





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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بورصة البحرين

7,538.60 21.87 0.29%



Tokyo



Bahra



London



New



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Welcome To Bahrain Bourse



# VISION & MISSION



## **VISION**

Become the leading bourse regionally with a fair, transparent, diversified and efficient market. Providing unique services to all stakeholders and customers & attracting investments, thus contributing to the national economy of the Kingdom of Bahrain.

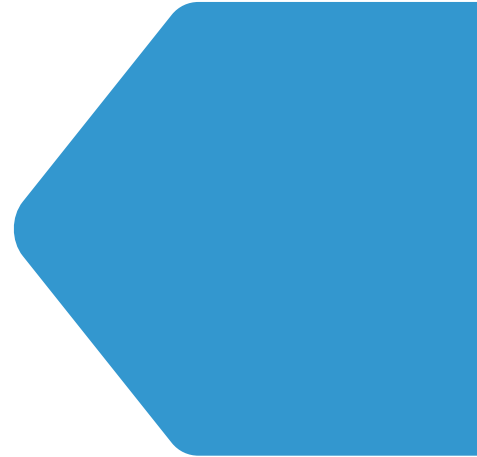
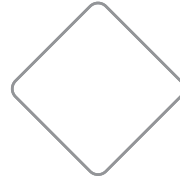
## **MISSION**

To contribute to the national economy by offering a dedicated, reliable & efficient capital markets platform, while acting as the intellectual and business hub for all capital market participants.

# CHAIRMAN'S MESSAGE



**Yousuf Abdulla Humood**  
Chairman



The transfer of Bahrain Stock Exchange to Bahrain Bourse B.S.C. (c) following the issuance of Royal Decree No. (60) for the year 2010 came to conclude a fruitful year, in which strategic steps have been taken by the Kingdom of Bahrain to execute the comprehensive plan that aims to support the investment environment in the Kingdom and bring in more local and foreign investments. Supporting such plan is an Economic Vision that attracts capital, an advanced legislative and legal infrastructure, and an environment that enjoys the highest standards of transparency and disclosure.

With the establishment of Bahrain Bourse as a Bahraini Shareholding Company B.S.C.(c), we have taken another step towards transferring the bourse from local to a bourse with international characteristics to meet the demands of the modern administrative requirements of bourses and capital markets worldwide and enjoy competitive capabilities to attract and maintain investments.

During 2010, Bahrain Bourse successfully relocated to its new premises at Bahrain Financial Harbour, hoping that this will positively reflect on all the activities of the bourse and contribute to supporting the efforts taken to develop more services and financial products.



WITH THE ESTABLISHMENT OF BAHRAIN BOURSE AS A BAHRAINI SHAREHOLDING COMPANY B.S.C.(C), WE HAVE TAKEN ANOTHER STEP TOWARDS TRANSFERRING THE BOURSE FROM LOCAL TO A BOURSE WITH INTERNATIONAL CHARACTERISTICS TO MEET THE DEMANDS OF THE MODERN ADMINISTRATIVE REQUIREMENTS OF BOURSES AND CAPITAL MARKETS WORLDWIDE AND ENJOY COMPETITIVE CAPABILITIES TO ATTRACT AND MAINTAIN INVESTMENTS.

In addition, the guidelines concerning the dealings by key persons were published and implemented. The objective of these guidelines is to facilitate the dealing of key persons in shares and securities listed on the bourse, and reduce the administrative burden on issuers of securities and key persons. The new guidelines are also intended to establish greater transparency at Bahrain Bourse and ensure a fair environment for the trading of all investors in the market.

The impact of the global financial crisis on Bahrain Bourse's performance continued this year, in which Bahrain All Share Index decreased by 1.78% compared to the end of 2009.

Looking into Bahrain Bourse's financial performance, the bourse's financial results in 2010, included in this report, showed that the bourse reported positive results. That was reflected by the growth in the surplus from the bourse's operations that reached BD 619,244 compared to BD 127,180 in 2009, reporting 24.07% growth. The accumulated surplus, increased to BD4,442,176 compared to BD3,822,932 in 2009 posting 16.20% growth.

On behalf of the members of Bahrain Bourse'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 Bahrain Bourse.

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 continued support of the bourse, as well as their views that had a considerable influence on Bahrain Bourse's development.

I would also like to thank the ex-chairman and members of the Board of Directors of Bahrain Stock Exchange for their efforts and achievements throughout their membership at the bourse, wishing them further success. I would also like to thank Bahrain Bourse's management and staff for their hard work during the year, hoping that such efforts will continue for further development and prosperity.

## DIRECTOR'S MESSAGE

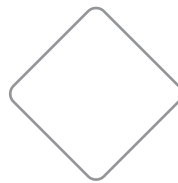


**Fouad A. Rahman Rashid**  
Director of the Bourse

The year 2010 witnessed several considerable achievements, not only on the bourse's level, but on the capital markets level in the Kingdom of Bahrain. Starting with the corporatization of the bourse, Royal Decree No. (60) was issued regarding the establishment of Bahrain Bourse Company as a Bahraini Shareholding Closed Company B.S.C. (c) to replace Bahrain Stock Exchange. The authorized capital of Bahrain Bourse is BD10 million and the paid-up capital is BD2 million. This step has been taken to go in line with the bourse's capability to meet the modern administrative requirements of international exchanges, as well as the commercial standards that are deemed necessary to meet the rapid developments witnessed in modern stock exchanges. This will also support the bourse's capability to play a greater role in the economic development of the Kingdom of Bahrain and enhance its capability to attract and maintain local and foreign investments.

The corporatization of Bahrain Bourse came following the bourse's relocation to its new premises at Bahrain Financial Harbour. With this strategic step taken, the bourse will benefit from using the latest technological equipment in its new premises in order to enable the bourse to provide a variety of advanced services and financial products. This is to reinforce Bahrain Bourse's position among the regional markets, and support its competitiveness while keeping in mind the rapid global developments being witnessed nowadays.

Looking at the performance of the major indices of Bahrain Bourse in 2010, Bahrain All Share Index decreased by 1.78% compared to its closing in December 2009. The value of shares traded decreased by 39.22%, and the volume of shares traded also decreased by 28.17%, while the number of transactions declined by 35.19%.



The year 2010 witnessed the listing of one of the largest industrial companies in the Kingdom of Bahrain, Aluminum Bahrain (Alba). Alba was listed as a Bahraini Shareholding Company with a paid-up capital of BD 142 million. Alba has been consistently ranked as one of the largest aluminum smelters in the world. Following the listing of Alba, the number of public shareholding companies listed on the bourse rose to 49, of which 5 of them are non-Bahraini, bringing up the market capitalization of the Bahraini companies to around BD7.56 billion.

Alba was listed in the Industrial Sector at the bourse to reflect the keenness of all pertaining parties in the Kingdom to execute the national strategy which aims to enhance the investment environment, and provide the factors that will attract local and foreign investment. This will contribute to increasing the role of the private sector in the economic and social development process that is witnessed in the Kingdom of Bahrain.

In addition, a Government Development Bond with a value of BD200 million was listed on the bourse. The bond was issued by the Central Bank of Bahrain on behalf of the Government of the Kingdom of Bahrain. SICO Money Market Fund, issued by SICO Funds Company V - a wholly owned subsidiary of Securities & Investment Company, was also listed on the bourse with a value of US\$ 20 million. With these listings, the number of bonds/sukuk listed on the bourse reached 11 with a value of US\$3.1 billion and the number of mutual funds reached 35.

In line with the efforts to develop the legislative and technical infrastructure of the bourse, Bahrain Bourse began implementing the new guidelines concerning the dealings by key persons as of the 1<sup>st</sup> of December 2010. The new guidelines aim to facilitate the dealing of key persons in shares and securities listed on the bourse, as well as reduce the administrative burden on issuers of securities and key persons. The guidelines are also intended to establish greater transparency at Bahrain Bourse and ensure a fair environment for the trading of all classes of investors in the market.

ALBA WAS LISTED IN THE INDUSTRIAL SECTOR AT THE BOURSE TO REFLECT THE KEENNESS OF ALL PERTAINING PARTIES IN THE KINGDOM TO EXECUTE THE NATIONAL STRATEGY WHICH AIMS TO ENHANCE THE INVESTMENT ENVIRONMENT, AND PROVIDE THE FACTORS THAT WILL ATTRACT LOCAL AND FOREIGN INVESTMENT. THIS WILL CONTRIBUTE TO INCREASING THE ROLE OF THE PRIVATE SECTOR IN THE ECONOMIC AND SOCIAL DEVELOPMENT PROCESS THAT IS WITNESSED IN THE KINGDOM OF BAHRAIN.

Within the bourse's continuous efforts to provide various investment options for investors in Bahrain and abroad and meet their different needs, the bourse signed several agreements with global leading financial institutions that provide and develop custodian services in order to make these services available for investors at the bourse. The recent custodian agreements were signed with Citigroup and Gulf Custody Company, joining the bourse's current custodians which are HSBC, SICO Funds Services, and Standard Chartered Bank that have previously signed custodian agreements with Bahrain Bourse.

During 2010, Bahrain Bourse joined the Association of National Numbering Agencies (ANNA) which is responsible for implementing and promoting the ISIN as a global identifier (based on ISO 6166) for securities listed and traded in various stock exchanges and capital markets.

On the financial front, Bahrain Bourse's total income reached BD3,506,575 compared to BD2,826,318 in 2009, posting 24.07% growth. The total expenses were BD2,887,331 compared to BD2,953,498 in 2009, decreasing by 2.24%. Bahrain Bourse reported a surplus of BD619,244 in 2010 in comparison to a deficit of BD127,180 in 2009. The total assets rose to BD5,979,883 compared to BD4,894,761 in 2009, increasing by 22.17%. The total liabilities were BD1,537,707 in 2010 compared to BD1,071,829 in 2009, increasing by 43.47%. The accumulated surplus increased to BD4,442,176 compared to BD3,822,932 in 2009, reporting 16.20% growth.

In line with Bahrain Bourse's belief that it plays a significant role in promoting investment and financial awareness and updating concerned parties with the latest global developments in the financial sector, the bourse has organized several training programs and workshops in cooperation with a number of local and international leading financial institutions such as Citigroup. By conducting these programs and workshops, all parties related to the financial markets will benefit from the experience and expertise of such institutions. These programs will also open up new investment opportunities, and provide more alternative investment options to investors, listed companies and brokers.

Bahrain Bourse continued in 2010 its cooperation with leading financial institutions, bourses, and specialized institutions in the areas of training in order to train and develop the skills of its employees in various areas. This will enable them to become more effective and capable of facing their future career challenges.

On behalf of myself and Bahrain Bourse's employees, 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 continued support of the bourse since its establishment.

I would also like to express my thanks and appreciation to the Chairman and members of Bahrain Bourse's Board of Directors for their efforts to develop the bourse. I also thank the bourse's management and employees for their dedication and hard work, wishing them greater success in developing the bourse. I would also like to extend my thanks to the listed companies and brokerage firms for their support and cooperation.

## BOARD OF DIRECTORS



**Mr. Yousuf Abdulla Humood**  
Chairman



**Mrs. Afnan Rashid Al Zayani**  
Vice Chairman



**Miss Nada Alawi Shubbar \***  
Director



**Mr. Nabeel Khalid Kanoo \***  
Director



**Miss Rana Ebrahim Faqih \***  
Director



**Mr. Mohammed Ahmed Hassan \*\***  
Director



**Mr. Yaser Ebrahim Humaidan \*\***  
Director

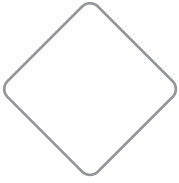


**Mr. Marwan Khalid Tabbara \*\***  
Director

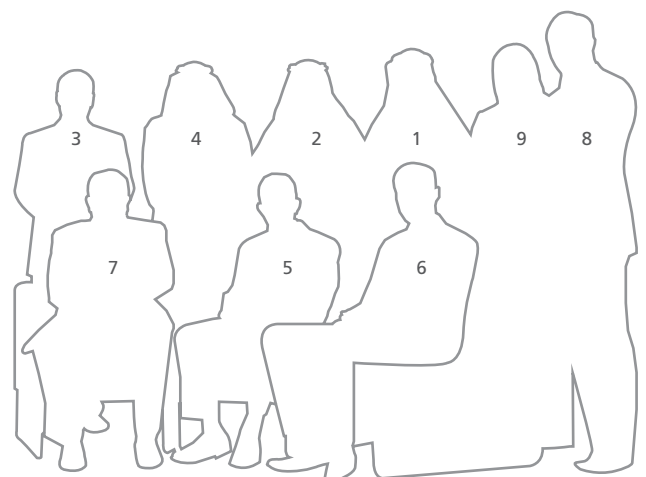
\* Member of the Executive Committee  
\*\* Member of the Auditing Committee

## MANAGEMENT TEAM





- 1 Mr. Fouad A.Rahman Rashid**  
Director of the Bourse
- 2 Sh. Khalifa Bin Ebrahim Al Khalifa**  
Deputy Director of the Bourse
- 3 Mr. Yousif Ahmed Al-Sharaf**  
Head, Administration and Finance
- 4 Mr. Ebrahim Jaffar Al Aradi**  
Head of Trading and Members Affairs
- 5 Mr. Mohammed Khalid Hamed**  
Head of Internal Audit
- 6 Mr. Abdul Hai Saleh Mahmood**  
Legal Advisor
- 7 Mr. Ali Ahmed Al-Mansoor**  
Head of Public Relations & Marketing
- 8 Mr. Abdulla Jaffar Abdin**  
Head of Clearing & Settlement and Central Depository
- 9 Mrs. Narjes Farookh Jamal**  
Head of Information Technology



# WORLD STOCK MARKETS' PERFORMANCE DURING 2010

## THE INTERNATIONAL MARKETS

With the advent of 2010, the world economy gained strength as a result of the expansion of global activity which led to a significant increase in industrial activities and the volume of world trade. Whereas, the volatility of financial markets had led to declines in investor confidence and global market performance. During the second half of the year however, the financial conditions had improved and regained its activity following the initiatives taken by the governments related to financial policies.

According to the International Monetary Fund (IMF), the world economy witnessed a growth of 5.0% in 2010 compared to a decline of 0.5% in 2009. In return, the world inflation in 2010 was 3.7% compared to 2.5% in 2009. Furthermore, the U.S. economy also posted a 2.8% growth in 2010 in comparison to a 2.6% decline in 2009 with the Federal Reserve Bank maintaining an interest rate of 0.25% since 16 December 2008.

The economies of the European Union countries witnessed a 1.7% growth in 2010 against a decline of 4.1% in 2009. In line with the efforts taken to boost the economy, the Central Bank of England maintained its interest rate at 0.5% since 5<sup>th</sup> of March 2009. The European Central Bank also maintained its interest rate at 1% since 12<sup>th</sup> of May 2009.

In Asia, China posted an economic growth of 10.3% in 2010 against 9.2% in 2009. India's growth also increased to 10.4% in 2010 in comparison to 6.8% in 2009. Moreover, the Japanese economy reported a 3.9% growth in 2010 compared to a 6.3% decline in 2009, allowing the Japanese Central Bank to maintain its interest rate at 0.1%. Looking at the Middle East and North Africa (MENA) economy, it witnessed a growth of 3.8% in 2010 against 1.8% in 2009.

With regards to the level of oil prices, the price of Brent oil increased by US\$15.97 by the end of 2010 and closed at US\$ 94.23 compared to US\$ 78.26 at the beginning of the year, reporting a 20.41% growth. During the same period, the oil in Oman and Dubai posted an increase of 12.79% and 17.96% respectively, settling at US\$87.65 and US\$91.28 respectively. The U.S. crude oil was up by US\$11.99, closing at US\$91.38 and recording an increase of 15.10% during the same period.

The Euro ended the year with losses against the U.S. currency, due to the debt crisis witnessed in Greece and Ireland. The crisis had a negative impact on Portugal and Spain, in which the Euro was down against the U.S. dollar by 6.56%. On the other hand, the Sterling Pound decreased against the U.S. dollar by 3.44% compared to its rate at the beginning of the year. The U.S. dollar also declined against the Yen by 12.65% during the same period.

The price of gold was up by 29.55% to reach US \$1,419.45 per ounce, thereby increasing by US\$323.75 per ounce compared to its price at the beginning of the year. This was the highest annual increase since 3 years. Similarly, the price of silver posted growth of 83.36% during the year.

On the capital markets front, the S&P500 index recorded growth of 12.78%. In the European market, the German DAX was up by 16.06%, the British FTSE100 index was also up by 9%, while the French CAC40 and the Japanese Nikkei225 declined by 3.34% and 3.01% respectively.

## PERFORMANCE OF INTERNATIONAL FINANCIAL MARKETS

Market	2010	2009	Growth (%)
Germany (DAX)	<b>6,914.19</b>	5,957.43	16.06
US (S&P500)	<b>1,257.64</b>	1,115.10	12.78
UK (FTSE100)	<b>5,899.94</b>	5,412.88	9.00
Japan (Nikkei225)	<b>10,228.92</b>	10,546.44	(3.01)
France (CAC40)	<b>3,804.78</b>	3,963.33	(3.34)





# WORLD STOCK MARKETS' PERFORMANCE DURING 2010



## THE ARABIAN MARKET

The real GDP of the Middle East and North Africa countries increased to 3.8% in 2010 compared to 1.8% in 2009 according to the International Monetary Fund (IMF).

Most of the Arab economies posted a positive growth in their real GDP, in which Qatar and Lebanon recorded the highest growth of 16.3% and 7.5% respectively.

### THE GROWTH IN REAL GDP (AT CONSTANT PRICES)

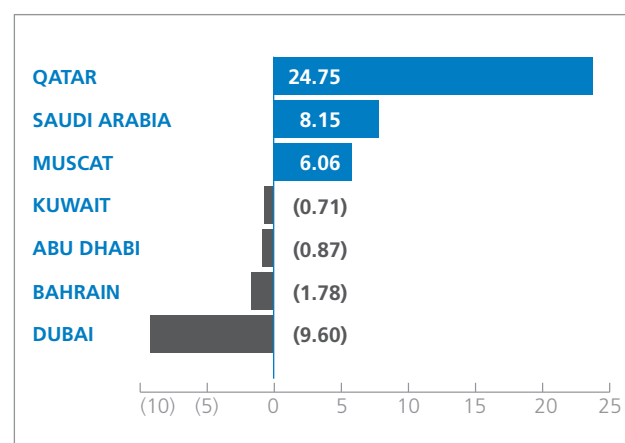
Country	2010	2009
Lebanon	7.5	8.5
Egypt	5.1	4.7
Sudan	5.1	6.0
Morocco	3.2	4.9
Jordan	3.1	2.3
Iraq	0.8	4.2

GCC Countries	2010	2009
Qatar	16.3	8.6
Oman	4.2	1.1
Bahrain	4.1	3.1
KSA	3.7	0.6
UAE	3.2	(3.5)
Kuwait	2.0	(5.1)

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

On the capital markets' front, Qatar Exchange posted the highest growth of 24.75%, followed by the Saudi Market with 8.15% growth and Muscat Securities Market 6.06%. The other GCC markets, however, reported negative results where Dubai Financial Market decreased by 9.60%, Bahrain Bourse 1.78%, Abu Dhabi Securities Exchange 0.87%, and Kuwait Stock Exchange 0.71%.

### THE PERFORMANCE OF THE GCC MARKETS IN 2010 (%)



# WORLD STOCK MARKETS' PERFORMANCE DURING 2010

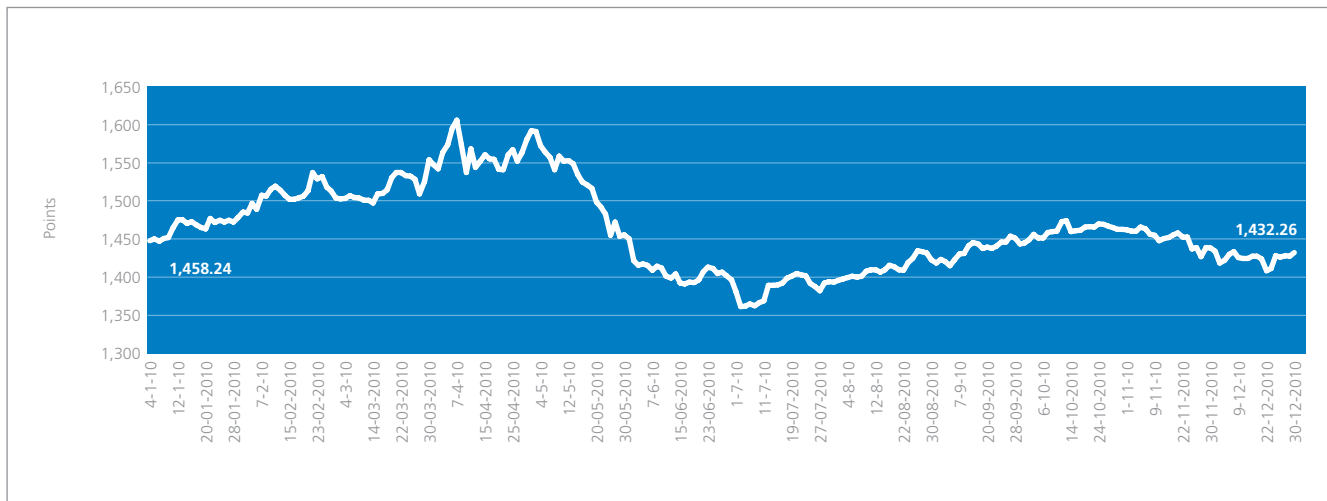
## THE LOCAL MARKET

The GDP for the Kingdom of Bahrain was 4.1% in 2010 compared to 3.1% in 2009, according to the International Monetary Fund estimates, indicating a gradual recovery in the economy. The inflation rate, however, decreased to 2.0% against 2.8% in 2009.

With regards to the performance of Bahrain Bourse, Bahrain All Share Index decreased by 1.78% and closed at 1,432.26 points

at the end of 2010, losing 25.98 points by the end of the year. As for the prices of shares, the share prices of 12 companies increased, 12 companies maintained their share prices, and the share prices of 25 companies declined. The trading activity at Bahrain Bourse decreased, in which the value of transactions fell by 39.22% compared to the transactions in 2009. The volume of shares traded also decreased by 28.17%, while the number of transactions declined by 35.19%.

## BAHRAIN ALL SHARE INDEX DURING 2010



The Commercial Banks Sector captured the largest share in terms of the value of shares traded comprising 40.70% of the total value, followed by the Investment sector 23.97%, Services Sector 23.32%, Insurance 9.35%, Industrial 1.44%, and Hotels & Tourism 1.21%. Ahli United Bank came first among the most active companies in terms of the value of shares traded, with a value of BD 21.8 million, that accounted for 20.12% of the total value of shares traded. Then came Gulf Finance House capturing 12.96% of the total value, Batelco 12.94%, Ithmaar Bank 6.57%, and Al Salam Bank 6.48%.

In terms of the volume of shares traded, the Commercial Banks Sector captured the largest share accounting for 54.18% of the total volume, followed by the Investment Sector 28.16%,

Services Sector 10.98%, Insurance Sector 5.23%, Hotels & Tourism 1.17%, and the Industrial Sector 0.29%. Gulf Finance House came first among the most active companies in terms of the volume of shares traded, with a volume of 141.4 million shares, accounting for 23.09% of the total volume. Then came Ithmaar Bank with 20.53%, Ahli United Bank 14.07%, Al Salam Bank 13.63%, and Batelco 4.14%.

The trading by nationalities figures indicated that Bahrainis traded 69.24% of the total value of shares, while Non-Bahrainis traded 30.76% of the total value of shares. By the end of 2010, the total number of listed companies on Bahrain Bourse was 49 companies, while the number of mutual funds was 35 and Bonds/Sukuk issues were 11.

PERCENTAGE OF TRADING IN TERMS OF NATIONALITY



**69.24%**  
Bahraini  
**30.76%**  
Non Bahraini



**56.33%**  
Bahraini  
**43.67%**  
Non Bahraini

# WORLD STOCK MARKETS' PERFORMANCE DURING 2010

## MARKET CAPITALIZATION

The market capitalization of Bahraini public shareholding companies listed on the bourse increased to BD7.56 billion against BD6.13 billion at the beginning of 2010, posting a 23.35% growth. The main reason for this increase in the market capitalization was due to the listing of Aluminium Bahrain (Alba). The Commercial Banks Sector accounted for 33.96% of the total market capitalization, followed by the Investment Sector 29.63%, Industrial Sector 17.21%, Services 14.10%, Hotels and

Tourism 2.84%, and Insurance 2.26%. From another perspective, the Industrial Sector recorded the highest growth of 7256.58% in terms of market capitalization, followed by the Commercial Banks Sector and Hotels and Tourism sector which increased by 25.97% and 22.02% respectively. On the other hand, the market capitalization of the Insurance Sector decreased by 1.44%, along with the Services and Investment sectors which decreased by 9.55% and 12% respectively.

### Market Capitalization among Sectors (Million Dinars)

Sector	2010	2009	Change (%)	Relative Weight (%)
Commercial Banks	<b>2,567.87</b>	2,038.50	25.97	33.96
Investment	<b>2,240.97</b>	2,546.66	(12.00)	29.63
Industrial	<b>1,301.74</b>	17.69	7258.64	17.21
Services	<b>1,066.17</b>	1,178.75	(9.55)	14.10
Hotels and Tourism	<b>215.00</b>	176.20	22.02	2.84
Insurance	<b>170.77</b>	173.27	(1.44)	2.26
<b>Total Market</b>	<b>7,562.52</b>	6,131.08	23.35	100.00

## FINANCIAL INDICATORS

Financial indicators varied among sectors. The table below presents the growth of financial indicators at the end of 2010 compared to 2009.

### Financial Indicators in December

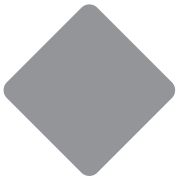
Sector	P/E		Div. Yield		P/BV	
	2010	2009	2010	2009	2010	2009
Commercial Banks	<b>11.87</b>	10.86	<b>3.54</b>	4.53	<b>1.21</b>	1.12
Investment	<b>11.57</b>	14.59	<b>1.10</b>	1.13	<b>0.81</b>	0.97
Insurance	<b>9.02</b>	8.98	<b>7.43</b>	5.36	<b>0.87</b>	0.90
Services	<b>8.27</b>	7.84	<b>8.12</b>	7.79	<b>1.27</b>	1.46
Industrial	<b>9.28</b>	7.32	<b>5.93</b>	6.02	<b>1.78</b>	0.61
Hotels and Tourism	<b>9.42</b>	8.64	<b>3.81</b>	4.27	<b>1.26</b>	1.16
<b>Total Market</b>	<b>10.39</b>	10.53	<b>4.00</b>	3.80	<b>1.11</b>	1.09

## CENTRAL DEPOSITARY

The total number of shares deposited at Bahrain Bourse's Central Depository reached 11,560 billion shares at 31 December 2010, representing 43.57% of the total issued and outstanding shares of listed companies, compared to 8,546 billion shares at the beginning of the 2010, recording growth of 35.27%.

The market capitalization of shares deposited in the Central Depository was BD3,990 billion at 31 December 2010 compared to BD3,185 billion at the beginning of the year, increasing by 25.00%.

The number of nationalities registered in Bahrain Bourse's Central Depository reached 93 nationalities, while the number of investors holding shares of listed companies reached 26,529 by 31 December 2010 compared to 21,690 at the beginning of the year, posting growth of 22.31%.



# KEY STATISTICAL DATA 2010-2009

## COMPARISON OF TRADING ACTIVITY

	2010	2009	Change	Change %
Total Market Capitalization (BD)	7,562,517,045	6,131,082,444	1,431,434,601	23.35
Value of Shares (BD)	108,410,906	178,356,793	(69,945,887)	(39.22)
Volume of Shares	612,188,517	852,249,480	(240,060,963)	(28.17)
No. of Transactions	19,647	30,317	(10,670)	(35.19)
Total Trading Days	247	245	2	0.82
Daily Average Value of Shares (BD)	438,911	727,987	(289,076)	(39.71)
Daily Average Volume of Shares	2,478,496	3,478,569	(1,000,073)	(28.75)
Daily Average No. of Transactions	80	124	(44)	(35.72)

## BHB INDICES PERFORMANCE

Bahrain All Share Index	2010	2009	Change (points)	Change (%)
Year end	1,432.26	1,458.24	(25.98)	(1.78)
High	1,608.77	1,803.47	(194.70)	(10.80)
Low	1,358.17	1,394.70	(36.53)	(2.62)
Dow Jones Bahrain Index				
Year end	121.05	121.74	(0.69)	(0.57)
High	135.85	150.92	(15.07)	(9.99)
Low	112.68	117.50	(4.82)	(4.10)
Esterad Index				
Year end	1,509.60	1,456.09	53.51	3.67
High	1,667.99	1,828.82	(160.83)	(8.79)
Low	1,404.92	1,426.82	(21.90)	(1.53)

## BAHRAIN ALL SHARE INDEX PERFORMANCE DURING 2010





## SECTORIAL INDICES FOR BAHRAIN ALL SHARE INDEX

Sectorial Indices	2010	2009	Change (%)
Bahrain All Share Index			
Commercial Banks	2,005.59	1,679.17	19.44
Investment	978.79	1,173.53	(16.59)
Insurance	1,922.94	1,915.92	0.37
Services	1,405.30	1,553.69	(9.55)
Industrial	1,440.05	1,529.80	(5.87)
Hotels & Tourism	4,010.80	3,287.74	21.99

## LISTINGS 2010 - 2009

No. of listed Companies	2010	2009
Public	42	42
Closed	2	2
Non Bahraini	5	5
<b>Total</b>	<b>49</b>	<b>49</b>

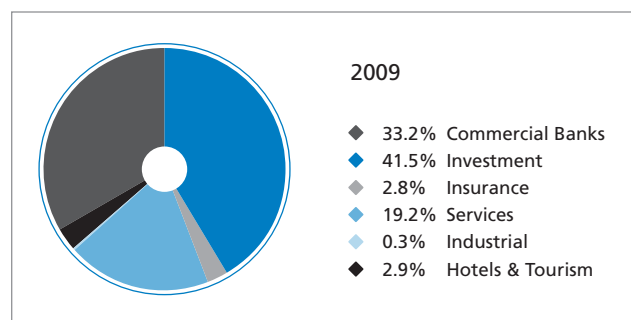
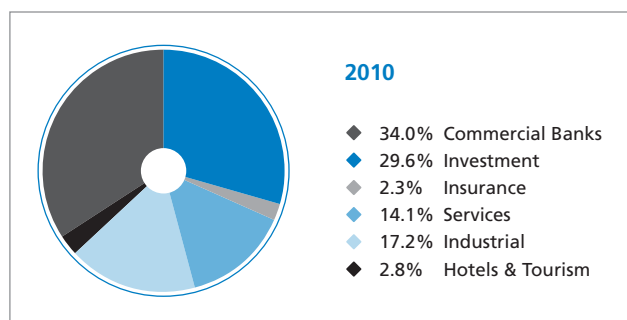
## LISTINGS 2010 - 2009

Preferred Shares	2010	2009
Preferred Shares	1	1
No. of listed Bonds & Sukuk		
Bonds	3	4
Sukuk	8	10
No. of listed Mutual Funds		
Mutual Funds	35	35

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

Market Cap ( BD million )	2010	2009	Change (%)
Commercial Banks	2,567.9	2,038.5	26.0
Investment	2,241.0	2,546.7	(12.0)
Insurance	170.8	173.3	(1.4)
Services	1,066.2	1,178.8	(9.6)
Industrial	1,300.7	17.7	7,250.9
Hotels & Tourism	215.0	176.2	22.0
<b>Market</b>	<b>7,561.5</b>	<b>6,131.1</b>	<b>23.3</b>

## THE BREAKDOWN OF MARKET CAPITALIZATION BY SECTORS 2010 - 2009

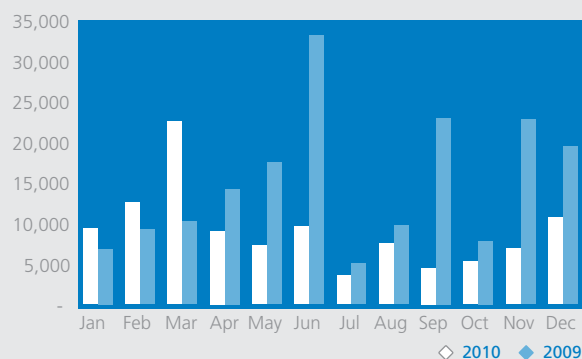


# KEY STATISTICAL DATA 2010-2009

## EQUITY TRADING ACTIVITY 2010 - 2009

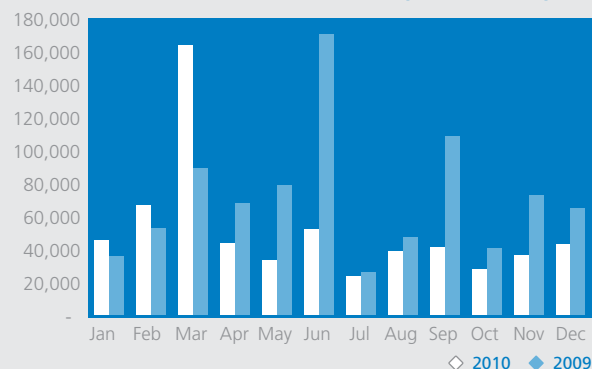
Value ( BD 000 )	2010	2009	Change (%)
Jan	9,338	6,813	37.06
Feb	12,480	9,175	36.02
Mar	22,487	10,158	121.38
Apr	9,035	14,195	(36.35)
May	7,251	17,409	(58.35)
Jun	9,586	33,097	(71.04)
Jul	3,542	5,056	(29.93)
Aug	7,427	9,659	(23.10)
Sep	4,418	22,924	(80.73)
Oct	5,269	7,744	(31.96)
Nov	6,864	22,752	(69.83)
Dec	10,714	19,376	(44.71)
<b>Market</b>	<b>108,411</b>	<b>178,357</b>	<b>(39.22)</b>

TOTAL VALUES OF SHARES TRADED (BD 000)



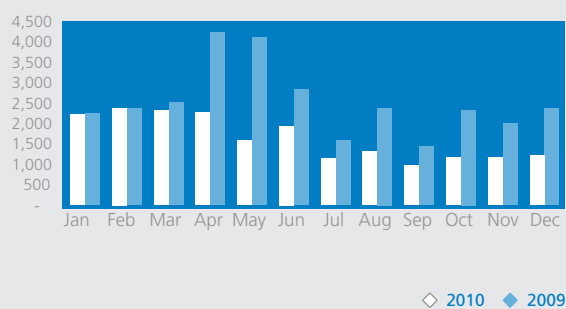
Volume ( 000 )	2010	2009	Change (%)
Jan	45,218	35,505	27.36
Feb	66,255	52,229	26.85
Mar	163,279	89,132	83.19
Apr	43,647	67,621	(35.45)
May	33,027	78,576	(57.97)
Jun	51,632	170,462	(69.71)
Jul	23,263	25,763	(9.70)
Aug	38,529	47,010	(18.04)
Sep	40,893	108,478	(62.30)
Oct	27,734	40,133	(30.89)
Nov	36,195	72,566	(50.12)
Dec	42,516	64,775	(34.36)
<b>Market</b>	<b>612,189</b>	<b>852,249</b>	<b>(28.17)</b>

TOTAL VOLUME OF SHARES TRADED ('000 SHARES)



No. of Transactions	2010	2009	Change (%)
Jan	2,213	2,233	(0.90)
Feb	2,376	2,363	0.55
Mar	2,314	2,524	(8.32)
Apr	2,277	4,219	(46.03)
May	1,576	4,101	(61.57)
Jun	1,932	2,825	(31.61)
Jul	1,135	1,566	(27.52)
Aug	1,306	2,375	(45.01)
Sep	956	1,427	(33.01)
Oct	1,170	2,326	(49.70)
Nov	1,172	1,995	(41.25)
Dec	1,220	2,363	(48.37)
<b>Market</b>	<b>19,647</b>	<b>30,317</b>	<b>(35.19)</b>

TOTAL NUMBER OF TRANSACTIONS



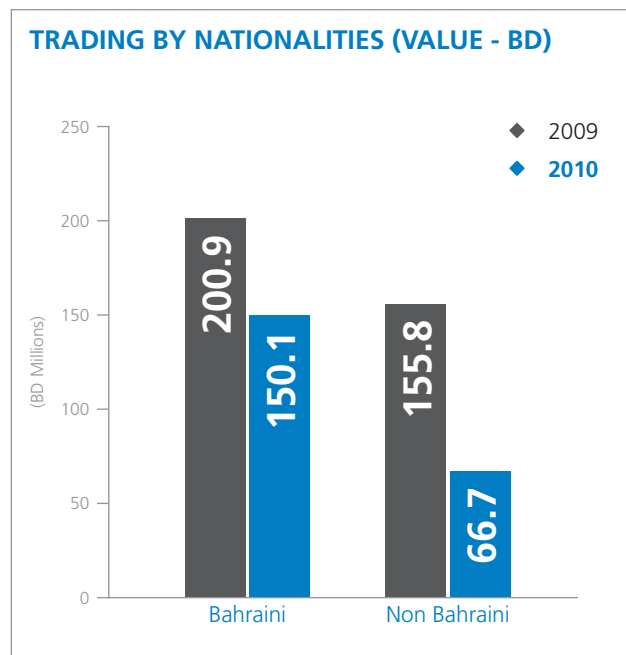
## TRADING BY NATIONALITIES (BUY & SELL)

Volume	2010	2009	Change (%)
Bahraini	897,812,651	1,018,488,233	(11.85)
Non Bahraini	326,564,383	686,010,727	(52.40)
<b>Total</b>	<b>1,224,377,034</b>	<b>1,704,498,960</b>	<b>(28.17)</b>

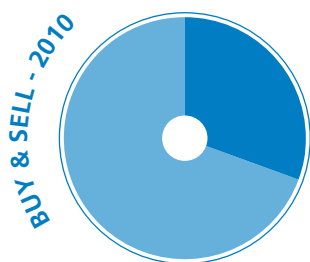
Value	2010	2009	Change (%)
Bahraini	150,117,939	200,939,957	(25.29)
Non Bahraini	66,703,874	155,773,629	(57.18)
<b>Total</b>	<b>216,821,813</b>	<b>356,713,586</b>	<b>(39.22)</b>

Volume of Trading by Nationality (Buy & Sell)	2010	2009
Bahraini	73.33%	59.75%
Non Bahraini	26.67%	40.25%

Value of Trading by Nationality (Buy & Sell)	2010	2009
Bahraini	69.24%	56.33%
Non Bahraini	30.76%	43.67%



### PERCENTAGE OF VALUE OF TRADING IN TERMS OF NATIONALITY

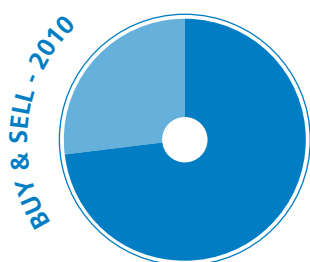


**69.24%**  
Bahraini  
**30.76%**  
Non Bahraini



**56.33%**  
Bahraini  
**43.67%**  
Non Bahraini

### PERCENTAGE OF VOLUME OF TRADING IN TERMS OF NATIONALITY



**73.33%**  
Bahraini  
**26.67%**  
Non Bahraini



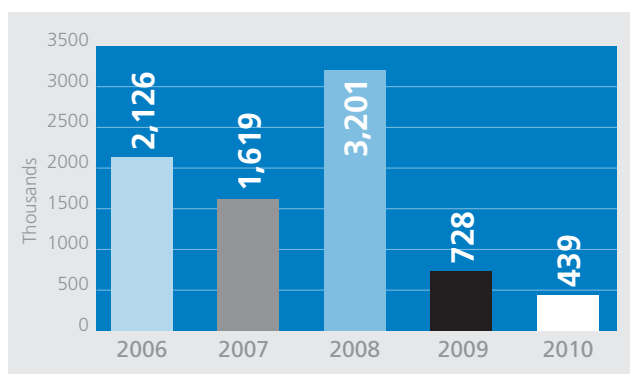
**59.75%**  
Bahraini  
**40.25%**  
Non Bahraini

# KEY STATISTICAL DATA 2010-2009

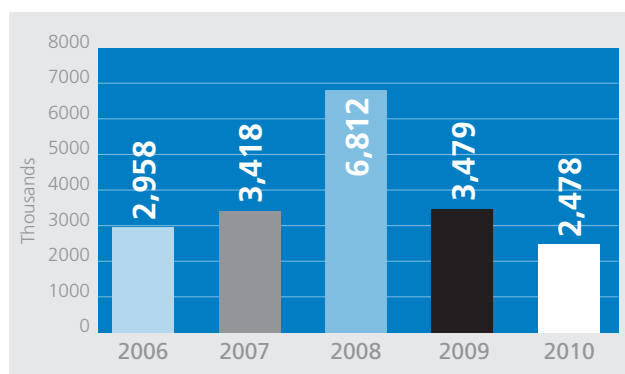
## DAILY AVERAGE VALUE

	2006	2007	2008	2009	2010
Daily Average of Value (BD)	2,125,644	1,618,818	3,200,610	727,987	<b>438,911</b>
Daily Average of Volume (Shares)	2,957,865	3,417,974	6,812,370	3,478,569	<b>2,478,496</b>
Daily Average of No. of Tran.	88	111	177	124	<b>80</b>

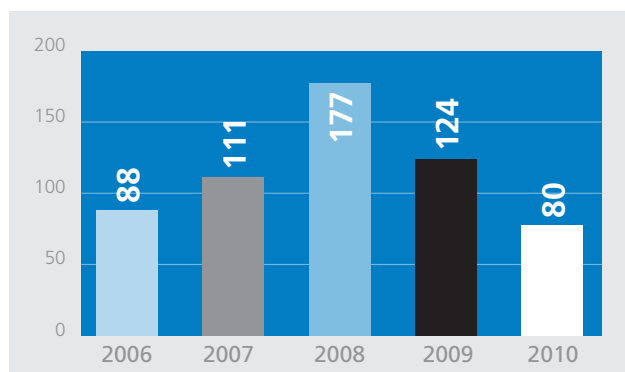
### DAILY AVERAGE VALUE (BAHRAINI DINAR)

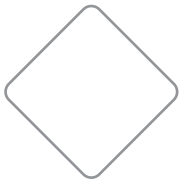


### DAILY AVERAGE VOLUME



### DAILY AVERAGE TRANSACTIONS





# TRADED SECURITIES AND INSTRUMENTS

## LISTED COMPANIES ON BAHRAIN BOURSE

### COMMERCIAL BANKS SECTOR

NATIONAL BANK OF BAHRAIN  
BBK  
AHLI UNITED BANK  
BAHRAIN ISLAMIC BANK  
THE BAHRAINI SAUDI BANK  
AL SALAM BANK  
KHALEEJI COMMERCIAL BANK  
ITHMAAR 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  
INOVEST  
AL BARAKA BANKING GROUP

### INSURANCE SECTOR

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

### SERVICES SECTOR

BAHRAIN SHIP REPAIRING & ENGINEERING CO.  
BAHRAIN CINEMA CO.  
GENERAL TRADING & FOOD PROCESSING CO.  
BAHRAIN MARITIME & MERCANTILE INTERNATIONAL 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.  
ALUMINUM BAHRAIN

### HOTELS & TOURISM SECTOR

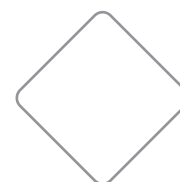
GULF HOTELS GROUP  
NATIONAL HOTELS CO.  
BAHRAIN TOURISM CO.  
BAHRAIN FAMILY LEISURE CO.  
BANADER HOTELS CO.

### CLOSED COMPANY

SECURITIES & INVESTMENT CO.  
UNITED PAPER INDUSTRIES

### NON-BAHRAINI COMPANIES

BANK MUSCAT (OMAN)  
INTERNATIONAL INVESTMENT GROUP (KUWAIT)  
SUDAN TELECOMMUNICATIONS CO. (SUDAN)  
UNITED FINANCE CO. (OMAN)  
GLOBAL INVESTMENT HOUSE (KUWAIT)



## BROKERS & MEMBERS LIST

### BROKERAGE FIRMS

Ahli United Bank  
BBK  
Al Ahlia Securities  
Global Investment House  
Gulf Securities Company  
Securities & Investment Co.  
TAIB Securities Co.  
Mubasher Financial Services

### INDIVIDUAL BROKERS

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

### CUSTODIANS

HSBC Bank Middle East Limited  
Standard Chartered Bank  
Gulf Custody Company  
Citibank N.A. Bahrain  
SICO Funds Services Company



# 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  
SICO Money Market 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

GOVERNMENT DEVELOPMENT BOND  
ALBA FLOATING RATE BONDS 2013  
IJARAH SUKUK IN BAHRAINI DINAR BY BMA  
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  
GOVERNMENT ISLAMIC LEASE (IJARA) SECURITIES SUKUK  
IFC HILAL SUKUK

# LISTING AND 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\*\*:

1. 0.1% of the first BD10 million of the company's paid up capital, with a minimum of BD3,000/-.
2. 0.05% of the amount exceeding BD10 million, up to BD50 million.
3. 0.025% of the amount exceeding BD50 million, with a maximum amount of BD20,000/-.

### Clearing & Settlement:

1. 0.0125% of the first BD15 million of the company's paid-up capital with a minimum of BD.1,000.
2. 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\*\*:

1. 0.025% of the first BD5 million of the company's paid up capital, with a minimum of BD1,000.
2. 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 BAHRAINI:****Listing\*:**

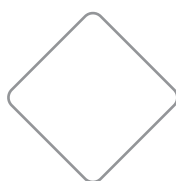
0.05% of the total value with a minimum of BD2,000 and a maximum of BD5,000.

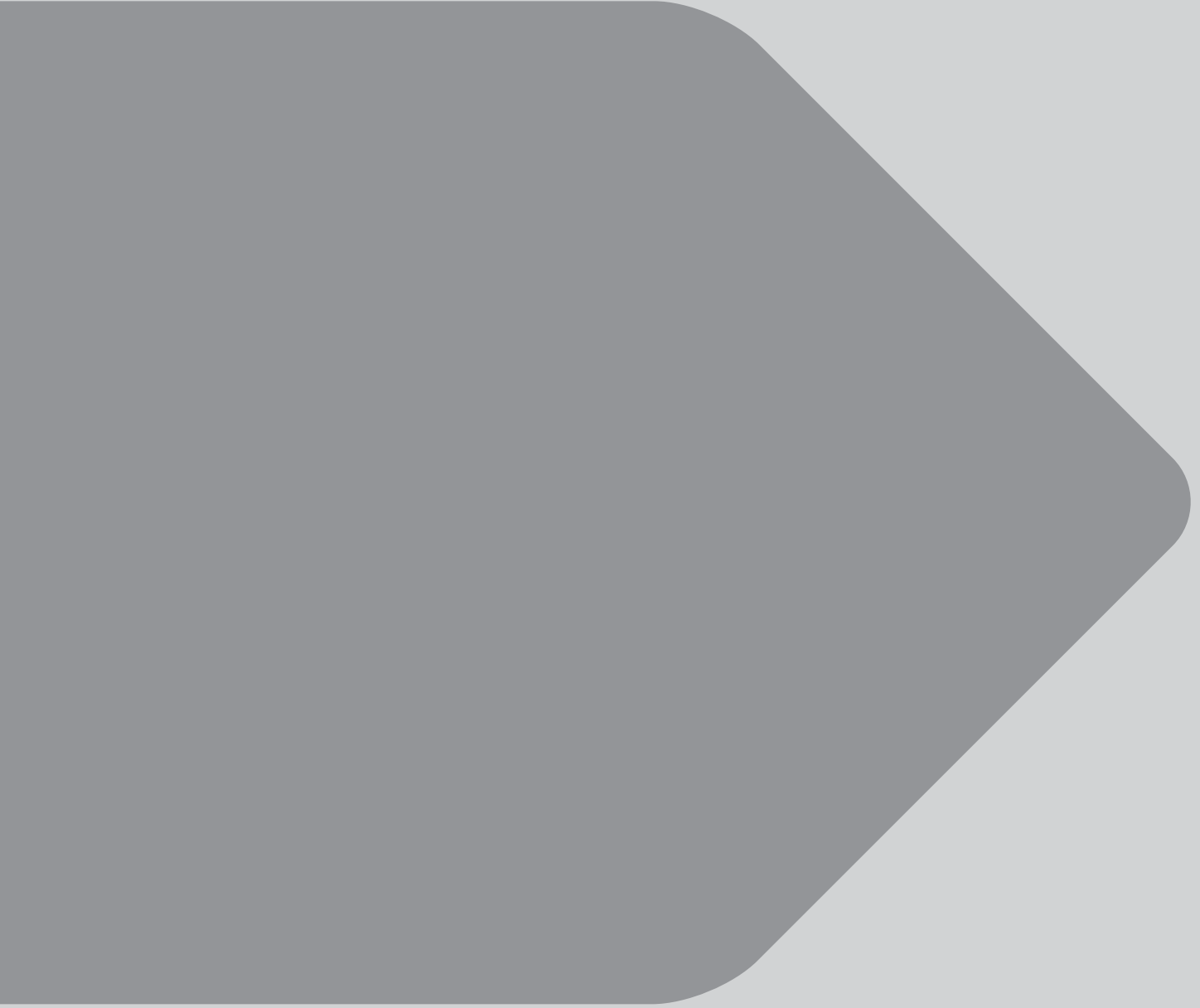
**Annual Subscription\*\*:** BD2,000.**CURRENCY WARRANTS:****Listing\*:** BD250**Annual Subscription\*\*:** Nil**TRANSFER AGENTS****Membership\*:** BD500**Annual Subscription:** BD1,000**INDIVIDUAL BROKERS****Membership\*:** BD500**Annual Subscription:** BD250**BROKERAGE FIRMS****Membership\*:** BD1,000**Annual 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.







# BAHRAIN STOCK EXCHANGE FINANCIAL STATEMENTS

31 DECEMBER 2010

## **Board of Directors**

Mr. Yousuf Abdulla Humood, Chairman  
Mrs. Afnan Rashid Al Zayani, Vice Chairman  
Mr. Yaser Ebrahim Humaidan, Member  
Mr. Nabeel Khalid Kanoo, Member  
Mr. Mohammed Ahmed Hassan, Member  
Miss Rana Ebrahim Faqih, Member  
Miss Nada Alawi Shubbar, Member  
Mr. Marwan Khalid Tabbara, Member

## **Director of the Bourse**

Mr. Fouad A. Rahman Rashid

## **Offices**

Bahrain Financial Harbour  
Harbour Mall, 4<sup>th</sup> Floor  
Box 3203, Manama, Bahrain  
T 17261260, F 17227857

## **Bankers**

National Bank of Bahrain  
Bank of Bahrain and Kuwait  
Bahrain Saudi Bank  
Al Salam Bank

## **Auditors**

KPMG

# BAHRAIN STOCK EXCHANGE FINANCIAL STATEMENTS

for the year ended 31 December 2010

## CONTENTS

Independent auditors' report to the Board of Directors 37

### Financial statements

Statement of financial position 38

Statement of comprehensive income 39

Statement of changes in accumulated surplus 40

Statement of cash flows 40

Notes to the financial statements 41 - 52

## INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS

Bahrain Stock Exchange  
Manama, Kingdom of Bahrain

30 March 2011

### Report on the financial statements

We have audited the accompanying financial statements of Bahrain Stock Exchange, which comprise the statement of financial position as at 31 December 2010, and the statements of comprehensive income, accumulation of surplus and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

### *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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal 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 policies 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 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Report on other 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 2010

Bahraini Dinars

	Notes	2010	2009
<b>Current assets</b>			
Cash and Cash equivalents	3	1,033,891	1,461,493
Accounts receivable	4	104,745	86,131
Other assets	5	133,815	117,892
<b>Total current assets</b>		<b>1,272,451</b>	1,665,516
<b>Non-current assets</b>			
Property and equipment	6	4,688,462	335,249
Work in progress	6	18,970	2,893,996
<b>Total non-current assets</b>		<b>4,707,432</b>	3,229,245
<b>TOTAL ASSETS</b>		<b>5,979,883</b>	4,894,761
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable		45,301	4,021
Accrued expenses	7	791,732	350,771
Deferred Revenue	8	673,301	669,888
Restricted grants	9	-	22,210
Provision for the labour law obligation	10	23,541	21,417
<b>Total Current Liabilities</b>		<b>1,533,875</b>	1,068,307
<b>Non-current liabilities</b>			
End of service benefit	11	3,832	3,522
Total current liabilities		3,832	3,522
<b>TOTAL LIABILITIES</b>		<b>1,537,707</b>	1,071,829
ACCUMULATED SURPLUS (page 40)		4,442,176	3,822,932
<b>TOTAL LIABILITIES AND ACCUMULATED SURPLUS</b>		<b>5,979,883</b>	4,894,761

**Yousuf A. Humood**  
Chairman

**Fouad A. Rahman Rashid**  
Director of the Exchange

The Board of Directors approved the financial statements consisting of pages 38 to 51 on 30 March 2011.



**STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 31 December 2010

Bahraini Dinars

	Notes	2010	2009
<b>INCOME</b>			
Subscription fees		1,197,995	1,218,564
Registration fees		19,800	8,100
Dealing Commission	12	363,663	446,083
Interest income		60,380	97,160
Other income	13	342,527	119,218
Grant from Central Bank of Bahrain		1,522,210	937,193
<b>Total Income</b>		<b>3,506,575</b>	2,826,318
<b>EXPENSES</b>			
Staff costs	14	1,223,695	1,126,191
General and administrative	15	1,418,982	1,657,132
Depreciation	6	205,928	142,796
Impairment of receivable		38,726	27,379
<b>Total Expenses</b>		<b>2,887,331</b>	2,953,498
<b>Surplus (deficit) of income over expenses</b>		<b>619,244</b>	(127,180)
<b>Other comprehensive income for the year</b>		-	-
<b>Total comprehensive income for the year</b>		<b>619,244</b>	(127,180)

**Yousuf A. Humood**  
Chairman

**Fouad A. Rahman Rashid**  
Director of the Exchange

The financial statements are comprised of pages 38 to 51.

## STATEMENT OF CHANGES IN ACCUMULATED SURPLUS

for the year ended 31 December 2010

Bahraini Dinars

	2010	2009
At 1 January	3,822,932	3,950,112
Total comprehensive income for the year	619,244	(127,180)
<b>At 31 December</b>	<b>4,442,176</b>	<b>3,822,932</b>

## STATEMENT OF CASH FLOWS

for the year ended 31 December 2010

	2010	2009
<b>OPERATING ACTIVITIES</b>		
Cash received from subscribers	1,127,231	1,188,343
Cash received from Commissions and other revenues	637,089	710,084
Advance receipts from clients for electronic display board and	100,000	649,000
Cash paid to staff costs	(1,320,777)	(1,237,838)
Cash paid to general and administrative expenses	(1,474,317)	(1,513,828)
Cash paid to remuneration of the Board of Directors and committees	(11,600)	(14,000)
<b>Net cash flows (used) in operating activities</b>	<b>(942,374)</b>	<b>(218,239)</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(252,154)	(7,843)
Payments for work in progress	(803,756)	(2,563,208)
<b>Net cash flows used in investing activities</b>	<b>(1,055,910)</b>	<b>(2,571,051)</b>
<b>FINANCING ACTIVITIES</b>		
Financial support received from the Central Bank of Bahrain	1,500,000	500,000
Bank interest	70,682	106,422
<b>Net cash flows from financing activities</b>	<b>1,570,682</b>	<b>606,422</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(427,602)</b>	<b>(2,182,868)</b>
Cash and cash equivalents at 1 <sup>st</sup> January	1,461,493	3,644,361
<b>Cash and cash equivalents at 31<sup>st</sup> December</b>	<b>1,033,891</b>	<b>1,461,493</b>
Cash and cash equivalents per financial position comprising from:		
Cash and bank	186,573	345,081
Short term placements	847,318	1,116,412
	<b>1,033,891</b>	<b>1,461,493</b>

The financial statements are comprised of pages 38 to 51.

## NOTES

to the 2010 financial statements

Bahraini Dinars

### 1 STATUS AND OPERATIONS

The Bahrain Stock 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 57/2009, which gave the Exchange a period of six months to register with the Ministry of Industry and Commerce as shareholding Exchange and comply 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.

On 4<sup>th</sup> November 2010, the decree No. 60 for 2010 was issued to establish Bahrain Bourse (BSC) (c) in accordance with the attached Article of Association and Memorandum. This decree was published in the Official Gazette No.2980 dated 30<sup>th</sup> December 2010.

The Exchange has been registered with the Ministry of Industry and Commerce under registration No.76907 under the name Bahrain Bourse Company (BSC) (c). The authorised share capital consists of 10,000,000 shares of BD 1 each. The issued and fully paid up share capital are 2,000,000 shares and are fully owned by the Government of Kingdom of Bahrain.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### a) Statement of compliance

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

#### b) Change in accounting estimate – useful life of property and equipment

Till the period ended 31 December 2009, the Exchange had been depreciating the furniture over 5 years. Effective 1<sup>st</sup> January 2010, the Exchange has changed its estimate for useful life of the furniture to 10 years. The effect of the change in the estimate in the current year has resulted in decrease in depreciation charge and increase in property and equipment by BD 81,164. Refer to note (19) for disclosure.

#### c) Standards, amendments and interpretations effective on or after 1 January 2010

During the year, the Exchange adopted the following standards, amendments and interpretations, which became effective in 2010 and are relevant to the Exchange:

##### Improvements to IFRS (2009)

Improvements to IFRS issued in April 2009 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for annual periods beginning on or after 1 January 2010 with earlier adoption permitted. There were no material changes to the current accounting policies of the Exchange as a result of these amendments.

#### d) Standard and interpretations issued but not yet effective

During the year the following standards, interpretations and amendments to standards were issued, but not yet effective for the year ended 31 December 2010 and have not been applied in preparing the financial statements of the Exchange.

##### IFRS 9 'Financial Instruments'

##### Standard issued November 2009 (IFRS 9 (2009))

IFRS 9 (2009) "Financial Instruments" is the first standard issued as part of a wider project to replace IAS 39 "Financial instruments: recognition and measurement". IFRS 9 (2009) retains and simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment and hedge accounting continues to apply. The 2009 standard did not address financial liabilities.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Standard issued October 2010 (IFRS 9 (2010))

IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 "reassessment of Embedded Derivatives".

The Exchange is yet to assess IFRS 9's full impact. Given the nature of the Exchange's operations, this standard is not expected to have a pervasive impact on the Exchange's financial statements.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012.

### IAS 24 (Revised) "related party disclosures"

It was issued in November 2009 and is mandatory for periods beginning on or after 1 January 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The revised standard will be resulted in change to disclosure on related parties.

### Improvements to IFRS (2010)

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

#### e) Early adoption of standards

The Exchange did not early adopt new or amended standards in 2010.

#### f) 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.

#### g) Functional and presentation currency

Items included in the financial statements of Exchange are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Bahraini Dinars, which is the Company's functional and presentation currency.

#### h) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note (20).

#### i) 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 "restricted grants" until it has been expensed for the purpose assigned for.

Advances from clients for trading boards are recorded as liability "deferred revenue" until these boards are put into operation. Revenue will be recognized over the term of the contract.

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**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****j) 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.

**k) Fixed assets****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, equipment, fixture 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.

Fixture	15 years
Used/ New Furniture	5/10 years
Equipment	5 years
Computers	5 years
Vehicles	5 years
Electronic display board	5 years

Fixed assets costing less than BD 50 are fully depreciated in the acquisition year.

**l) 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.

**m) 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.

**n) 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.

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### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**o) Foreign currencies**

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

**p) Cash and cash equivalents**

Cash and cash equivalents comprise of cash in hand and at bank including time deposits of short maturity of 90 days or less.

**q) 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.

**r) Accounts payable**

Accounts payable are stated at their amortised cost.

### 3 CASH AND CASH EQUIVALENTS

	2010	2009
Petty Cash	1,008	1,360
Bank balances	185,565	343,721
Short term placements	847,318	1,116,412
	<b>1,033,891</b>	<b>1,461,493</b>

A short term placement represents bank deposits with maturity of three months or less

### 4 ACCOUNTS RECEIVABLE

	2010	2009
Subscription and registration fees	218,420	127,856
Commissions receivable	15,175	40,137
Services fees receivable	26,480	34,742
	<b>260,075</b>	<b>202,735</b>
Allowance for doubtful debts	(155,330)	(116,604)
	<b>104,745</b>	<b>86,131</b>

#### Allowance for doubtful debts

	2010	2009
As at 1 January	116,604	89,225
Charge for the year	38,726	27,379
	<b>155,330</b>	<b>116,604</b>

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**5 OTHER ASSETS**

	2010	2009
Prepaid expenses	132,776	115,970
Interest receivable	1,039	1,922
	<b>133,815</b>	117,892

**6 PROPERTY, EQUIPMENT AND WORK IN PROGRESS**

	Fixture	Furniture and equipment	Computers	Vehicles	Work in progress (WIP)	2010 Total	2009 Total
<b>Cost</b>							
At 1 January	-	355,480	1,567,247	7,435	2,893,996	<b>4,824,158</b>	2,284,131
Additions	211,952	27,959	41,632	-	1,436,016	<b>1,717,559</b>	2,721,479
Transfer from WIP	2,912,702	1,042,192	326,760	-	(4,281,654)	-	-
Transfer to prepayment	-	-	-	-	(29,388)	<b>(29,388)</b>	-
Disposal	-	(203,415)	(1,316)	-	-	<b>(204,731)</b>	(181,452)
<b>At 31 December</b>	<b>3,124,654</b>	<b>1,222,216</b>	<b>1,934,323</b>	<b>7,435</b>	<b>18,970</b>	<b>6,307,598</b>	4,824,158
<b>Depreciation</b>							
At 1 January	-	333,395	1,256,314	5,204	-	<b>1,594,913</b>	1,633,045
Charge for the year	34,813	37,473	132,155	1,487	-	<b>205,928</b>	142,796
Disposal	-	(200,568)	(107)	-	-	<b>(200,675)</b>	(180,928)
<b>At 31 December</b>	<b>34,813</b>	<b>170,300</b>	<b>1,388,362</b>	<b>6,691</b>	<b>-</b>	<b>1,600,166</b>	1,594,913
<b>Net book value</b>	<b>3,089,841</b>	<b>1,051,916</b>	<b>545,961</b>	<b>744</b>	<b>18,970</b>	<b>4,707,432</b>	3,229,245

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

**7 ACCRUED EXPENSES**

	2010	2009
Projects	628,377	164,903
Staff related expenses	66,955	61,837
Municipalities fees	33,396	79,627
Others	63,004	44,404
	<b>791,732</b>	350,771

**8 DEFERRED REVENUE**

	2010	2009
Electronic display boards (*)	651,888	649,000
Publication and advertising	21,413	20,888
	<b>673,301</b>	669,888

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

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### 8 DEFERRED REVENUE (CONTINUED)

	2010	2009
At 1 January	669,888	30,976
<b>Addition</b>		
Display screen	100,000	649,000
<b>Transferred to income</b>	21,413	20,888
Display screen	(97,112)	-
Publication	(20,888)	(30,976)
<b>As at 31 December</b>	<b>673,301</b>	<b>669,888</b>

### 9 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.

	2010	2009
At 1 January	22,210	459,403
Addition during the year	500,000	500,000
<b>Total received amount</b>	<b>522,210</b>	<b>959,403</b>
Used for moving premises project to the Financial Harbour	-	(319,640)
Used for offices rents in the Financial Harbour	(522,210)	(617,553)
<b>Total amount used and recognized in the statement of comprehensive income</b>	<b>(522,210)</b>	<b>(937,193)</b>
<b>At 31 December</b>	<b>-</b>	<b>22,210</b>

### 10 PROVISION FOR THE LABOUR LAW OBLIGATION

	2010	2009
At 31 December		
Leave entitlements	23,541	21,417
	<b>23,541</b>	<b>21,417</b>

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 bases. The Exchange's contributions for Bahraini employees for 2010 amounted to BD129,770 (2009: BD124,215).



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**11 END OF SERVICE BENEFIT**

	2010	2009
<b>At 1 January</b>	3,521	5,404
Charge for the year	9,394	8,777
Payment	(9,083)	(10,659)
<b>As at 31 December</b>	<b>3,832</b>	3,522

The Exchange employed 60 Bahraini nationals and 3 expatriates as at 31 December 2010 (59 and 3 employees respectively for 2009). 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.

**12 DEALING COMMISSION**

	2010	2009
Commission from ordinary dealings	119,252	196,192
Commission from exempted and special dealings	244,411	249,891
	<b>363,663</b>	446,083

**13 OTHER INCOME**

	2010	2009
Central depository income	41,929	11,697
Remote trading income	20,700	19,200
Advertisements	-	15,855
Trading data	39,977	33,573
Investor guide	20,200	19,300
Trading display board	97,112	-
Services	5,450	13,080
Municipality fees exemption	79,076	-
Other income	38,083	6,513
	<b>342,527</b>	119,218

**14 STAFF COST**

	2010	2009
Basic salaries	771,665	736,056
Allowances	121,984	107,597
Encouragement remuneration	74,367	54,511
Social insurance contribution	140,243	134,148
Leaves	69,706	66,222
Others	45,730	27,657
	<b>1,223,695</b>	1,126,191

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### 15 GENERAL AND ADMINISTRATIVE EXPENSES

	2010	2009
Rent	607,434	645,519
Consulting fees	307,423	575,209
Services	423,725	371,047
Consumables	28,205	20,976
Conferences and subscription	29,586	21,143
Remuneration of the Board of director and committees	14,800	14,000
Insurance	7,809	8,892
Other	-	346
	<b>1,418,982</b>	<b>1,657,132</b>

### 16 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:

	2010	2009
Salaries and related costs of executive management	84,453	73,785
Board and committees attendance fees	14,800	14,000

#### - Grant received

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 is disclosed in Note 9.

### 17 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, 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.

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**17 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

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:

	2010	2009
Cash and cash equivalent	1,033,891	1,461,493
Accounts receivable	104,745	86,131
	<b>1,138,636</b>	1,547,624

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:

	2010		2009	
	Gross	Impairment	Gross	Impairment
Not past due	54,987	-	44,945	-
Past due 0-90 days	1,009	-	16,890	-
Past due 91-180 days	1,195	-	3,307	-
More than 180 days	202,884	155,330	134,458	116,604
	<b>260,075</b>	<b>155,330</b>	199,600	116,604

Balance of past due and impaired accounts receivables, as at 31 December 2010 was BD 155,330 (2009: BD 116,604).

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### 17 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### 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:

2010	Carrying amount	6 months or less	6-12 months
<b>Financial liabilities</b>			
Accounts payable	45,301	45,301	-
Accrued payable	791,732	791,732	-
	<b>837,033</b>	<b>837,033</b>	-

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>	-

#### 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 2.583 % p.a. for the year ended 31 December 2010 (2009: 3.09 %). At the reporting date, the interest rate profile of the Exchange's interest-bearing financial instruments was:

	2010	2009
<b>Fixed rate instruments</b>		
Short term placements	847,318	1,116,412
	<b>847,318</b>	<b>1,116,412</b>

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**17 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)****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.

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

<b>2010</b>	<b>Loans and receivables</b>	<b>Financial liabilities at amortised cost</b>	<b>Total carrying value</b>
<b>At 31 December</b>			
Cash and cash equivalent	1,033,891	-	1,033,891
Accounts receivable	104,745	-	104,745
	<b>1,138,636</b>	<b>-</b>	<b>1,138,636</b>
Accounts payable	-	45,298	45,298
Accrued payable	-	791,732	791,732
	<b>-</b>	<b>837,030</b>	<b>837,030</b>
<b>2009</b>			
<b>As at 31 December</b>			
Cash and cash equivalent	1,461,493	-	1,461,493
Accounts receivable	86,131	-	86,131
	<b>1,547,624</b>	<b>-</b>	<b>1,547,624</b>
Accounts payable	-	4,021	4,021
Accrued payable	-	350,771	350,771
	<b>-</b>	<b>354,792</b>	<b>354,792</b>

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### 18 FIDUCIARY ACTIVITIES

There are two bank accounts with total balance of BD 131 as 31 December 2010 (2009: BD 112) in the name of the Exchange and they are not shown as part of its assets as they are belonging to brokers and their customers to be used for clearing and settlement of deals.

### 19 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.

### 20 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.

#### Change in accounting estimate – useful life of property and equipment

Till the period ended 31 December 2009, the Exchange had been depreciating the furniture over 5.

Effective 1<sup>st</sup> January 2010, the Exchange has changed its estimate for useful life of the furniture to 10.

The effect of the change in the estimate in the current year has resulted in decrease in depreciation charge and increase in property and equipment by BD 81,164.

The effects of change in accounting estimates for the future periods explained above has not been disclosed as it is impracticable to quantify the effect of the above change in estimates for the future periods.

### 21 SUBSEQUENT EVENT

The Exchange has been registered as a Bahraini Shareholding Company (BSC), on 6<sup>th</sup> February 2011, a resolution was issued by His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince, to appoint the Board of Directors Bahrain Bourse Company (BSC)(c) and the new board had its first meeting on 13<sup>th</sup> February 2011.