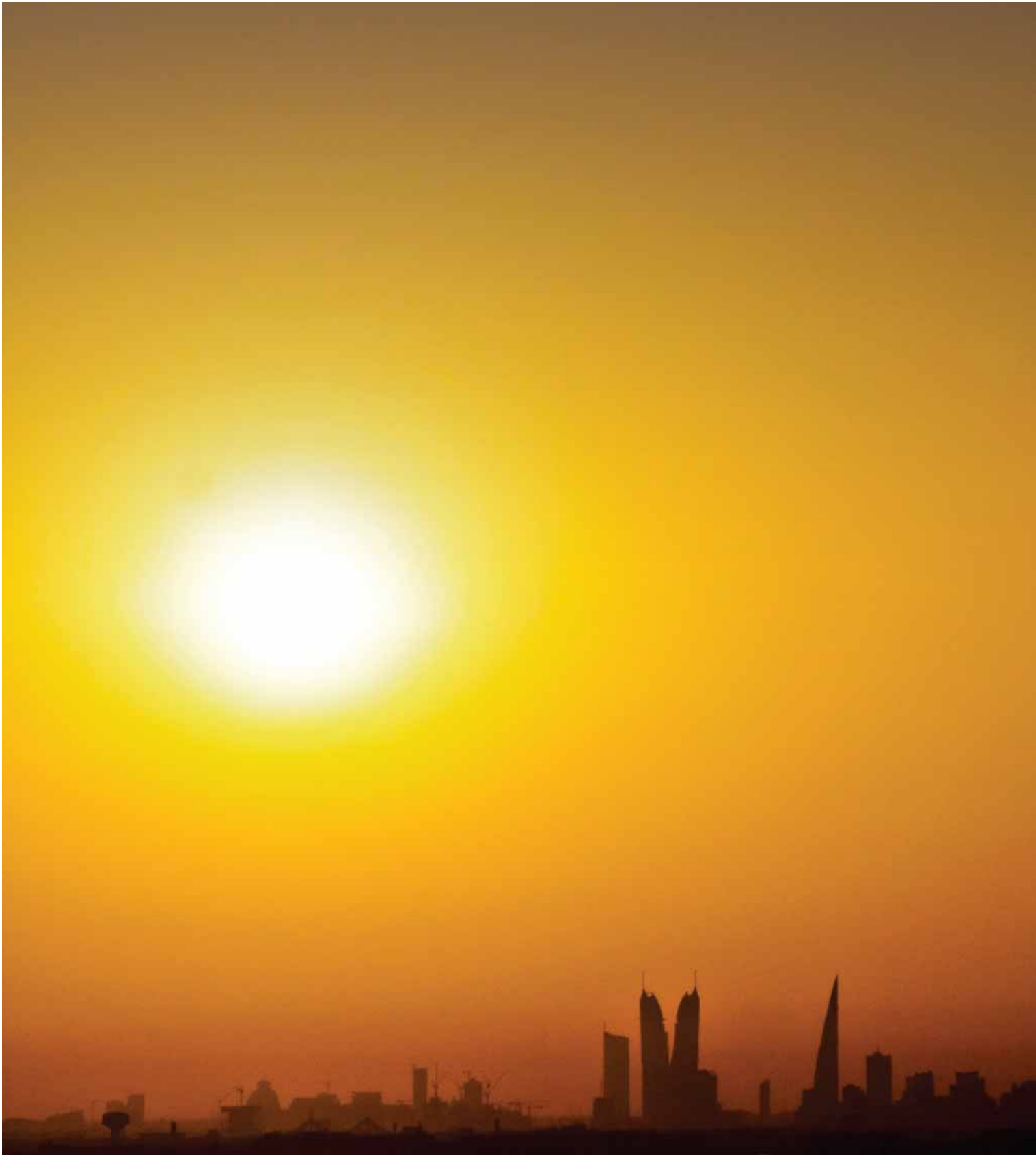
The Crown Prince  
& Deputy Supreme Commander





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## VISION

TO ENHANCE THE INVESTMENT ENVIRONMENT IN SECURITIES AND INVESTMENT INSTRUMENTS IN ORDER TO BECOME A LEADING REGIONAL AND INTERNATIONAL MARKET AND A MAJOR LISTING CENTER FOR MUTUAL FUNDS.

## MISSION

TO CONTINUOUSLY IMPROVE ALL ACTIVITIES PERFORMED BY THE EXCHANGE IN ACCORDANCE TO THE INTERNATIONAL STANDARDS TO ENSURE A FAIR, TRANSPARENT, DIVERSIFIED AND EFFICIENT MARKET, CAPABLE OF MEETING THE DEMANDS OF ALL PARTIES INVOLVED WITH BSE WITH HIGH PROFESSIONALISM. BSE WILL AIM TO ENHANCE ITS COMPETITIVENESS BY ATTRACTING INVESTMENTS IN ORDER TO ACHIEVE ITS OBJECTIVES AND STRATEGIES, THUS CONTRIBUTING TO THE ECONOMIC GROWTH OF THE KINGDOM OF BAHRAIN.

## CHAIRMAN'S MESSAGE

IN LINE WITH THE DEVELOPMENT STRATEGY APPROVED BY THE BOARD OF DIRECTORS OF BSE FIVE YEARS AGO, ONE OF THE MAJOR DECISIONS IN THE HISTORY OF THE CAPITAL MARKETS' SECTOR WAS MADE WITH THE ISSUANCE OF RESOLUTION NO. (57) OF 2009 IN RESPECT OF CORPORATIZING THE EXCHANGE AND TRANSFORMING IT TO A SHAREHOLDING COMPANY, PAVING THE WAY TO MAJOR LEGAL, ADMINISTRATIVE, AND TECHNICAL MODIFICATIONS THAT WOULD CHANGE HOW THE EXCHANGE OPERATES.



Rasheed Mohammed Al Maraj | Chairman

Despite the signs of relative recovery from the global financial crisis that had an impact on different countries worldwide in 2008 along with the increase in oil prices during the second half of 2009, the response of the market indices in the region to this recovery varied among markets. The reasons for such variation are partly psychological reasons, and the other part goes back to the distinctive characteristics of each market that differentiates one market from another.

The performance of Bahrain All Share Index this year and the volume and value of shares traded reflects the psychological state that prevailed among investors at Bahrain Stock Exchange (BSE) resulting from the consequences of the crisis in spite of the good financial results reported by the majority of companies listed at the Exchange. This has led to a 19.17% drop in the index compared to its closing at the end of 2008.

In line with the development strategy approved by the Board of Directors of BSE five years ago, one of the major decisions in the history of the capital markets' sector was made with the issuance of Resolution No. (57) of 2009 in respect of corporatizing the Exchange and transforming it to a shareholding company, paving the way to major legal, administrative, and technical modifications that would change how the Exchange operates.

BSE has completed the major part of its relocation project to Bahrain Financial Harbour in 2009. The new premises have been equipped with advanced technology and systems in a way that will enhance BSE's competitiveness to provide more services. This will also enable BSE to provide the technical infrastructure that would encourage companies to benefit from these facilities.

BSE continued the development of its trading mechanisms in a way that will attract different segments of investors and clients, and increase their profitability when trading in the shares of listed companies at the Exchange. In addition, BSE widened its scope of cooperation with leading regional and international financial institutions to be able to provide its custodian services at the Exchange with the aim of enabling local and foreign institutional clients to invest at BSE and benefit from the opportunities available.

Looking into BSE's financial performance in 2009, the global crisis had an effect on the financial status of the Exchange where the operating surplus activate revenue reported a deficit of BD 127,180 thousand compared to the surplus in 2008. The accumulated surplus also decreased slightly from BD 3,950,112 to BD 3,822,932, recording a drop of 3.21%.

On behalf of the members of BSE's Board of Directors and staff, I would like to express my thanks and gratitude to His Majesty King Hamad bin Isa bin Salman Al Khalifa, King of the Kingdom of Bahrain and His Royal Highness Prince Khalifa bin Salman Al Khalifa, the Prime Minister, and His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince and Deputy Supreme Commander for their guidance and continuous support of BSE.

I would also like to extend my thanks to the Central Bank of Bahrain's Chairman and members of the Board of Directors for their support of BSE. I would also like to thank the members of the Board of Directors of BSE for their opinions and contributions to the development of BSE in the previous years. I would also like to thank BSE's management and staff for their hard work during the year, hoping that such efforts will continue to further develop the Exchange.



## DIRECTOR'S MESSAGE

BSE AMENDED ITS AUCTIONAL PRICING MECHANISM "TICKS SIZE". THIS MECHANISM LINKS THE SIZE OF THE TICKS WITH THE SHARES' PRICES IN WHICH THEY WERE DIVIDED INTO FIVE CATEGORIES. SUCH CHANGE WILL HOPEFULLY ENHANCE TRADING ACTIVITY IN A WAY THAT WILL INCREASE INVESTORS' RETURNS WHEN TRADING IN SHARES.



Fouad A. Rahman Rashid | Director of the Exchange

Trading at Bahrain Stock Exchange (BSE) was affected this year by the psychological state that prevailed among investors following the financial crisis. The repercussions of the crisis reflected on the total trading activity at the Exchange, in which the good results reported by most of the listed companies at BSE could not convince investors to overlook the direct and indirect consequences of the crisis that affected the world's economies during the first half of 2008. This has resulted into the decrease in Bahrain All Share Index by 19.17% compared to its closing in December 2008, where the value and volume of shares traded as well as the number of transactions executed decreased by 77.35%, 49.15%, and 30.37% respectively.

During 2009, one of the major decisions in the history of the capital markets' sector was made when His Majesty King Hamad issued Resolution No. (57) of 2009 in respect of transforming BSE to a shareholding company. The resolution was issued to go in line with BSE's strategy that has been implemented five years ago. The aim of the strategy was to prepare the Exchange gradually for this step in particular, by carrying out all the legal, administrative, and technical procedures that will enable the Exchange to continuously meet the needs of those interested in investing at BSE. The issuance of this resolution initiated the actual implementation of the plan, where the Exchange will begin operating as a profit-making organization to reflect its new legal identity. Overall, the transformation of BSE will allow more flexibility in its operations, so that the Exchange will play a greater and more effective role in serving Bahrain's economy.

Shedding light on the new listings at BSE, two new Sukuk (Islamic bond) issues were listed on BSE. The first issue was valued at BD165 million and was issued by the Central Bank of Bahrain on behalf of the Government of the Kingdom of Bahrain. The value of the other Sukuk issue was US\$100 million issued by Hilal Sukuk Company on behalf of the International Finance Corporation (IFC). In addition, two mutual funds were listed, one was issued by Kuwait Financial Centre S.A.K. "Markaz" and the other was issued by Securities and Investment Company "SICO". With these listings, the number of bond/Sukuk issues reached 14 with a value of US\$3.33 billion and the number of mutual funds became 35.

Looking into the developments related to trading at BSE during 2009, and the Exchange's efforts in developing trading mechanisms to encourage and attract capital, increase liquidity and trading activity to attract more investors, BSE amended its auctional pricing mechanism "ticks size". This mechanism links the size of the ticks with the shares' prices in which they were divided into five categories. Such change will hopefully enhance trading activity in a way that will increase investors' returns when trading in shares.

BSE has been in the process of preparing the technical legislative infrastructure of the Exchange for the purpose of meeting the needs of financial institutions and enabling them to provide custodian services to their clients. As a result, BSE signed an agreement with Standard Chartered Bank in which the bank will be providing its custodian services to its clients at the Exchange worldwide.

In regards to BSE's relocation to the Bahrain Financial Harbour (BFH), the new offices were prepared and equipped with the latest systems and equipment to enable the Exchange to provide more diversified and advanced services to companies, investors, and beneficiaries from the capital markets sector in the Kingdom of Bahrain and abroad. Several public shareholding listed companies have contributed to equipping the new trading floor at the BFH by sponsoring the display boards. BSE is expected to start operating from the BFH during the second quarter of 2010.

On the financial front, BSE's total revenue reached BD2,826,318 in 2009 compared to BD3,391,776 in 2008. The total expenses in 2009 were BD2,953,498 compared to BD2,107,438 in 2008. The BSE reported a deficit of BD127,180. The total assets increased to BD4,894,761 compared to BD4,628,121 in 2008, while the total liabilities were BD1,071,829 in 2009 compared to BD678,009 in 2008. The accumulated surplus decreased from BD3,950,112 in 2008 to BD3,822,932 in 2009.

BSE continued in 2009 its cooperation with bourses, specialized local and regional institutes in the areas of training in order to train and develop the skills of its employees. This will enable them to perform their jobs with high professionalism and meet their job requirements.

On behalf of the members of the Board of Directors of BSE and BSE's staff, I would like to express my thanks and gratitude to His Majesty King Hamad bin Isa bin Salman Al Khalifa, King of the Kingdom of Bahrain and His Royal Highness Prince Khalifa bin Salman Al Khalifa, the Prime Minister, and His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and Deputy Supreme Commander for their guidance and continuous support of BSE since its establishment.

I would also like to express my thanks and appreciation to the members of BSE's Board of Directors for their contribution and efforts to develop the BSE. I also thank BSE's management and staff for their efforts during the year, wishing them greater success in the coming years by working as a team towards achieving BSE's mission. I would also like to extend my thanks to the listed companies and brokerage firms for their support and cooperation.

## BOARD OF DIRECTORS

Mr. Rasheed Mohammed Al Meraj  
Chairman

Mr. Abdul Rahman Al Baker \*\*  
V. Chairman

Mr. Ali Salman Thamer \*\*  
Director

Mr. Khalid Mohammed Kanoo  
Director

Dr. Esam Abdulla Fakhroo  
Director

Shaikh Mohammed bin Issa Al Khalifa \*  
Director

Mr. Adel Mohammed A. Shafi El Labban \*  
Director

Mr. Abdul Razak Abdulla Hassan Al Qassim \*  
Director

Mr. A. Majeed A. Salam Breish \*\*  
Director

\* Member of the Executive Committee

\*\* Member of the Auditing Committee

## MANAGEMENT TEAM

**Mr. Fouad A. Rahman Rashid**  
Director

**Mr. Yousif Ahmed Al Sharaf**  
Head of Administration and Finance

**Mr. Ebrahim Jaffar Al Aradi**  
Head of Trading and Members' Affairs

**Mr. Mohammed Khalid Hamed**  
Head of Internal Audit

**Mr. Abdul Hai Saleh Mahmood**  
Legal Adviser

**Mr. Ali Ahmed Al Mansoor**  
Head of Public Relations & Marketing

**Mr. Abdulla Jaffar Abdin**  
Head of Clearing & Settlement and Central Depository

**Mrs. Narjes Farookh Jamal**  
Head of Information Technology

**Mr. A. Hameed Ahmed A. Ghaffar**  
Head of Financial Analysis & Research

17.47	17.02	42.15	+0.13
42.45	40.86	27.09	+0.46
27.15	26.07	22.47	-1.26
22.59	21.71	23.37	+12.51
23.97	22.74	391.66	+0.74
391.70	377.43	95.61	+0.42
95.67	93.96	25.22	+0.30
25.32	24.74	24.82	
24.89	24.35	57.67	
57.55	55.00		

## WORLD STOCK MARKETS' PERFORMANCE DURING 2009

### THE INTERNATIONAL MARKETS

The global recession witnessed in 2009 is considered as one of the worst economic crises which began in the United States and proliferated to reach interrelated economies all over the world including the European and Asian economy, threatening the advent of a recession.

Because of the crisis, the world economy according to the The International Monetary Fund (IMF) shrank to 0.6% in 2009 compared to the growth in the previous years of 3% and 5.2% in 2007 and 2008 respectively in spite of the signs of recovery seen in the utilities and production sector of Europe and America at the end of the year. In return, inflation decreased to 2.5% against 5.9% in 2008. The U.S. economy also shrank by 2.4% in 2009 compared to 0.43% in 2008. By the end of the year, several of the large economies showed some signs indicating that the recession phase has ended and recovery has begun. The regulatory authorities, however, implemented conservative monetary policies by maintaining low interest rates. The Federal Reserve Bank maintained the interest rates at 0.25% that has not changed since 16 December 2008.

The economies of the European Union countries contracted at a rate of 4.1% in 2009 against their growth of 0.9% in 2008. Along with the efforts to encourage growth, the Central Bank of England reduced the interest rate to 0.5% on the 5th of March compared to 2% at the beginning of the year. The European Central Bank also reduced the interest rate to 1% on the 12th of May compared to 2.50% at the beginning of the year.

In Asia, China recorded an economic growth of 8.7% in 2009 against 9.6% in 2008, while India reported growth of 5.7% in 2009 compared to 7.3% in 2008. The Japanese economy, however, shrank by 5.2% compared to 1.2% in 2008. As a result, the European Central Bank decided to face the economic slowdown by reducing the barriers on the monetary policy and maintaining the interest rate at 0.1%. The economy of the Middle East witnessed growth of 1.7% in 2009 against 4.9% in 2008.

Looking at the prices of oil, 2009 began with a fall in the prices to reach US\$30 compared to US\$150 in July 2008. As a result, the returns of oil-exporting countries decreased due to the overall slowdown of the World Economy. Gradually, prices began to improve where the price of Brent oil increased by US\$42.09 compared to its price in the beginning of the year, closing at US\$78.26 against US\$36.17 at the beginning of the year, posting growth of 116.37%. Moreover, the price of oil in Dubai increased by 87.86% settling at US\$77.38.

The Euro and Sterling Pound increased against the U.S. dollar by 2.42% and 10.45% respectively compared to their values at the beginning of the year. The U.S. dollar, however, decreased by 2.54% against the Yen during the same period. On the other hand, the price of gold was up by 24.77% to reach US \$1,095.7 per ounce, thereby increasing by US\$217.5 per ounce compared to its price at the beginning of the year. Similarly, the price of silver recorded growth of 48.94%.

On the capital markets front, the S&P500 index recorded growth of 23.45%. In the European market, the British FTSE100 index grew by 23.23%, the German DAX by 23.85%, the French CAC40 by 22.32%, and the Japanese Nikkei index by 19.04%.

## WORLD STOCK MARKETS' PERFORMANCE DURING 2009 (Continued)

### PERFORMANCE OF INTERNATIONAL FINANCIAL MARKETS

Date	2009	2008	Growth (%)
Germany (DAX)	5,957.43	4,810.20	23.85
America (S&P500)	1,115.1	903.3	23.45
UK (FTSE100)	5,412.88	4,392.7	23.23
France (CAC40)	3,936.33	3,218.0	22.32
Japan (Nikkei225)	10,546.44	8,859.56	19.04

### THE ARAB AND GCC MARKETS

The real GDP of the Arab countries declined to 1.70% in 2009 compared to 4.9% in 2008 according to the International Monetary Fund (IMF).

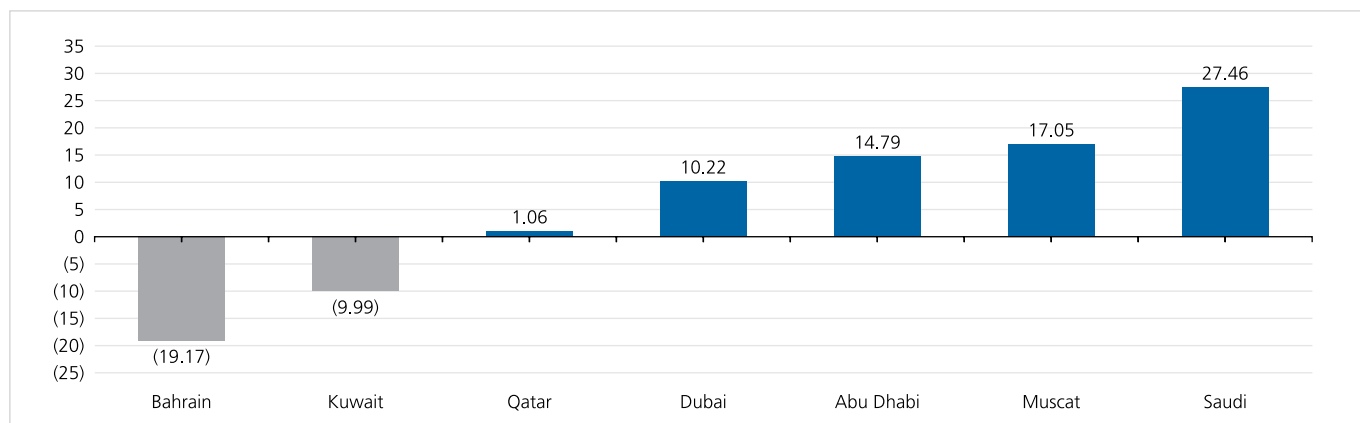
### THE GROWTH IN REAL GDP (AT FIXED RATES)

Country	2009	2008
Lebanon	9.0	9.0
Egypt	4.7	7.2
Iraq	4.2	9.5
Syria	4.0	5.2
Yemen	3.9	3.6
Jordan	2.8	7.8
Libya	1.8	3.4
<b>GCC Countries</b>		
Qatar	9.0	15.8
Oman	3.4	12.3
Bahrain	2.9	6.1
KSA	0.2	4.3
UAE	(0.7)	5.1
Kuwait	(2.7)	6.4

Source: International Monetary Fund ([www.imf.org](http://www.imf.org))

On the capital markets' front, most of the GCC stock markets absorbed the consequences of the global financial crisis and witnessed a rise in their indices, where Saudi Arabia recorded growth of 27.46%, followed by Muscat with 17.05% growth, Abu Dhabi 14.79%, Dubai 10.22%, and Qatar 1.06%. On the other hand, Bahrain Stock Exchange and Kuwait Stock Exchange declined by 19.17% and 9.99% respectively.

## THE PERFORMANCE OF THE GCC MARKETS IN 2009 (%)



## THE LOCAL MARKET

The Kingdom of Bahrain recorded the highest figure in foreign investment compared to GDP. The 2009 results reported by the "Heritage Foundation" index for economic freedom re-assured Bahrain's strong financial position, ranking it the 16th among the world's freest economies and was the only country from the MENA region that was amongst the top 20 countries in the world. The Kingdom of Bahrain was also included amongst the top 20 countries in terms of the "Ease of Doing Business" in the World Bank Group's report "Doing Business 2010". In addition, the World Economic Forum released the Global Competitiveness Report for 2009 – 2010, shedding light on the major improvements that took place in Bahrain, specifically those relating to the labor market.

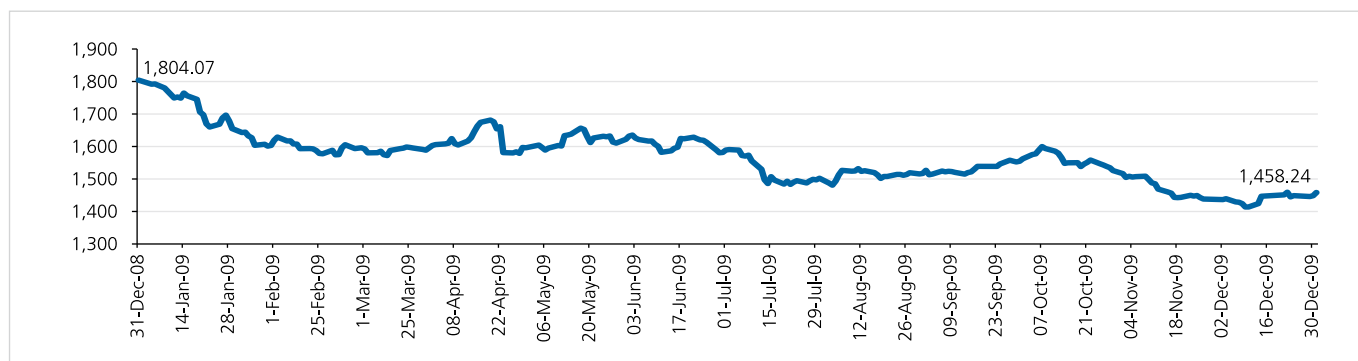
The GDP of the economy fell to approximately 3% in 2009 in comparison to around 6% in 2008 according to the World Bank.

Regarding the performance of Bahrain Stock Exchange (BSE), Bahrain All Share Index decreased by 19.17% closing at 1,458.24 points at the end of 2009, so the index was down by 345.83 points. The shares' prices of 30 companies declined, 10 companies increased, while 9 companies maintained their shares' prices. The trading activity at BSE has decreased, where the value of transactions declined by 77.35% compared to its value in 2008. The volume of shares traded decreased by 49.15%, while the number of transactions declined by 30.37%.



## WORLD STOCK MARKETS' PERFORMANCE DURING 2009 (Continued)

### BAHRAIN ALL SHARE INDEX PERFORMANCE DURING 2009

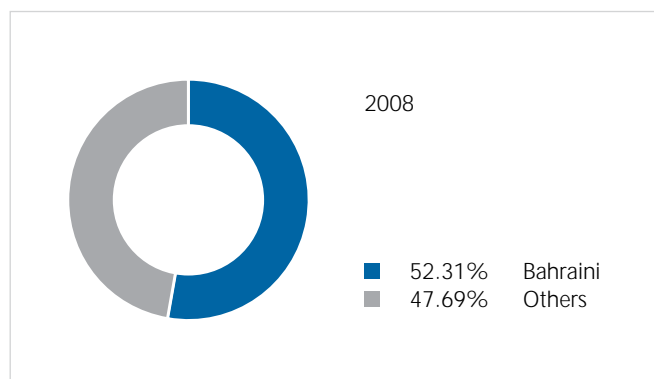
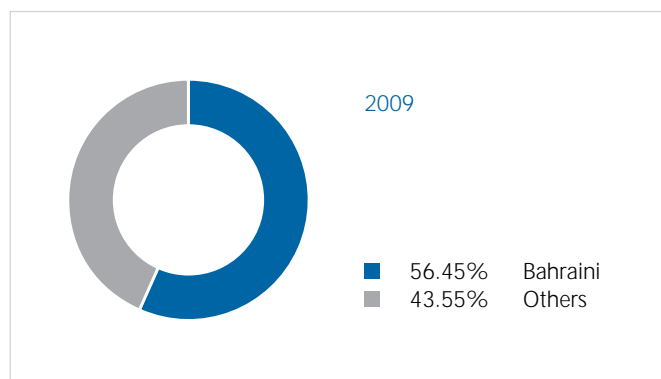


The Commercial Banks Sector captured the largest share in terms of the value of shares traded capturing 54.07% of the total value, followed by the Investment sector 26.36%, Services Sector 16.38%, Hotels & Tourism 0.99%, Insurance 0.69%, and Industrial 0.03%. Ahli United Bank came first among the major advancers in terms of the value of shares traded, with BD 43.8 million accounting for 24.6% of the total value of shares traded. Then came BBK capturing 14.7% of the total value, Gulf Finance House 10.9%, Batelco 10%, and Al Salam Bank 9.5%.

In terms of the volume of shares traded, the Commercial Banks Sector captured the largest share accounting for 56.8% of the total volume, followed by the Investment Sector 30.66%, Services Sector 9.88%, Hotels and Tourism Sector 0.77%, Insurance Sector 0.44%, and the Industrial Sector 0.02%. Ahli United Bank came first among the major advancers in terms of the volume of shares traded, with 216.9 million shares, accounting for 25.5% of the total volume. Then came Al Salam Bank 17.9%, Ithmaar Bank 17.8%, Gulf Finance House 7.8%, and BBK 7.7%.

Trading by nationalities showed that Bahrainis had the biggest share of 56.45% of the total value traded, while Non-Bahrainis accounted for 43.55% of the total value of transactions. By the end of 2009, the total number of listed companies on BSE was 49 companies, while the number of mutual funds was 35 and bond/Sukuk issues were 14.

### PERCENTAGE OF TRADING IN TERMS OF NATIONALITY (BUY & SELL)



## MARKET CAPITALIZATION

The market capitalization of Bahraini public shareholding companies listed on the Exchange decreased to BD6.12 billion compared to BD7.52 billion at the beginning of 2009, declining by 18.47%. The Investment Sector accounted for 41.54% of the total market capitalization, followed by the Commercial Banks Sector (33.25%), Services (19.23%), Hotels and Tourism (2.87%) Insurance (2.83%), and the Industrial (0.29%). In addition, the Industrial Sector recorded the highest growth in terms of market capitalization compared to the beginning of 2009, posting a growth of 20.05% followed by the Hotels & Tourism Sector, which increased by 15.42%. On the other hand, the market capitalization of the Services Sector declined by 5.16%, along with the other sectors, Insurance (14.12%), Commercial Banks (19.47%), and Investment (24.59%).

## MARKET CAPITALIZATION AMONG SECTORS (MILLION DINARS)

Sector	2009	2008	Change (%)	Relative Weight (%)
Investment	2,546.56	3,376.78	(24.59)	41.54
Commercial Banks	2,038.53	2,531.30	(19.47)	33.25
Services	1,178.75	1,242.91	(5.16)	19.23
Hotels & Tourism	176.20	152.66	15.42	2.87
Insurance	173.27	201.76	(14.12)	2.83
Industrial	17.69	14.74	20.05	0.29
<b>Total Market</b>	<b>6,131.01</b>	<b>7,520.15</b>	<b>(18.47)</b>	<b>100.00</b>

## FINANCIAL INDICATORS

Financial indicators varied among sectors. The table below presents the growth of financial indicators at the end of 2009 compared to 2008.

## FINANCIAL INDICATORS IN DECEMBER

Sector	P/E		Div. Yield		P/BV	
	2009	2008	2009	2008	2009	2008
Commercial Banks	10.86	10.61	4.53	4.57	1.12	1.49
Investment	14.59	6.91	1.36	3.57	0.93	1.16
Insurance	8.98	20.62	5.36	3.04	0.90	1.15
Services	7.84	7.91	7.79	7.50	1.46	1.67
Industrial	7.32	8.06	6.02	6.52	0.61	0.51
Hotel & Tourism	8.64	7.68	4.27	4.93	1.16	1.08
<b>Total Market</b>	<b>10.53</b>	<b>8.54</b>	<b>4.07</b>	<b>4.53</b>	<b>1.08</b>	<b>1.32</b>

## CENTRAL DEPOSITARY

The total number of shares deposited at BSE's Central Depository reached 8,220 billion shares at the end of December 2009, representing 35.60% of the total issued and outstanding shares of listed companies, compared to 8,546 billion shares at the beginning of the 2009, recording a decrease of 3.81%. The market capitalization of shares deposited in the Central Depository was BD2,539 billion at the end of December 2009 compared to BD3,185 billion at the beginning of the year, decreasing by 20.28%.

The number of nationalities registered in BSE's Central Depository reached 93 nationalities, while the number of investors holding shares of listed companies reached 22,195 by the end of December 2009 compared to 21,690 at the beginning of the year, posting growth of 5.65%.

## KEY STATISTICAL DATA | 2009 - 2008

### COMPARISON OF TRADING ACTIVITY

	2009	2008	Change	Change %
Total Market Capitalization (BD)	6,131,010,005	7,520,149,780	(1,389,139,775)	(18.47)
Value of Shares (B.D.)	178,356,793	787,349,991	(608,993,197)	(77.35)
Volume of Shares	852,249,480	1,675,842,977	(823,593,497)	(49.15)
No. of Transactions	30,317	43,540	(13,223)	(30.37)
Total Trading Days	245	246	(1.00)	(0.41)
Daily Average Value of Shares (B.D.)	727,987	3,200,610	(2,472,623)	(77.25)
Daily Average Volume of Shares	3,478,569	6,812,370	(3,333,801)	(48.94)
Daily Average No. of Transactions	124	177	(53.25)	(30.09)

### BSE INDICES PERFORMANCE

Bahrain All Share Index	2009	2008	Change (points)	Change (%)
Year End	1,458.24	1,804.07	(345.83)	(19.17)
High	1,803.47	2,915.40	(1111.93)	(38.14)
Low	1,394.70	1,799.76	(405.06)	(22.51)
Dow Jones Bahrain Index				
Year End	121.74	151.90	(30.16)	(19.86)
High	150.92	247.21	(96.29)	(38.95)
Low	117.50	151.90	(34.40)	(22.65)
Esterad Index				
Year End	1,456.09	1,829.60	(373.51)	(20.41)
High	1,828.82	3,079.33	(1250.51)	(40.61)
Low	1,426.82	1,818.51	(391.69)	(21.54)

### SECTORIAL INDICES FOR BAHRAIN ALL SHARE INDEX

Index	2009	2008	Change (%)
Commercial Banks	1,679.17	2,117.04	(20.68)
Investment	1,173.53	1,582.53	(25.84)
Insurance	1,915.92	2,275.97	(15.82)
Services	1,553.69	1,638.30	(5.16)
Industrial	1,529.80	1,273.93	20.09
Hotels & Tourism	3,287.74	2,848.57	15.42

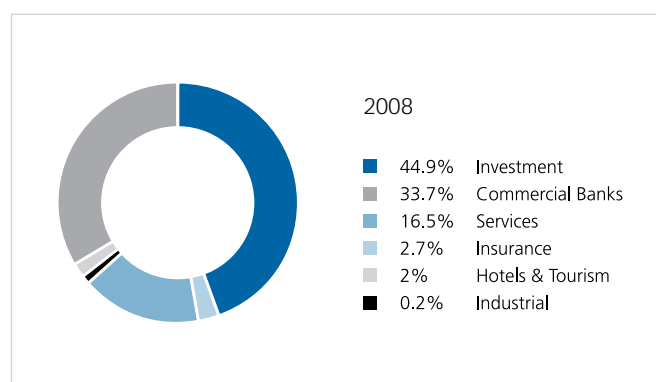
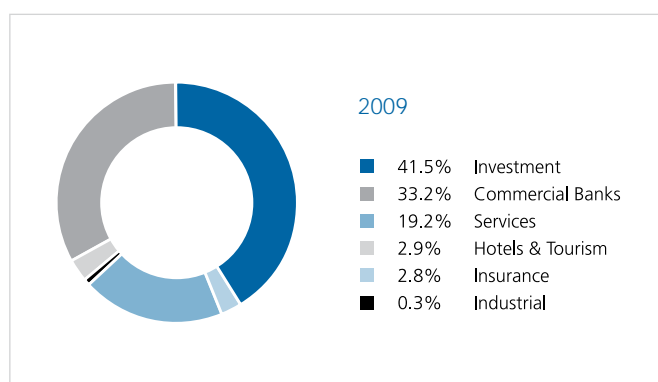
## LISTINGS | 2009 - 2008

No. of listed companies	2009	2008
Public	42	43
Closed	2	2
Non Bahraini	5	6
Total	49	51
<b>Preferred Shares</b>		
Preferred Shares	1	1
<b>No. of listed Bonds &amp; Sukuk</b>		
Bonds	4	5
Sukuk	10	10
<b>No. of listed Mutual Funds</b>		
Mutual Funds	35	39

## COMPARISON OF MARKET CAPITALIZATION BY SECTORS (BD MILLION)

Market Cap ( BD million )	2009	2008	Change (%)
Commercial Banks	2,038.5	2,531.3	(19.5)
Investment	2,546.6	3,376.8	(24.6)
Insurance	173.3	201.8	(14.1)
Services	1,178.8	1,242.9	(5.2)
Industrial	17.7	14.7	20.1
Hotels & Tourism	176.2	152.7	15.4
Market	6,131.0	7,520.1	(18.5)

## THE BREAKDOWN OF MARKET CAPITALIZATION BY SECTORS 2009 - 2008



## KEY STATISTICAL DATA | 2009 - 2008

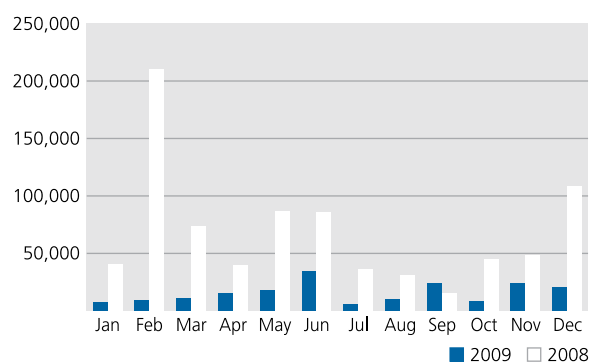
### EQUITY TRADING ACTIVITY 2009 - 2008

Value (BD 000)	2009	2008	Change (%)
Jan	6,813	38,797	(82.44)
Feb	9,175	201,730	(95.45)
Mar	10,158	70,860	(85.67)
Apr	14,195	37,896	(62.54)
May	17,409	83,387	(79.12)
Jun	33,097	82,312	(59.79)
Jul	5,056	34,819	(85.48)
Aug	9,659	29,776	(67.56)
Sep	22,294	14,436	58.79
Oct	7,744	42,900	(81.95)
Nov	22,752	46,240	(50.80)
Dec	19,376	104,196	(81.40)
<b>Market</b>	<b>178,357</b>	<b>787,350</b>	<b>(77.35)</b>

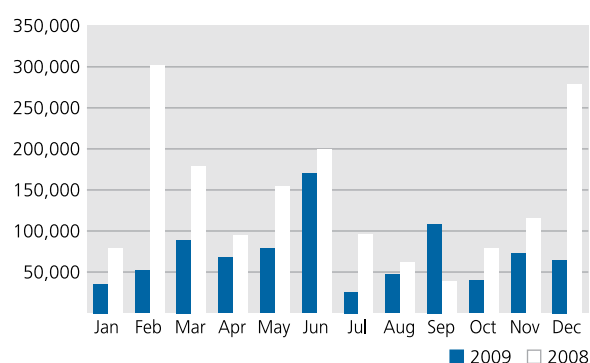
Volume ( 000 )	2009	2008	Change (%)
Jan	35,505	78,497	(54.77)
Feb	52,229	302,158	(82.71)
Mar	89,132	179,037	(50.22)
Apr	67,621	94,198	(28.21)
May	78,576	153,746	(48.89)
Jun	170,462	199,501	(14.56)
Jul	25,763	96,275	(73.24)
Aug	47,010	61,536	(23.61)
Sep	108,478	38,043	185.15
Oct	40,133	79,394	(49.45)
Nov	72,566	114,890	(36.84)
Dec	64,775	278,567	(76.75)
<b>Market</b>	<b>852,249</b>	<b>1,675,843</b>	<b>(49.15)</b>

No. of Transactions	2009	2008	Change (%)
Jan	2,233	3,709	(39.80)
Feb	2,363	4,362	(45.83)
Mar	2,524	5,181	(51.28)
Apr	4,219	4,279	(1.40)
May	4,101	3,760	9.07
Jun	2,825	5,150	(45.15)
Jul	1,566	3,421	(54.22)
Aug	2,375	2,617	(9.25)
Sep	1,427	2,815	(49.31)
Oct	2,326	3,170	(26.62)
Nov	1,995	3,254	(38.69)
Dec	2,363	1,822	29.69
<b>Market</b>	<b>30,317</b>	<b>43,540</b>	<b>(30.37)</b>

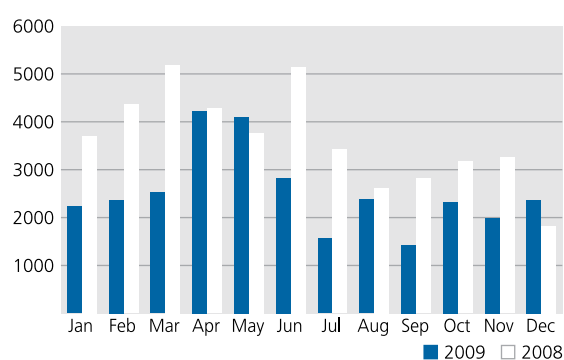
TOTAL VALUES OF SHARED TRADED



TOTAL VOLUME OF SHARED TRADED



NUMBER OF TRANSACTIONS



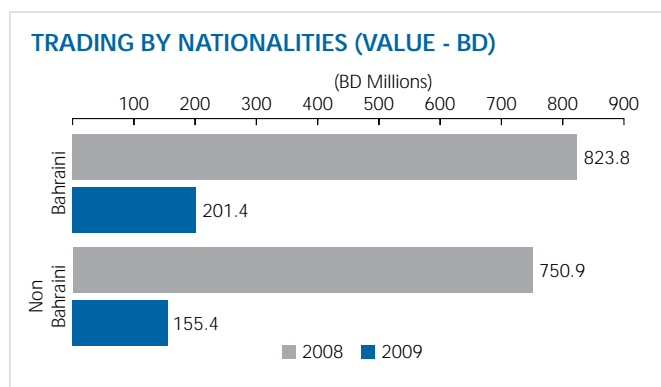
## TRADING BY NATIONALITIES

Volume	2009	2008	Change (%)
Bahraini	1,019,873,222	1,769,487,692	(42.36)
Non Bahraini	684,625,738	1,582,198,262	(56.73)
<b>Total</b>	<b>1,704,498,960</b>	<b>3,351,685,954</b>	<b>(49.15)</b>

Value	2009	2008	Change (%)
Bahraini	201,350,077	823,772,401	(75.56)
Non Bahraini	155,363,509	750,927,580	(79.31)
<b>Total</b>	<b>356,713,586</b>	<b>1,574,699,981</b>	<b>(77.35)</b>

Volume of Trading by Nationality (Buy & Sell)	2009	2008
Bahraini	59.83%	52.79%
Non Bahraini	40.17%	47.21%

Value of Trading by Nationality (Buy & Sell)	2009	2008
Bahraini	56.45%	52.31%
Non Bahraini	43.55%	47.69%



**PERCENTAGE OF VALUE OF TRADING IN TERMS OF NATIONALITY (BUY & SELL) 2009**

■ 56.45% Bahraini  
■ 43.55% Non Bahraini



**PERCENTAGE OF VALUE OF TRADING IN TERMS OF NATIONALITY (BUY & SELL) 2008**

■ 52.31% Bahraini  
■ 47.69% Non Bahraini



**PERCENTAGE OF VOLUME OF TRADING IN TERMS OF NATIONALITY (BUY & SELL) 2009**

■ 59.83% Bahraini  
■ 40.17% Non Bahraini



**PERCENTAGE OF VOLUME OF TRADING IN TERMS OF NATIONALITY (BUY & SELL) 2008**

■ 52.79% Bahraini  
■ 47.21% Non Bahraini

## TRADED SECURITIES AND INSTRUMENTS

### LISTED COMPANIES ON BSE

#### COMMERCIAL BANKS SECTOR

NATIONAL BANK OF BAHRAIN  
BBK  
AHLI UNITED BANK  
BAHRAIN I SLAMIC BANK  
THE BAHRAIN I SAUDI BANK  
AL SALAM BANK  
KHALEEJI COMMERCIAL BANK

#### INVESTMENT SECTOR

GULF MONETARY GROUP  
ARAB BANKING CORPORATION  
UNITED GULF BANK  
INVESTCORP BANK  
BAHRAIN & MIDDLE EAST BANK  
BAHRAIN COMMERCIAL FACILITIES CO.  
UNITED GULF INVESTMENT CO.  
TAIB BANK  
ESTERAD INVESTMENT CO.  
GULF FINANCE HOUSE  
AL KHALEEJ DEVELOPMENT CO.  
ITHMAAR BANK  
AL BARAKA BANKING GROUP

#### INSURANCE SECTOR

BAHRAIN KUWAIT INSURANCE CO.  
AL-AHLIA INSURANCE CO.  
ARAB INTERNATIONAL INSURANCE CO.  
TAKAFUL INSURANCE CO.  
ARAB INSURANCE GROUP  
BAHRAIN NATIONAL HOLDING CO.

#### SERVICES SECTOR

BAHRAIN SHIP REPAIRING & ENG. CO.  
BAHRAIN CINEMA CO.  
GENERAL TRADING & FOOD PROCESS. CO.  
BAHRAIN MARITIME & MERCN. INT. CO  
BAHRAIN TELECOMMUNICATIONS CO.  
BAHRAIN CAR PARKS CO.  
BAHRAIN DUTY FREE SHOP COMPLEX  
NASS CORPORATION  
SEEF PROPERTIES

#### INDUSTRIAL SECTOR

BAHRAIN FLOUR MILLS CO.  
DELMON POULTRY CO.

#### HOTEL & TOURISM SECTOR

BAHRAIN HOTELS CO.  
NATIONAL HOTELS CO.  
BAHRAIN TOURISM CO.  
BAHRAIN FAMILY LEISURE CO.  
BANADER HOTELS CO.

#### CLOSED COMPANY

SECURITIES & INVESTMENT CO.  
UNITED PAPER INDUSTRIES

#### NON-BAHRAIN I COMPANIES

BANKMUSCAT (Oman)  
SUDAN TELECOMMUNICATIONS CO. (Sudan)  
UNITED FINANCE COMPANY (Oman)  
GLOBAL INVESTMENT HOUSE (Kuwait)  
INTERNATIONAL INVESTMENT GROUP (Kuwait)

## TRADED SECURITIES AND INSTRUMENTS

### LISTED MUTUAL FUNDS

Unit Investment Bank  
SICO Selected Securities (SSS)  
Khaleej Equity Fund  
SICO Gulf Equity Fund  
SICO Arab Financial Fund  
Everest Fund  
First Arabian Equity 2000 Fund  
Makaseb Emirates Equity Fund  
Makaseb Qatar Equity Fund  
Makaseb Emirates Opportunities Fund  
Makaseb Arab Tigers Fund  
Makaseb Income Fund  
Al-Tawfeek Arab Telecommunication Fund  
Al-Tawfeek Gulf Equity Fund  
Global Opportunistic Fund  
Global GCC Large Cap Fund  
Global Inceasable Guaranteed Fund  
The Zenith Fund  
Global US Dollar Money Market Fund  
Delmon Fund  
Global US Equity Index Fund  
Global GCC Real Estate Fund  
Global European Equity Index Fund  
Global Distressed Fund  
Global US Dollar Islamic Money Market Fund  
Global Egypt Fund  
Global Islamic Fund of Funds  
Global Jordan Fund  
Global GCC Islamic Fund  
Palestine Dedicated Fund  
Global Energy, Petrochemical and Downstream Industries Fund  
Alpha MENA Fund  
NBK GULF EQUITY FUND  
NBK QATAR EQUITY FUND  
Markaz Gulf Fund

### LISTED BONDS & SUKUK

Alba Floating Rate Bonds 2013  
BMA International Sukuk Company (SPC) 2009  
Islamic Govt. Leasing Sukuk (Eleventh Issue) 2010  
The Commercial Real Estate Sukuk Company B.S.C.(C) - 2010  
Bahrain Commercial Facilities (FRN) Fifth Issue - 2010  
Esterad Floating Rate Bond - 2010  
Islamic Govt. Leasing Sukuk (12 Issue) 2011  
Sukuk Al Musharaka (Investment DAR Sukuk Co.) - 2010  
Bahrain Commercial Facilities (FRN) Sixth Issue - 2011  
Sukuk Al Manafa'a (Golden Belt 1 Sukuk Co. BSC (c)) - 2012  
Dar Al-Arkan 2 Sukuk (Dar Al-Arkan International Sukuk Company)  
Government Islamic Lease (Ijara) Securities Sukuk  
IFC Hilal Sukuk



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## BROKERS & MEMBERS

### BROKERAGE FIRMS

BBK  
Ahli United Bank  
Gulf Securities  
Securities & Investments Co.  
TAIB Securities Co.  
Gulfinvest Securities  
U.G.B Securities  
Global Investment House  
Mubasher

### INDIVIDUAL BROKERS

Abdulla Jaffer Zain Al-Abedin  
Nassir Abbas Khosrou  
Yousif Hassan Al-Ajaji

### CUSTODIANS

Gulf Custody Company B.S.C C  
HSBC Bank Middle East Limited  
Standard Chartered Bank Bahrain



## LISTING & ANNUAL SUBSCRIPTION FEES

### LOCAL EQUITIES

**Listing\*:**

0.1% of the company's paid-up capital, with a maximum amount of BD15,000 and a minimum of BD5,000.

**Annual Subscription\*\*:**

- 0.1% of the first BD10 million of the company's paid up capital, with a minimum of BD3,000/-.
- 0.05% of the amount exceeding BD10 million, up to BD50 million.
- 0.025% of the amount exceeding BD50 million, with a maximum amount of BD20,000/-.

**Clearing & Settlement:**

- 0.0125% of the first BD15 million of the company's paid-up capital with a minimum of BD.1,000.
- 0.00625% of the amount exceeding BD15 million of the company's paid-up capital, with a maximum gross fees of BD,4000.

### NON-BAHRAINI EQUITIES

**Listing\*:**

0.1% of the company's paid-up capital, with a maximum amount of BD15,000 and a minimum amount of BD5,000.

**Annual Subscription\*\*:**

50% of the Bahraini shareholding company.

### LOCAL CLOSED COMPANIES

**Listing\*:** BD.1,000.**Annual Subscription\*\*:**

- 0.025% of the first BD5 million of the company's paid up capital, with a minimum of BD1,000.
- 0.025% of the amount exceeding BD5 million, with a maximum amount of BD5,000.

### MUTUAL FUNDS

**Listing\*:** BD300**Annual Subscription:** BD250

### BONDS & SUKUK

**GOVERNMENT:****Listing\*:** BD1,500**Annual Subscription\*\*:** BD2,000**PRIVATE & NON BAHRAINAI:****Listing\*:**

0.05% of the total value with a minimum of BD2,000 and a maximum of BD5,000.

**Annual Subscription\*\*:** BD2,000.**CURRENCY WARRANTS:****Listing\*:** BD250**Annual Subscription\*\*:** Nil

### TRANSFER AGENTS

**Membership\*:** BD500**Annual Subscription:** BD1,000

### INDIVIDUAL BROKERS

**Membership\*:** BD500**Annual Subscription:** BD250

### BROKERAGE FIRMS

**Membership\*:** BD1,000**Annual Subscription:** BD500

### CUSTODIANSHIP

**Membership\*:** BD1,000**Annual Subscription:** BD500

All the above amounts are expressed in Bahrain Dinars (BD).

\* A one-off payment.

\*\* Applicable to companies only, whereby the remaining part of the financial year of a company's registration will be taken into consideration and charged on a quarterly basis.

## FIELD VISITS TO THE BSE'S NEW PREMISES



The Visit of the Board of Directors of the Central Bank of Bahrain



The Visit of the Board of Directors of the Bahrain Stock Exchange

## BAHRAIN STOCK EXCHANGE FINANCIAL STATEMENTS

31 DECEMBER 2009

<b>Board of Directors</b>	Rasheed Mohamed Al Maraj, Chairman Abdulrahman Mohammed Al-Baker, Vice Chairman Ali Salman Thamer, Member Khaled Mohamed Kanoo, Member Dr. Essam Abdullah Fakhro, Member Shaikh Mohamed bin Essa AL-Khalifa, Member Adel Mohammed Abdul Shafi El-Labban, Member Abdul Razzaq Abdulla Hassan Al Qassim, Member Abdul Majid Breish, Member
<b>Director of the Exchange</b>	Fouad A. Rahman Rashed
<b>Offices</b>	Al-Hedaya House, Government Avenue PO Box 3203, Manama, Bahrain Telephone 17261260, Fax 17227857
<b>Bankers</b>	National Bank of Bahrain Bank of Bahrain and Kuwait Bahrain Saudi Bank Al-Salam Bank
<b>Auditors</b>	KPMG

## FINANCIAL STATEMENTS

For the year ended 31 December 2009

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Statement of comprehensive income	31
Statement of changes in accumulated surplus	32
Statement of cash flows	32
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## INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS

Bahrain Stock Exchange  
Manama, Kingdom of Bahrain

15 March 2010

### Report on the financial statements

We have audited the accompanying financial statements of Bahrain Stock Exchange (Exchange), which comprise the statement of financial position as at 31 December 2009, and the statements of comprehensive income, cash flows and changes in accumulated surplus for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Responsibility of the directors for the financial statements*

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

#### *Auditors' responsibility*

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements present fairly, in all material respects, the financial position of the Exchange as at 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Report on other legal and regulatory requirements

In addition, in our opinion, the Exchange has maintained proper accounting records and the financial statements are in agreement therewith. We are not aware of any violations of the Central Bank of Bahrain and Financial Institutions Law 2006 or the terms of the law of establishing the Exchange or its internal regulation having occurred during the year that might have had a material effect on the business of the Exchange or on its financial position. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

## STATEMENT OF FINANCIAL POSITION

as at 31 December 2009

Bahrain Dinars

	Notes	2009	2008
<b>Current assets</b>			
Cash and bank		345,081	112,466
Short-term deposits		1,116,412	3,531,895
Accounts receivable	3	86,131	206,970
Other assets	4	117,892	125,704
<b>Total current assets</b>		<b>1,665,516</b>	3,977,035
<b>Non-current assets</b>			
Furniture, equipment and work-in-progress	5	3,229,245	651,086
<b>Total non-current assets</b>		<b>3,229,245</b>	651,086
<b>TOTAL ASSETS</b>		<b>4,894,761</b>	4,628,121
<b>CURRENT LIABILITIES</b>			
Accounts payable		4,021	10,076
Accrued expenses and other payables	13	350,771	138,360
Restricted grants	11	22,210	459,403
Deferred revenue	12	669,888	30,976
Provisions for labour law obligations	6	24,939	39,194
<b>TOTAL LIABILITIES</b>		<b>1,071,829</b>	678,009
<b>ACCUMULATED SURPLUS (page 32)</b>		<b>3,822,932</b>	3,950,112
<b>TOTAL LIABILITIES AND ACCUMULATED SURPLUS</b>		<b>4,894,761</b>	<b>4,628,121</b>

Rasheed Mohamed Al Maraj  
Chairman

Fouad A. Rahman Rashed  
Director of the Exchange

The financial statements are comprised of pages 30 to 43

## STATEMENTS OF COMPREHENSIVE INCOME

as at 31 December 2009

Bahrain Dinars

	Notes	2009	2008
<b>INCOME</b>			
Subscription fees		1,218,564	1,233,334
Registration fees		8,100	24,500
Dealing commission	7	446,083	1,252,994
Other income	8	119,218	217,665
Interest income		97,160	122,686
Central Bank of Bahrain grant	11	937,193	540,597
		<b>2,826,318</b>	3,391,776
<b>EXPENSES</b>			
Salaries and related costs		1,126,191	1,130,599
General and administrative	9	1,643,132	736,200
Remuneration of the Board of Directors and committees		14,000	16,800
Depreciation	5	142,796	134,614
Allowance for doubtful debts	3	27,379	89,225
		<b>2,953,498</b>	2,107,438
(Deficit)/ Surplus of income over expenses		(127,180)	1,284,338
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>(127,180)</b>	<b>1,284,338</b>

Rasheed Mohamed Al Maraj  
Chairman

Fouad A. Rahman Rashed  
Director of the Exchange

The financial statements are comprised of pages 30 to 43



## STATEMENT OF CHANGES IN ACCUMULATED SURPLUS

For the year ended 31 December 2009

Bahrain Dinars

	2009	2008
At 1 January	3,950,112	2,665,774
Comprehensive income for the year	(127,180)	1,284,338
<b>At 31 December</b>	<b>3,822,932</b>	<b>3,950,112</b>

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009	2008
<b>OPERATING ACTIVITIES</b>		
Cash received from subscribers	1,188,343	1,205,938
Commissions and other revenues	710,084	1,348,970
Advance receipts from clients for electronic display board	649,000	-
Payments for salaries and related costs	(1,237,838)	(1,132,517)
Payments for general and administrative expenses	(1,513,828)	(608,932)
Payments for remuneration of the Board of Directors and committees	(14,000)	(16,800)
<b>Net cash flows from operating activities</b>	<b>(218,239)</b>	<b>796,659</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of furniture and equipment	(7,843)	(395,477)
Payments for work in progress	(2,563,208)	(180,360)
<b>Net cash flows from investing activities</b>	<b>(2,571,051)</b>	<b>(575,837)</b>
<b>FINANCING ACTIVITIES</b>		
Financial support received from the Central Bank of Bahrain	500,000	500,000
Bank interest	106,422	390,602
<b>Net cash flows from financing activities</b>	<b>606,422</b>	<b>890,602</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(2,182,868)</b>	<b>1,111,424</b>
Cash and cash equivalents at the beginning of the year	3,644,361	2,532,937
<b>Cash and cash equivalents at the end of the year</b>	<b>1,461,493</b>	<b>3,644,361</b>
Cash and cash equivalents per financial position comprising from:		
Cash and bank	345,081	112,466
Short-term fixed deposits	1,116,412	3,531,895
	<b>1,461,493</b>	<b>3,644,361</b>

The financial statements are comprised of pages 30 to 43

## NOTES

to the 2009 financial statements

Bahrain Dinars

### 1 STATUS AND OPERATIONS

The Bahrain Stock Exchange ("the Exchange") was established pursuant to Amiri Decree 4/1987 as an independent entity and is governed by by-laws issued by the Ministry of Commerce and Agriculture under Ministerial Order 13/1988.

During 2002, the supervision authority of the market was transferred from the Ministry of Commerce to the Bahrain Monetary Agency, pursuant to Decree 21/2002

After the issuance of Central Bank of Bahrain and financial institution law for 2006, the Exchange was licensed by the Central Bank of Bahrain (CBB) under the law, and has to comply with supervising requirements issued by CBB.

The objectives of the Exchange are to develop the market, encourage savings, spread investment awareness among the nationals, develop traded securities and financial instruments in the market to serve economic development in the Kingdom and to help in achieving the objectives of the Kingdom's economic policies and to promote the Kingdom as a financial centre.

On 24<sup>th</sup> of December 2009, Amiri Decrees 4/1987 and 21/2002 were replaced by Law 75/2009, which gives the Exchange a period of six months to register with the Ministry of Industry and Commerce as shareholding company and complies in all its activities, policies and procedures with the Commercial Companies Law, and to transfer the rights, obligations, assets and liabilities to the new shareholding company.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### a) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards.

#### b) Basis of preparation

The financial statements have been drawn up from the accounting records of the Exchange under the historical cost convention and have been consistently applied by the Exchange and are consistent with those used in the previous year.

#### c) Standards, amendments and interpretations effective on or after 1 January 2009

The following standards, amendments and interpretations, which became effective in 2009 are relevant to the Group.

##### IAS 1 (revised) - Presentation of Financial Statements

Revised IAS 1- Presentation of Financial Statements (2007) became effective as of 1 January 2009. As a result, the Exchange presents in the statement of changes in equity all owners' changes in equity, whereas all non-owners' changes in equity are presented in the statement of comprehensive income. Total comprehensive income may be presented in either:

- a single statement of comprehensive income (effectively combining both the income statement and all changes in equity in a single statement), or
- in an income statement and a separate statement of comprehensive income.

The Exchange has opted to present the total comprehensive income in a single statement "statement of comprehensive income".

In accordance with the transitional requirements of the Standard, the Exchange has provided full comparative information. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Exchange.

## NOTES

to the 2009 financial statements

Bahrain Dinars

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Amendments to IFRS 7, 'Financial instruments: Disclosures'

The amendment to IFRS 7 requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment does not have an impact on the financial position or the comprehensive income of the Exchange.

#### Improvements to IFRS (issued in May 2008)

Improvements to IFRS issued in May 2008 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 effective for annual periods beginning on or after 1 January 2009 have been adopted by the Exchange and no material changes to accounting policies arose as a result of these amendments.

- d) **Revenues** from subscriptions, registration fees, services, fixed deposit interest, dealing commissions and other income are recognised when earned.

Specific purposes grants are recorded as liability until it has been expensed for the purpose assigned for.

Advances from clients for trading boards are recorded as liability until these boards are put into operation. Revenue will be recognized over the life of the boards.

- e) **Expenses**

Expenses of goods and services are recognised based the value of goods delivered or services rendered during the financial year, even if not paid.

- f) **Furniture and equipment**

#### I) Recognition

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each year end date. An asset's carrying amount is written down immediately to its residual amount if the carrying amount of the asset is greater than its estimated recoverable amount.

When an item of property and equipment is sold or discarded, the respective cost and accumulated depreciation relating thereto are eliminated from the financial position, the resulting gain or loss being recognized in the statement of comprehensive income.

#### II) Subsequent cost

The Exchange recognises in the carrying amount of an item of furniture and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Exchange and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

#### III) Depreciation

Depreciation is calculated on cost by the straight-line method at annual rates which are intended to write off the net cost of the assets over the following estimated useful lives.

Furniture equipment, electronic dealing system	5 years
Computers and Vehicles	5 years
Electronic display board	6 years
Fixed assets costing less than BD 50 are fully depreciated in the acquisition year.	

## NOTES

to the 2009 financial statements

Bahrain Dinars

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### g) Impairment

The carrying amounts of the Exchange's assets are reviewed at each year end date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount. All impairment losses are recognised in the statement of comprehensive income.

#### h) Trade receivables

Trade receivables are recognised initially at cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Exchange will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. A provision is made when the carrying amount of the asset exceeds the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

#### i) Employee benefits

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organisation scheme to which employees and employers contribute monthly on a fixed-percentage-salaries basis. The Exchange's share of contributions to the funded scheme, which is a defined contribution scheme under IAS 19, is recognised as an expense in the statement of comprehensive income.

Expatriate employees are entitled to leaving indemnities payable under the Bahrain Labour Law for the Private Sector 1976, based on length of service and final salary and other allowances paid. Provision for this unfunded commitment, which represents a defined benefit scheme under IAS 19, has been made by calculating the notional liability had all employees left at the financial position date.

#### j) Foreign currencies

- I) The financial statements are presented in Bahraini Dinars which is the exchange's functional and presentation currency.
- II) At the year end date, foreign currency monetary assets and liabilities are converted into Bahraini dinars at exchange rates ruling at the year end date. Resulting exchange differences are recognised in the statement of comprehensive income.

#### k) Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and at bank including time deposits of short maturity of three months or less.

#### l) Provision

A provision is recognised in the statement of financial position when the Exchange has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### m) Accounts payable

Accounts payable are stated at their amortised cost.

## NOTES

to the 2009 financial statements

Bahrain Dinars

### 3 ACCOUNTS RECEIVABLE

	2009	2008
Subscription and registration fees	127,856	113,244
Commissions receivable	40,137	177,601
Services fees receivable	34,742	5,350
	<b>202,735</b>	296,195
Allowance for doubtful debts	(116,604)	(89,225)
	<b>86,131</b>	206,970

#### Allowance for doubtful debts

	2009	2008
As at 1 January	89,225	-
Charge for the year	27,379	89,225
	<b>116,604</b>	89,225

### 4 OTHER ASSETS

	2009	2008
Prepaid expenses	115,970	114,520
Interest receivables	1,922	11,184
	<b>117,892</b>	125,704

### 5 FURNITURE, EQUIPMENT AND WORK IN PROGRESS

	Furniture and equipment	Computers	Vehicles	Work in progress	2009 Total	2008 Total
<b>Cost</b>						
At 1 January	365,029	1,731,307	7,435	180,360	2,284,131	1,708,285
Additions	2,152	5,691	-	2,713,636	2,721,479	575,846
Disposal	(11,709)	(169,743)	-	-	(181,452)	-
<b>At 31 December</b>	<b>355,472</b>	<b>1,567,255</b>	<b>7,435</b>	<b>2,893,996</b>	<b>4,824,158</b>	2,284,131
<b>Depreciation</b>						
At 1 January	323,925	1,305,403	3,717	-	1,633,045	1,498,431
Charge for the year	20,633	120,676	1,487	-	142,796	134,614
Disposal	(11,164)	(169,763)	-	-	(180,928)	-
<b>At 31 December</b>	<b>333,394</b>	<b>1,256,315</b>	<b>5,204</b>	<b>-</b>	<b>1,594,913</b>	1,633,045
<b>Net book value</b>	<b>22,078</b>	<b>310,940</b>	<b>2,231</b>	<b>2,893,996</b>	<b>3,229,245</b>	651,086

Work in progress represents capital expenditure for equipping the new offices of Bahrain Stock Exchange in the Bahrain Financial Harbour.

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### 6 PROVISIONS FOR LABOUR LAW OBLIGATIONS

	2009	2008
Leave entitlements	21,517	33,791
Leaving indemnity and air tickets	3,422	5,403
	<b>24,939</b>	39,194

The Exchange employed 59 Bahraini nationals and 3 expatriates as at 31 December 2009 (58 and 3 employees respectively for 2008).

Pension rights and other social benefits for the Bahraini employees are covered by the Social Insurance Organisation to which the exchange and employees contribute monthly on a fixed percentage of salary basis. The Exchange's contributions for Bahraini employees for 2009 amounted to BD147,399 (2008: BD 116,054).

Expatriates employed under a specified contract period are entitled to leaving indemnity at the rate of one month's salary for each completed year of service.

### 7 DEALING COMMISSION

	2009	2008
Commission from ordinary dealings	196,192	866,085
Commission from exempted and special dealings	249,891	386,909
	<b>446,083</b>	1,252,994

### 8 OTHER INCOME

	2009	2008
Central depository income	11,697	66,309
Remote trading income	19,200	19,800
Advertisements	15,855	44,255
Trading data	33,573	38,187
Investor guide	19,300	24,000
Services	13,080	14,160
Other income	6,510	10,954
	<b>119,218</b>	217,665

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### 9 GENERAL AND ADMINISTRATIVE EXPENSES

	2009	2008
Rent	645,519	419,166
Consulting fees	575,209	-
Services	371,047	223,669
Consumables	20,976	29,210
Conferences and subscription	21,142	26,166
Insurance	8,892	7,299
Other	346	30,646
	<b>1,643,132</b>	<b>736,200</b>

### 10 TRANSACTIONS WITH RELATED PARTIES

#### Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Exchange. The key management personnel comprise members of the Board of Directors and the director of the Exchange. There were no commercial transactions between the key management personnel and the Exchange during the year. Their short term compensation is as follows:

	2009	2008
Salaries and related costs of executive management	73,785	69,072
Board and committees attendance fees	14,000	16,800

### 11 RESTRICTED GRANTS

Restricted grants represent the financial support received from the Central Bank of Bahrain (CBB) for assisting the Exchange to move to its new location in the Bahrain Financial Harbour and rental its offices.

	2009	2008
As at 1 January	459,403	500,000
Addition during the year	500,000	500,000
<b>Total received amount</b>	<b>959,403</b>	<b>1,000,000</b>
Used for moving premises project to the Financial Harbour	(319,640)	(180,360)
Used for offices rents in the Financial Harbour	(617,553)	(360,237)
<b>Total amount used and recognized in the statement of comprehensive income</b>	<b>(937,193)</b>	<b>(540,597)</b>
	<b>22,210</b>	<b>459,403</b>

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### 12 DEFERRED REVENUE

	2009	2008
Electronic display boards (*)	649,000	-
Publication and advertising	20,888	30,976
	<b>669,888</b>	<b>30,976</b>

(\*) Advances received from clients for electronic display boards to be presented at the Exchange trading hall in the Financial Harbour.

### 13 ACCRUED EXPENSES AND OTHER PAYABLES

	2009	2008
Accrued expenses	330,362	126,214
Other payables	20,409	12,146
	<b>350,771</b>	<b>138,360</b>

### 14 CAPITAL COMMITMENT

Commitments contracted during the year, as follows:

	2009	2008
Consulting contract	566,708	519,566
New offices in the Financial Harbour	2,541,298	4,086,090
	<b>3,108,006</b>	<b>4,605,656</b>

Rental lease for offices in Financial Harbour

	2009	2008
Minimum expected rent:		
Less than 1 Year	617,549	617,549
From 2 – 5 Years	1,492,411	2,109,960
<b>Total commitments for rent</b>	<b>2,109,960</b>	<b>2,727,509</b>



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### 15 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### Financial instruments

Financial instruments include financial assets and financial liabilities. Financial assets of the Exchange include cash and cash equivalents, accounts receivable, held-to-maturity investments. Financial liabilities of the Exchange include trade payables and other financial current liabilities.

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

- credit risk
- liquidity risk
- market risk

This note presents information about the Exchange's exposure to each of the above risks, the Exchange's objectives, policies and procedures for measuring and managing risk. The note also presents certain quantitative disclosures in addition to the disclosures throughout the financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Exchange's risk management framework. The Board has established certain executive management committees, which assist the Board of Directors in effectively discharging their responsibilities for developing and monitoring the Exchange's risk management policies.

The Exchange audit committee oversees how management monitors compliance with the Exchange's risk management procedures and review the adequacy of the risk management practices in relation to the risks faced by the Exchange.

The Exchange audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

#### Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation and cause the Exchange to incur a financial loss. The Exchange is exposed to credit risk primarily on its cash and cash equivalents, accounts receivable and investment in funds, and debt instruments.

Exchange's credit risk on cash and cash equivalents is limited as these are placed with banks in Bahrain having good credit ratings.

The Exchange establishes provision for impairment of accounts receivables when there is objective evidence that the Exchange will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the accounts receivable is impaired.

The carrying amount of the financial assets represents the maximum credit exposure. The max exposure credit risk at the reporting date was:

	2009	2008
Cash and bank	345,081	112,466
Short-term deposits	1,116,412	3,531,895
Accounts receivable	86,131	206,970

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### 15 FINANCIAL INSTRUMENT AND RISK MANAGEMENT (continued)

The Exchange manages credit risk on its investments by ensuring that investments are made only after careful credit evaluation and due diligence of the issuer of the security. The Exchange limits its exposure to credit risk by mainly investing in government securities.

The ageing of accounts receivables at the reporting date was:

	2009		2008	
	Gross	Impairment	Gross	Impairment
Not past due	44,945	-	117,591	-
Past due 0-90 days	16,890	-	4,666	-
Past due 91-180 days	3,307	-	33,247	-
More than 180 days	134,458	116,604	135,342	89,225
	<b>199,600</b>	<b>116,604</b>	<b>290,846</b>	<b>89,225</b>

Balance of past due and impaired accounts receivables, as at 31 December 2009 was BD 116,604 (2008: BD 89,225).

#### Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Exchange will not be able to meet its financial obligations as they fall due. The Exchange's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Exchange's reputation.

Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Exchange ensures that a significant amount of the funds are invested in cash and cash equivalents, which are readily available to meet liquidity requirements.

The following are the contractual maturities of financial liabilities:

2009	Carrying amount	6 months or less	6-12 months
<b>Financial liabilities</b>			
Accounts payable	4,021	4,021	-
Accrued expenses and other current liabilities	350,771	350,771	-
	<b>354,792</b>	<b>354,792</b>	<b>-</b>
<b>2008</b>	<b>Carrying amount</b>	<b>6 months or less</b>	<b>6-12 months</b>
Financial liabilities			
Accounts payable	10,076	10,076	-
Accrued expenses and other current liabilities	138,360	138,360	-
	<b>148,437</b>	<b>148,437</b>	<b>-</b>

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### 15 FINANCIAL INSTRUMENT AND RISK MANAGEMENT (continued)

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Exchange's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Exchange incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors.

#### Interest rate risk

Interest rate risk is the risk that the Exchange's earnings will be affected as a result of fluctuations in the value of financial instruments due to changes in market interest rates.

The Exchange's interest rate risk is limited to its interest bearing short-term deposits and investment in debt instruments. The Exchange's short-term bank deposits are at fixed interest rates and mature within 90 days. The Exchange's investment in debt instruments is at variable interest rates. The Exchange earned an effective interest rate of 3.09 % p.a. for the year ended 31 December 2009 (2008: 3.35 %).

At the reporting date, the interest rate profile of the Exchange's interest-bearing financial instruments was:

	2009	2008
<b>Fixed rate instruments</b>		
Short-term bank deposits	1,116,412	3,531,895
	<b>1,116,412</b>	<b>3,531,895</b>

#### Capital Management

The Board's policy is to maintain acceptable reserve for the Exchange so as to maintain investor, creditor and market confidence and to sustain future development of the Exchange. The Exchange uses the available financial surplus by investing in low risk investment with achieving acceptable return for the Exchange.

#### Foreign exchange risk

Foreign exchange risk is the risk that the Exchange's earning will be affected as a result of fluctuations in currency exchange rates.

Predominantly, the purchase of product is from local suppliers. The US dollar is pegged against the Bahraini dinar and therefore the Exchange is not exposed to any significant risk.

#### Fair values

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.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

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### 15 FINANCIAL INSTRUMENT AND RISK MANAGEMENT (continued)

The fair values of financial assets and liabilities, together with the carrying amounts shown in the financial position, are as follows:

	Loans and receivables	Financial liabilities at amortized cost	Total carrying value
2009			
<b>As at 31 December</b>			
Cash and bank	345,081	-	345,081
Short-term fixed deposit	1,116,412	-	1,116,412
Receivables	86,131	-	86,131
	<b>1,547,624</b>	<b>-</b>	<b>1,547,624</b>
Accounts payable	-	4,021	4,021
Accrued expenses	-	350,771	350,771
	<b>-</b>	<b>354,792</b>	<b>354,792</b>
2008	Loans and receivables	Financial liabilities at amortized cost	Total carrying value
<b>As at 31 December</b>			
Cash and bank	112,466	-	112,466
Short-term fixed deposit	3,531,895	-	3,531,895
Receivables	206,970	-	206,970
	<b>3,851,331</b>	<b>-</b>	<b>3,851,331</b>
Accounts payable	-	10,076	10,076
Accrued expenses	-	138,360	138,360
	<b>-</b>	<b>148,436</b>	<b>148,436</b>

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### 16 FIDUCIARY ACTIVITIES

There are two bank accounts with total balance of BD (112) as 31 December 2009 (2008: BD 54,493) in the name of the Exchange and they are not shown as part of its assets as they belonging to brokers and their customers to be used for clearing and settlement of deals.

### 17 DISTRIBUTION OF ASSETS AND LIABILITIES

All of the Exchange's assets and liabilities are in Bahrain. Therefore, the exchange is not exposed to any risk outside Bahrain.

### 18 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Exchange makes estimates and assumptions that affect the reported amount of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Estimations

The Exchange determines that investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. Where fair values are not available, the recoverable amount of such investment is estimated to test for impairment. In making this judgment, the Exchange evaluates among other factors, the normal volatility in share price, evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

The Exchange establishes provision for impairment of accounts receivables when there is objective evidence that the Exchange will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the accounts receivable is impaired.

### 19 NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR ADOPTION

During the year the following new/amended IFRS's standards and interpretations relevant to the activities of the Group have been issued which are not yet mandatory for adoption by the Exchange:

- IFRS 9 - Financial Instruments (effective for financial periods beginning on or after 1 January 2013 but may be applied earlier).
- Revised IAS 24 – Related Party Disclosures (effective for financial periods beginning on or after 1 January 2011).

The adoption of these standards and interpretations are not expected to have a material impact on the Exchange financial statements.