

بورصة البحرين  
BAHRAIN BOURSE



# 2011

## Annual Report







**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 & 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

In spite of all the consequences of the global financial crisis and the recent developments in the region that continued to affect the trading activity in most Arab stock exchanges and financial markets, there were various achievements for Bahrain Bourse (BHB) during 2011 regarding legislative, administrative, and technical aspects which contributed to setting the bases of BHB's future policies for the coming years, along with defining the nature and size of roles that BHB undertakes to contribute more effectively to the development of the Bahraini economy.

At the beginning of the year, Bahrain Bourse started implementing its comprehensive strategy that aims at developing all work aspects in a way that will make BHB more capable of meeting the future requirements. Those aspects are being developed in order to implement the Bourse's general strategy, and this year, BHB revealed its new corporate identity through a new name and logo, pursuant to the issuance of Royal Decree No. 60 of establishing Bahrain Bourse as a Bahraini Closed Shareholding Company, fully – owned by the Government of Bahrain under the name "Bahrain Bourse."



Yousuf Abdulla Humood  
Chairman



During this year, Bahrain Bourse obtained the Central Bank of Bahrain's initial approval on the Bourse's rulebook. The rulebook was sent as a consultation paper to listed companies, brokers, and other concerned parties to obtain their opinions and feedback about it before its final publication. BHB also made some amendments on the listing requirements of Closed Shareholding Companies in order to encourage them to be listed in the Bourse.

Moreover, BHB undertook the necessary procedures to implement corporate governance principles according to the Central Bank of Bahrain requirements and the Corporate Governance Charter issued by the Ministry of Industry & Commerce, complying with the principle of (comply or explain) to enhance the disclosure requirement. Accordingly, a gap analysis was prepared, between corporate governance principles' requirements and currently implemented requirements in BHB, which showed that the Bourse is complying with most of the corporate governance principles. Therefore, a timeline to implement the remaining requirements was approved. The Board has also formed all committees from Board Members according to corporate governance requirements. In addition, the BHB Employees' Code of Ethics was approved to implement the best practices and improve the quality of work at the Bourse.

Bahrain Bourse have also taken several initiatives to support the development of the workplace environment in a way to enhance staff's loyalty to the Bourse, maintain all experienced, competent and well-qualified employees, and strengthen internal control systems of BHB's financial, administrative and technical operations.

Looking into Bahrain Bourse's financial performance, the financial results in 2011 showed an increase in revenues from BD 3,506,575 million in 2010 to BD 4,202,590 in 2011, recording an increase of 20% due to the grant received from the government during this year. Shareholders' equity also increased from BD 4,442,176, as of 31st December 2010, to BD 5,623,094, as of 31st December 2011. BHB reported net profits amounted to BD 1,180,918 in 2011 compared to BD 619,244 in 2010.

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 to Bahrain Bourse, as well as their efforts to support the prosperity of the country in various areas.

I would also like to thank H.E. Shaikh Ahmed bin Mohammed Al Khalifa, the Minister of Finance for his continued support to the Bourse. My thanks are also extended to the Chairman and Board of Directors of the Central Bank of Bahrain, as well as the Governor of the Central Bank of Bahrain for their continuous support to Bahrain Bourse.

Finally, I thank Bahrain Bourse's Board of Directors for their valuable opinions and recommendations that had a considerable influence on Bahrain Bourse's development. I also thank the Bourse's management, department heads, and staff for their hard work during the year, hoping that such efforts will continue for further development and prosperity for the Bourse.

# DIRECTOR'S MESSAGE

In 2011, the trading activity at most of the bourses and Arab financial markets, including Bahrain Bourse (BHB), were adversely affected by the consequences of the global financial crisis. Those markets were also affected by the political instability that some of the countries in the region have experienced. Moreover, other bourses in the region were affected by the debt crisis that hit the United States and some of the countries of the European Union, leaving a negative impact on the trading activity at some of the bourses in the region.

Given the abovementioned reasons, Bahrain All Share Index decreased by 20.15% compared to its closing in December 2010. The value of shares traded decreased by 3.18%, and the volume of shares traded also decreased by 15.02%,

while the number of transactions declined by 39.85%.

This year, Bahrain Bourse listed a Government Islamic Leasing Sukuk issue with a value of BD200 million, that was issued by the Government of the Kingdom of Bahrain. A mutual fund, issued by SICO Funds Company IV, was also listed on the Bourse with a value of US\$ 5.9 million.

In implementing the Bourse's strategy that has been adopted at the beginning of 2011 with the aim of developing all work aspects, BHB made various achievements, both legislative and technical, in an effort to enhance BHB's capabilities to play a greater role in the economic development of the Kingdom of Bahrain.



Fouad A. Rahman Rashid  
Director of the Bourse

In line with BHB's efforts to develop the legislative structure of the capital markets sector in the Kingdom of Bahrain, and in coordination with the Central Bank of Bahrain, the Bourse completed preparing the Rulebook and has obtained the initial approval from the Central Bank of Bahrain. The Rulebook was sent to the concerned parties in the capital markets sector as a consultancy paper to obtain their opinions and feedback about it before its final publication.

In addition, Bahrain Bourse implemented some key amendments concerning the requirements of listing closed companies, giving them greater flexibility to list their shares on BHB without the requirement of achieving profits as required previously. During this year, BHB started implementing the companies' corporate governance principles according to the requirements of the Central Bank of Bahrain and the corporate governance charter issued by the Ministry of Industry & Commerce. According to that, the Board of Directors of the Bourse formed a number of committees to meet such requirements and specified their duties and responsibilities to go in line with the requirements and nature of work at the Bourse, and meet the requirements of corporate governance.

In line with the Bourse's keenness to benefit from the latest technologies and the new media applications to enhance the efficiency, effectiveness of BHB's activities and its transparency, BHB launched its new website. The new website offers a variety of information and interactive services.

In its efforts to develop the capital markets sector in the Kingdom of Bahrain, and contribute to the development of various areas in the capital markets sector and those working in that sector in the country, Bahrain Bourse in cooperation with J.P. Morgan International, organized a course about Investor

Relations. 15 representatives from a number of listed companies at the Bourse attended the course.

On the financial front, Bahrain Bourse's total income reached BD4,202,590 compared to BD3,506,575 in 2010, posting 19.85% growth. The total expenses were BD3,021,672 compared to BD2,887,331 in 2010, increasing by 4.65%. Bahrain Bourse reported a surplus of BD1,180,918 in comparison to BD619,244 in 2010, after receiving the grant from the Government of Bahrain. The total assets rose to BD6,669,510 compared to BD5,979,883 in 2010, increasing by 11.53%. The total liabilities were BD1,046,416 in 2011 compared to BD1,537,707 in 2010, decreasing by 31.9%. The accumulated surplus increased to BD5,623,094 compared to BD4,442,176 in 2010, reporting 26.58% growth.

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 BHB'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 and achieving its vision, mission, and objectives in the coming period. I would also like to extend my thanks to the listed companies and brokerage firms for their support and cooperation.

# BOARD OF DIRECTORS



**Nabeel Khalid  
Kanoo \***

Director

**Nada Alawi  
Shubbar \***

Director

**Yousif Abdulla  
Humood**

Chairman

**Rana Ebrahim  
Faqihi \***

Director



**Mohammed  
Ahmed Hassan \*\***

Director

**Afnan Rashid  
Al Zayani**

V. Chairman

**Yaser Ebrahim  
Humaidan \*\***

Director

**Marwan Khalid  
Tabbara \*\***

Director

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



# MANAGEMENT TEAM



**Fouad A. Rahman Rashid**  
Director



**Sh. Khalifa Bin Ebrahim Al Khalifa**  
Deputy Director



**Ebrahim Jaffar Al Aradi**  
Head of Trading and Members Affairs



**Narjes Farookh Jamal**  
Head of Information Technology



**Mohammed Khalid Hamed**  
Head of Internal Audit



**Ali Ahmed Al-Mansoor**  
Head of Public Relations & Marketing



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



**Suha Yousif Al Ghoozi**  
Head of Administration and Finance



# WORLD STOCK MARKETS' PERFORMANCE DURING 2011

## The International Markets:

The world economy witnessed a slowdown in its activity during 2011 which was attributed to the European sovereign debt and banking crises, along with the consequences of the earthquake and Tsunami that hit the East of Japan and the unstable conditions in the Middle East and North Africa (MENA) region that was accompanied with increases in oil prices. This led to continued uncertainty about the economic recovery especially the financial sector, as fears of increasing the US debt ceiling translated into concerns about the banks that hold bonds issued by these countries particularly in Europe.

The world economy witnessed a growth of 3.9% in 2011 compared to 5.3% in 2010. In return, the world inflation reached 4.84% compared to 3.68% in 2010. Furthermore, the U.S. economy posted a 1.7% growth in 2011 in comparison to a 3% growth in 2010 with the Federal Reserve Bank maintaining the interest rate at 0.25% since 16 December, 2008.

The economies of the European Union countries witnessed a 1.6% growth in 2011 and a 2% in 2010, where Britain posted 0.7% growth. In line with the efforts to boost the economy, the Central Bank of England kept its interest rate at 0.5% unchanged since 5 March, 2009. On the other hand, the European Central Bank interest rate fluctuated throughout the year to reach 1% on 13 December, 2011 compared to the same rate at the end of 2010.

## The Real GDP Growth at Constant Prices (%)

Country	2011	2010
US	1.7	3.0
UK	0.7	2.1
Germany	3.1	3.6
France	1.7	1.4
Japan	(0.7)	4.4
China	9.2	10.4





In Asia, China posted an economic growth of 9.2% in 2011 against 10.4% in 2010. Conversely, the Japanese economy reported a 0.7% decline compared to a 4.4% growth in 2010, in which the Central Bank maintained its interest rate at 0.1%. Looking at the Middle East economy, it witnessed a growth of 3.5% in 2011 against 4.9% in 2010.

With regards to oil prices, the price of Brent oil increased by US\$14.96 per barrel by the end of the year and closed at US\$ 109.19 compared to US\$ 94.23 at the beginning of the year, reporting a 15.88% growth. During the same period, Oman oil price posted an increase of US\$22.39 per barrel and settled at US\$110.04, posting a growth of 25.54%.

Regarding currency prices, the Euro ended the year with losses against the U.S. dollar due to the debt crisis, in which the Euro was down against the U.S. dollar by 3.23%. On the other hand, the Sterling Pound decreased against the U.S. dollar by 0.41% compared to its rate at the beginning of the year. The U.S. dollar also declined against the Yen by 5.19% during the same period.

The price of gold increased by 10.17% to reach US \$1,563.8 per ounce. Its price was up by US\$144.35 per ounce compared to its price at the beginning of the year. While the price of silver declined by 10.27% during the year.

On the financial markets front, the S&P500 index decreased by 0.003%. In the European market, the British FTSE100 decreased by 5.55%, the German DAX by 14.69%, the French CAC40 by 16.95%, and the Japanese Nikkei225 by 17.34%.

#### Performance of International Financial Markets

Market	2011	2010	Growth (%)
US (S&P500)	1,257.60	1,257.64	(0.003)
UK (FTSE100)	5,572.28	5,899.94	(5.55)
Germany (DAX)	5,898.35	6,914.19	(14.69)
France (CAC40)	3,159.81	3,804.78	(16.95)
Japan (Nikkei225)	8,455.35	10,228.92	(17.34)
China (SHANGHAI)	2,199.42	2,808.08	(21.68)

#### The Arabian Market:

The real GDP of the Middle East and North Africa countries decreased to 3.5% in 2011 compared to 4.9% in 2010.

Most of the Arab economies posted a positive growth in their real GDP, with Qatar and Iraq recording the highest growth of 18.8% and 9.9% respectively.



# WORLD STOCK MARKETS' PERFORMANCE DURING 2011

## The Real GDP Growth at Constant Prices (%)

Country	2011	2010
Lebanon	1.5	7.0
Egypt	1.8	5.1
Morocco	4.3	3.7
Jordan	2.5	2.3
Iraq	9.9	0.8
<b>GCC Countries</b>		
Qatar	18.8	16.6
Oman	5.5	4.0
Bahrain	2.2	4.5
Saudi Arabia	6.8	4.6
UAE	4.9	0.9
Kuwait	8.2	3.4

On the financial markets' front, Qatar Exchange posted the highest growth of 1.12%. The other GCC markets, however, reported negative growths where the Saudi market decreased by 3.07%, Abu Dhabi Securities Exchange 11.68%, Muscat Securities Market 15.69%, Kuwait Stock Exchange 16.41%, Dubai Financial Market 17%, and Bahrain Bourse 20.15%.

## Performance of GCC Financial Markets in 2011

Market	Market Indices (Points)		Yearly Performance (%)
	1 January 2011	31 December 2011	
Qatar	8,681.7	8,779.0	1.12
Saudi Arabia	6,620.8	6,417.7	(3.07)
Abu Dhabi	2,719.9	2,402.3	(11.68)
Muscat	6,754.9	5,695.1	(15.69)
Kuwait	6,955.5	5,814.2	(16.41)
Dubai	1,630.5	1,353.4	(17.00)
Bahrain	1,432.3	1,143.7	(20.15)
Average			(11.84)

### The Local Market:

The GDP growth for the Kingdom of Bahrain was 2.2% in 2011 compared to 4.5% in 2010. Moreover, the 2011 inflation rate was 0.4% compared to 2.0% in 2010.

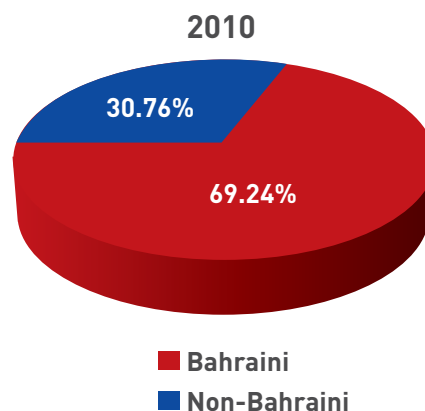
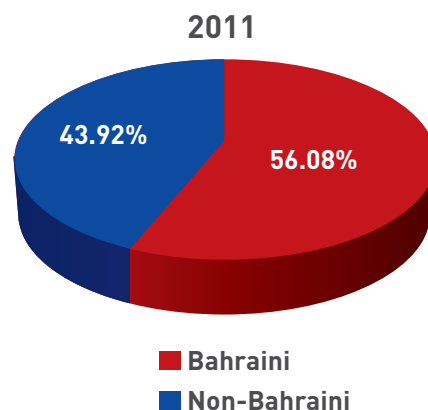
With regards to the performance of Bahrain Bourse, Bahrain All Share Index decreased by 20.15% and closed at 1,143.69 points at the end of 2011, losing 288.57 points by the end of 2011. As for the prices of shares, the share prices of 3 companies increased, 16 companies maintained their share prices, and the share prices of 30 companies declined. The trading activity at Bahrain Bourse decreased, in which the value of trades fell by 3.18% compared to 2010 and the volume of shares traded decreased by 15.02%. Also, the number of trades declined by 39.85%.

The Commercial Banks Sector captured the largest share in terms of the value of shares traded comprising 47.64% of the total value, followed by the Investment sector 19.38%, Services Sector 19.06%, Industrial 8.80%, Hotels & Tourism 1.13%, and Insurance 1.11%. Ahli United Bank came first among the most active companies in terms of the value of shares traded, with a value of BD 39.76 million that accounted for 37.88% of the total value of shares traded. Then came Batelco capturing 12.56% of the total value, Gulf Finance House 11.80%, Alba 8.80%, and Al Baraka Banking Group 5.82%.

In terms of the volume of shares traded, the Commercial Banks Sector captured the largest share accounting for 51.86% of the total volume, followed by the Investment Sector 27.82%, Services Sector 11.70%, Industrial Sector 2.62%, Hotels & Tourism 1.42%, and the Insurance Sector 0.73%. Ahli United Bank came first among the most active companies in terms of the volume of shares traded, with a volume of 147 million shares, accounting for 28.26% of the total volume. Then came Gulf Finance House with 23.75%, Ithmaar Bank 8.73%, Al Salam Bank 8.24%, and Batelco 5.87%.

The trading by nationalities figures indicated that Bahrainis traded 56.08% of the total value of shares, while the other nationalities traded 43.92% of the total value of shares. By the end of 2011, the total number of listed companies on Bahrain Bourse was 49 companies, while the number of mutual funds was 31 and Bonds/Sukuk issues were 11.

### Percentage of Trading in Terms of Nationality (Buy & Sell)



# WORLD STOCK MARKETS' PERFORMANCE DURING 2011

## Market Capitalization:

The market capitalization of Bahraini public shareholding companies listed on the bourse decreased to BD6.25 billion against BD7.56 billion at the beginning of the year, posting a decline of 17.3%. The Commercial Banks Sector accounted for 38.26% of the total market capitalization, followed by the Investment Sector 26.85%, Industrial Sector 15.25%, Services 13.94%, Hotels and Tourism 3.06%,

and Insurance 2.63%. From another perspective, the Industrial Sector recorded the greatest decline in its market capitalization compared to the beginning of the year, decreasing by 26.73%, followed by the Investment Sector 25.05%, Services Sector 18.23%, Hotels and Tourism sector 10.91%, Commercial Banks 6.8%, and Insurance Sector 3.68%.

## Market Capitalization among Sectors (Million Dinars)

Sector	2011	2010	Change(%)	Relative Weight (%)
Commercial Banks	2,393.21	2,567.87	(6.80)	38.26
Investment	1,679.55	2,240.97	(25.05)	26.85
Industrial	953.84	1,301.74	(26.73)	15.25
Services	871.78	1,066.17	(18.23)	13.94
Hotels and Tourism	191.545	215	(10.91)	3.06
Insurance	164.481	170.77	(3.68)	2.63
<b>Total Market</b>	<b>6,254.41</b>	<b>7,562.52</b>	<b>(17.30)</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 2011 compared to 2010.

**Financial Indicators in December**

Sector	P/E (X)		Div. Yield (%)		P/BV (X)	
	2011	2010	2011	2010	2011	2010
Commercial Banks	11.32	17.83	4.32	3.54	1.16	1.26
Investment	8.51	11.57	1.16	1.09	0.59	0.81
Insurance	14.73	9.02	2.38	7.43	0.92	0.87
Services	7.67	8.27	9.31	8.08	1.03	1.27
Industrial	4.45	9.28	10.08	5.93	1.13	1.78
Hotels and Tourism	15.57	9.42	3.57	3.81	1.10	1.26
<b>Total Market</b>	<b>8.12</b>	<b>11.57</b>	<b>5.01</b>	<b>3.99</b>	<b>0.90</b>	<b>1.13</b>

**Central Depository:**

The total number of Bahraini public shareholding shares deposited in Bahrain Bourse's Central Depository reached 11,044 billion shares at 31 December 2011, representing 41.45% of the total issued and outstanding shares, compared to 11,560 billion shares at the beginning of the 2011, declining by 4.46% .

The market capitalization of Bahraini public shareholding shares deposited at Bahrain Bourse

was BD2,996 billion at 31 December 2011 compared to BD3,987 billion at the beginning of the year, decreasing by 24.86%.

The number of nationalities registered in the Central Depository reached 94 nationalities, while the number of investors holding shares in Bahraini public shareholding companies reached 27,650 by 31 December 2011 compared to 26,456 at the beginning of the year, posting growth of 4.51%.

# KEY STATISTICAL DATA 2011–2010

## Comparison of Trading Activity

	2011	2010	Change	Change %
Total Market Capitalization (BD)	6,254,410,719	7,562,517,045	(1,308,106,326)	(17.30)
Value of Shares (BD)	104,966,160	108,410,906	(3,444,746)	(3.18)
Volume of Shares	520,223,918	612,188,517	(91,964,599)	(15.02)
No. of Transactions	11,818	19,647	(7,829)	(39.85)
Total Trading Days	245	247	(2)	(0.81)
Daily Average Value of Shares (BD)	428,433	438,911	(10,477)	(2.39)
Daily Average Volume of Shares	2,123,363	2,478,496	(355,133)	(14.33)
Daily Average No. of Transactions	48	80	(31)	(39.36)

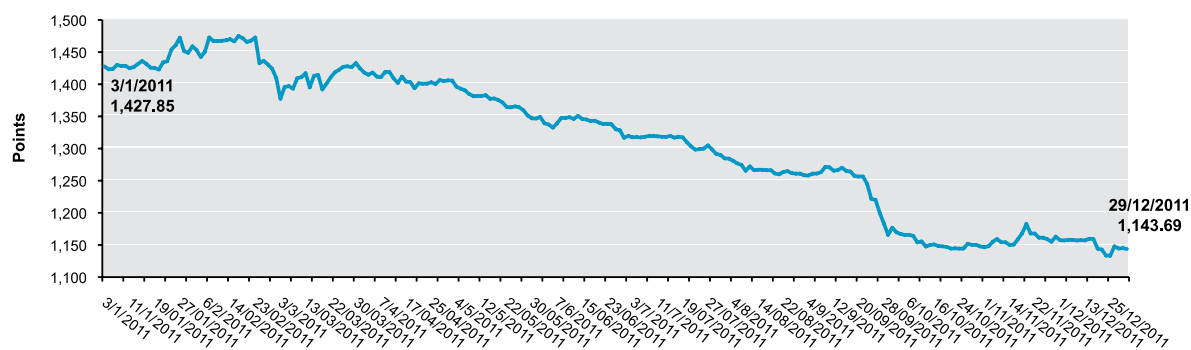
## Bahrain Bourse Indices Performance

Bahrain All Share Index	2011	2010	Change (points)	Change (%)
Year end	1,143.69	1,432.26	(288.57)	(20.15)
High	1,639.62	1,605.98	33.64	2.09
Low	1,133.21	1,361.19	(227.98)	(16.75)

Dow Jones Bahrain Index	2011	2010	Change (points)	Change (%)
Year end	98.20	121.05	(22.85)	(18.88)
High	125.12	135.85	(10.73)	(7.90)
Low	96.01	112.68	(16.67)	(14.79)

Esterad Index	2011	2010	Change (points)	Change (%)
Year end	1,218.26	1,509.60	(291.34)	(19.30)
High	1,587.17	1,664.76	(77.59)	(4.66)
Low	1,204.97	1,407.95	(202.98)	(14.42)

## Bahrain All Share Index Performance During 2011 (Points)



Sectorial Indices	2011	2010	Change (%)
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### Bahrain All Share Index

Commercial Banks	1,814.05	2,005.59	(9.55)
Investment	697.30	978.79	(28.76)
Insurance	1,852.03	1,922.94	(3.69)
Services	1,148.99	1,405.30	(18.24)
Industrial	1,055.17	1,440.05	(26.73)
Hotels & Tourism	3,573.71	4,010.80	(10.90)

No. of listed Companies	2011	2010
Public	42	42
Closed	2	2
Non Bahraini	5	5
Total	49	49

Preferred Shares	2011	2010
	1	1

No. of listed Bonds & Sukuk	2011	2010
Bonds	3	3
Sukuk	8	8

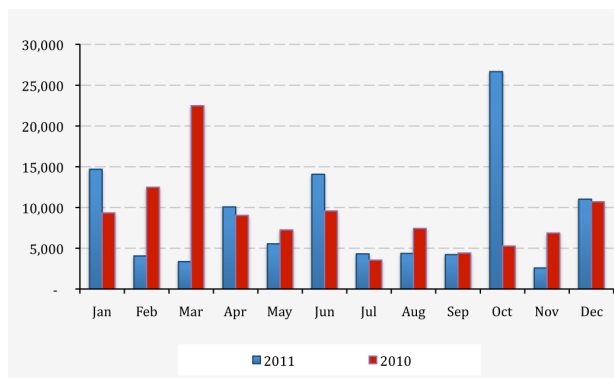
No. of listed Mutual Funds	2011	2010
	31	35

# KEY STATISTICAL DATA 2011-2010

## Equity Trading Activity for 2011-2010

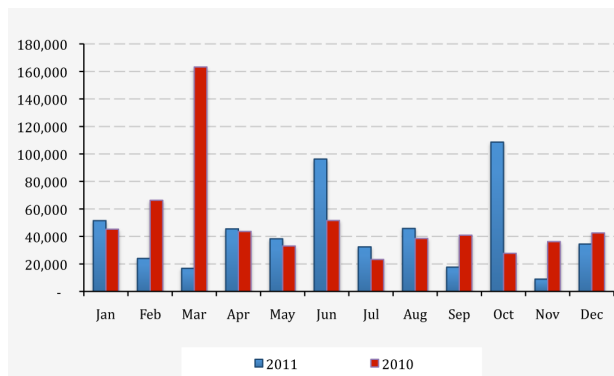
Value ( BD 000 )	2011	2010	Change (%)
Jan	14,678	9,338	57.19
Feb	4,060	12,480	(67.46)
Mar	3,370	22,487	(85.01)
Apr	10,067	9,035	11.42
May	5,555	7,251	(23.40)
Jun	14,060	9,586	46.68
Jul	4,314	3,542	21.78
Aug	4,368	7,427	(41.19)
Sep	4,227	4,418	(4.32)
Oct	26,663	5,269	406.05
Nov	2,588	6,864	(62.30)
Dec	11,017	10,714	2.83
<b>Market</b>	<b>104,966</b>	<b>108,411</b>	<b>(3.18)</b>

Total Value of Shares Traded (BD 000)



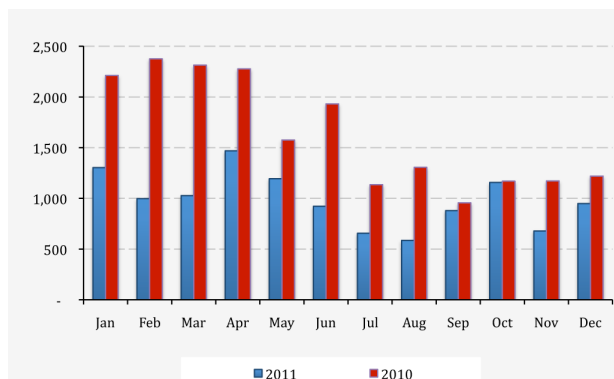
Volume ( 000 )	2011	2010	Change (%)
Jan	51,524	45,218	13.95
Feb	23,969	66,255	(63.82)
Mar	16,774	163,279	(89.73)
Apr	45,494	43,647	4.23
May	38,272	33,027	15.88
Jun	96,238	51,632	86.39
Jul	32,432	23,263	39.42
Aug	45,850	38,529	19.00
Sep	17,655	40,893	(56.83)
Oct	108,603	27,734	291.58
Nov	8,971	36,195	(75.21)
Dec	34,440	42,516	(18.99)
<b>Market</b>	<b>520,224</b>	<b>612,189</b>	<b>(15.02)</b>

Total Volume of Shares Traded (000)



No. of Transactions	2011	2010	Change (%)
Jan	1,304	2,213	(41.08)
Feb	998	2,376	(58.00)
Mar	1,027	2,314	(55.62)
Apr	1,469	2,277	(35.49)
May	1,194	1,576	(24.24)
Jun	922	1,932	(52.28)
Jul	656	1,135	(42.20)
Aug	585	1,306	(55.21)
Sep	879	956	(8.05)
Oct	1,157	1,170	(1.11)
Nov	678	1,172	(42.15)
Dec	949	1,220	(22.21)
<b>Market</b>	<b>11,818</b>	<b>19,647</b>	<b>(39.85)</b>

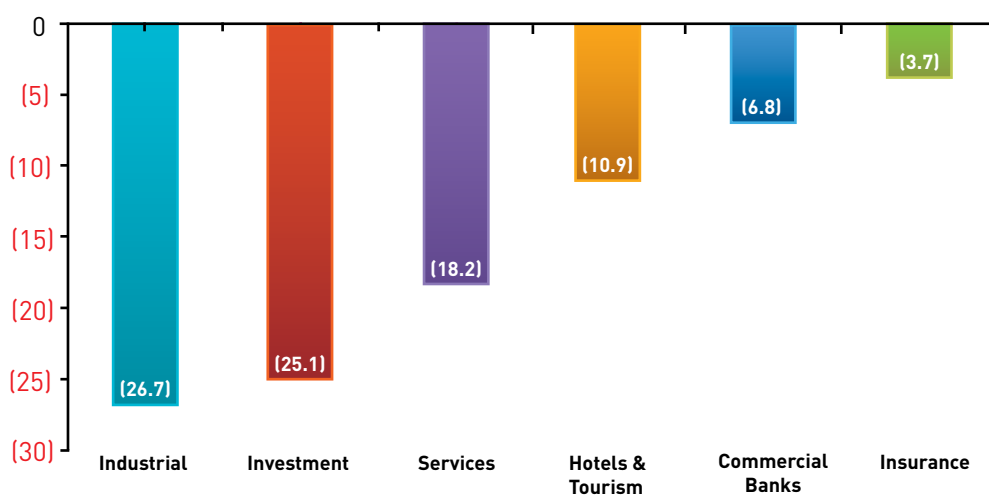
Total Number of Transactions



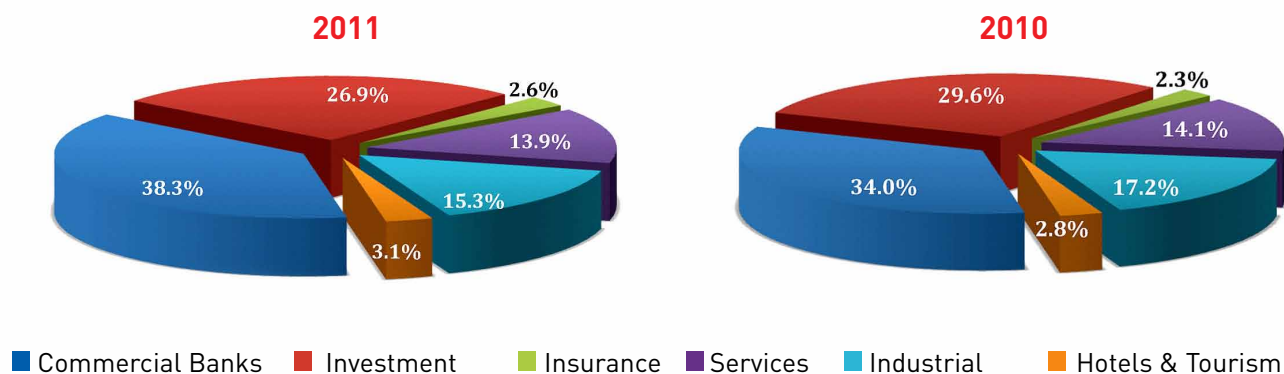


Market Cap ( BD million )	2011	2010	Change (%)
Commercial Banks	2,393.2	2,567.9	(6.8)
Investment	1,679.6	2,241.0	(25.1)
Insurance	164.5	170.8	(3.7)
Services	871.8	1,066.2	(18.2)
Industrial	953.8	1,301.7	(26.7)
Hotels & Tourism	191.5	215.0	(10.9)
<b>Market</b>	<b>6,254.4</b>	<b>7,562.5</b>	<b>(17.3)</b>

### Sectorial Growth in Market Capitalization During 2011 (%)



### The Breakdown of Market Capitalization by Sectors for the years 2011 & 2010



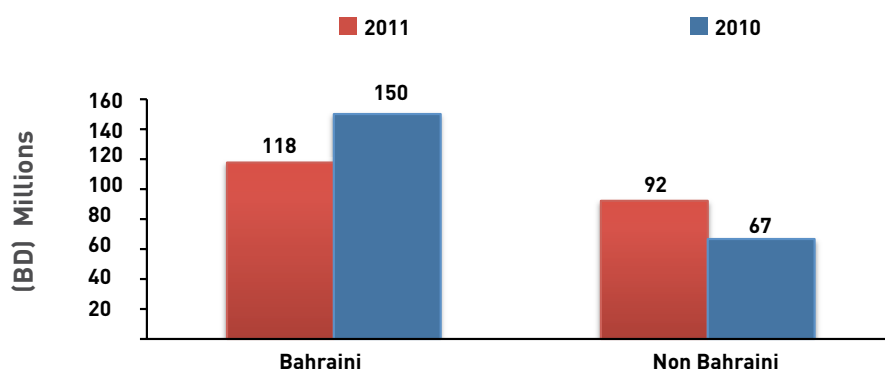
# KEY STATISTICAL DATA 2011-2010

## Trading by Nationality (Buy & Sell)

Volume	2011	2010	Change (%)
Bahraini	659,903,692	897,812,651	(26.50)
Non Bahraini	380,544,144	326,564,383	16.53
<b>Total</b>	<b>1,040,447,836</b>	<b>1,224,377,034</b>	<b>(15.02)</b>

Value	2011	2010	Change (%)
Bahraini	117,727,730	150,117,939	(21.58)
Non Bahraini	92,204,589	66,703,874	38.23
<b>Total</b>	<b>209,932,319</b>	<b>216,821,813</b>	<b>(3.18)</b>

## Trading by Nationalities (Value - BD)



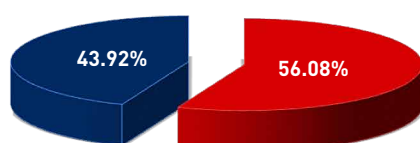
## Percentage of Trading by Nationality-Volume (Buy & Sell)

	2011	2010
Bahraini	63.42%	73.33%
Non Bahraini	36.58%	26.67%

## Percentage of Trading by Nationality-Value (Buy & Sell)

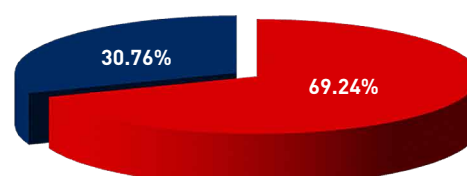
	2011	2010
Bahraini	56.08%	69.24%
Non Bahraini	43.92%	30.76%

Percentage of **Value** of Trading in  
Terms of Nationality (Buy & Sell)-**2011**



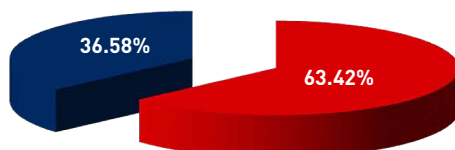
■ Bahraini ■ Non Bahraini

Percentage of **Value** of Trading in  
Terms of Nationality (Buy & Sell)-**2010**



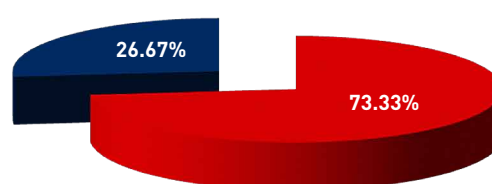
■ Bahraini ■ Non Bahraini

Percentage of **Volume** of Trading in  
Terms of Nationality (Buy & Sell)-**2011**



■ Bahraini ■ Non Bahraini

Percentage of **Volume** of Trading in  
Terms of Nationality (Buy & Sell)-**2010**



■ Bahraini ■ Non Bahraini



# TRADED SECURITIES AND INSTRUMENTS

## Listed Companies

### Commercial Banks Sector

NATIONAL BANK OF BAHRAIN  
BBK  
AHLI UNITED BANK  
BAHRAIN ISLAMIC BANK  
THE BAHRAINI SAUDI BANK  
AL SALAM BANK BAHRAIN  
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 CORPORATION  
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.  
BMMI  
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 GROUP

### Closed Company

SECURITIES & INVESTMENT CO.  
UNITED PAPER INDUSTRIES

### Preferred Share

AUB CLASS A PREFERENCE SHARE

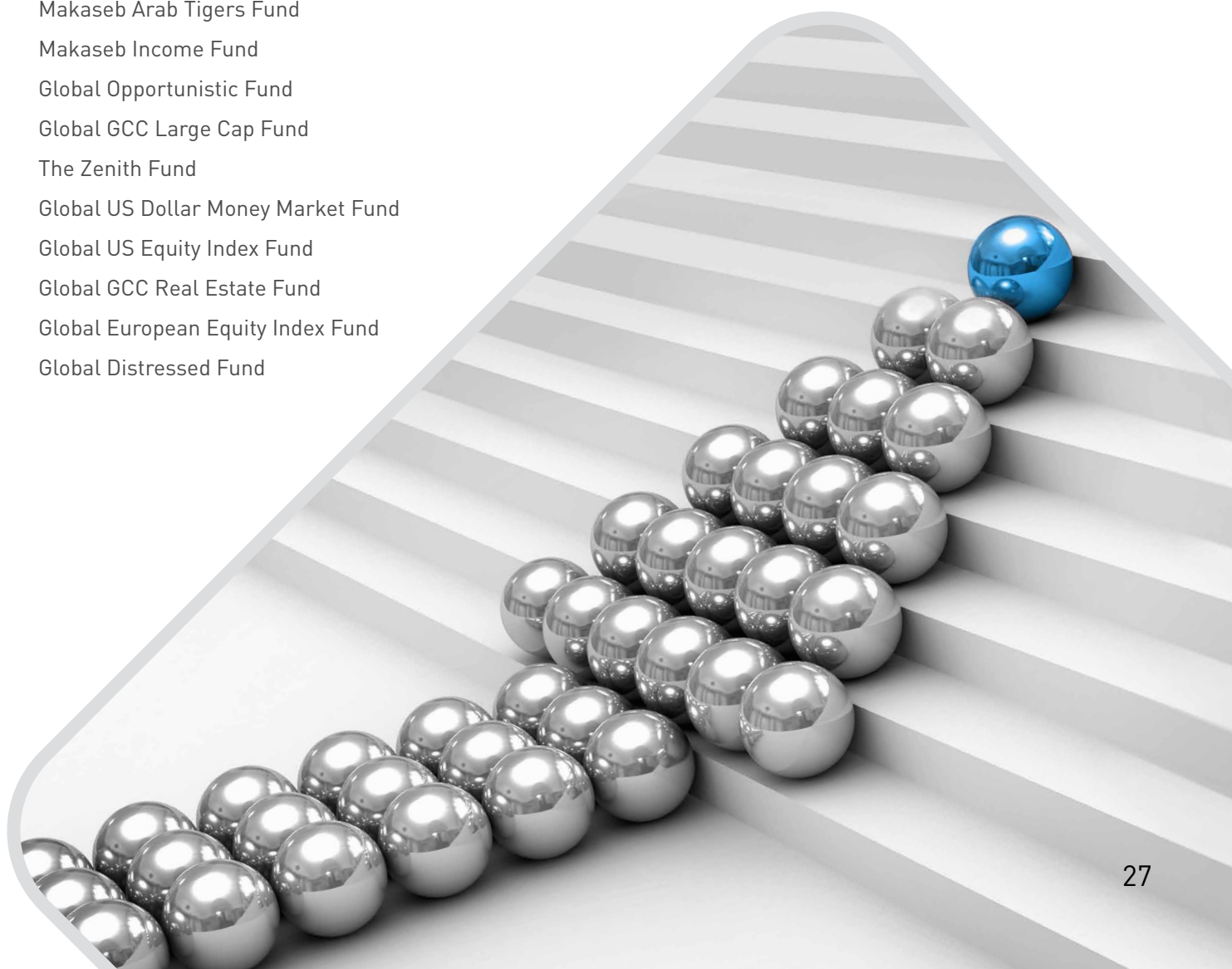
### Non-Bahraini Companies

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

## 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  
Global Opportunistic Fund  
Global GCC Large Cap Fund  
The Zenith Fund  
Global US Dollar Money Market Fund  
Global US Equity Index Fund  
Global GCC Real Estate Fund  
Global European Equity Index Fund  
Global Distressed 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  
SICO Kingdom Equity Fund  
Markaz Arabian Fund



# TRADED SECURITIES AND INSTRUMENTS

## Listed Bonds & Sukuk

Government Islamic Leasing Securities  
Government Development Bond - 2017  
Government Development Bond - 2015  
Alba Floating Rate Bonds 2013  
Ijarah Sukuk in Bahraini Dinar by BMA  
Sukuk Al Musharaka  
(Investment DAR Sukuk Co.) - 2010\*  
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

\* Matured as of 26th Oct 2010

## Brokers & Members List

### Brokerage Firms

Ahli United Bank  
BBK  
Al Ahlia Bahrain  
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

### Members Firms

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



	Bid Volume	Ask	Ask Volume	Last Price	Net Change	Total Volume	Total Value	No Of Trds	P/E Ratio	Div Yield%
ESTERAD	0.000	0	0.210	8.000	0.218	0	0	0	NM	0.00
GPIH	0.000	Suspended	0.000	0	0.125	0.000	0	0	NM	0.00
TAKAFUL	0.000	0	0.280	0	0.290	0.000	0	0	NM	0.00
NOVEST	0.000	0	0.000	\$2,168	0.320	0.000	0	0	112.40	0.00
BTC	0.312	0	0.000	0	0.346	0.000	0	0	7.41	0.00
BANADER	0.071	\$0.000	0.360	2.200	0.070	0.000	0	0	7.30	0.00
MHOTEL	0.440	\$0.000	0.000	0	0.445	0.000	0	0	7.30	0.00
CINEMA	0.000	5.714	0.000	0	0.792	0.000	0	0	9.41	0.00
SDTLB	0.000	0	0.000	0	1.750	0.000	0	0	9.16	2.88

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TRADE

بورصة

# CAIRAIN BOURSE ANNUAL REPORT 2011

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# 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\*\*:

- ◆ 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 4,000.

## 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 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.



Symbol	Price	Volume
1234	12.34	100
5678	56.78	200
9012	90.12	300
3456	34.56	400
7890	78.90	500
2345	23.45	600
6789	67.89	700
0123	01.23	800
4567	45.67	900
8901	89.01	1000

Symbol	Price	Volume	Change	High	Low	Open	Close
1234	12.34	100	0.12	12.46	12.22	12.30	12.34
5678	56.78	200	-0.23	56.55	56.80	56.70	56.78
9012	90.12	300	0.45	90.57	89.67	90.00	90.12
3456	34.56	400	0.08	34.64	34.48	34.50	34.56
7890	78.90	500	-0.15	78.75	78.95	78.80	78.90
2345	23.45	600	0.02	23.47	23.43	23.40	23.45
6789	67.89	700	0.30	68.19	67.59	67.80	67.89
0123	01.23	800	0.01	01.24	01.22	01.20	01.23
4567	45.67	900	-0.05	45.62	45.68	45.60	45.67
8901	89.01	1000	0.10	89.11	88.91	89.00	89.01



INOTEL 0.445

Gulf Finance House 0.000 0.000 0

بيت التمويل الخليجي

CINEMA 0.800

0.000 0.000 0

BDTL\$ 1.750





## FINANCIAL STATEMENTS

# BAHRAIN BOURSE B.S.C (C)

## FINANCIAL STATEMENTS

### 31 DECEMBER 2011

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#### Board of Directors:

Yousuf Abdulla Humood	Chairman
Afnan Rashid Al Zayani	Vice Chairman
Yaser Ebrahim Humaidan	Member
Nabeel Khalid Kanoo	Member
Mohammed Ahmed Hassan	Member
Rana Ebrahim Faqihi	Member
Nada Alawi Shubbar	Member
Marwan Khalid Tabbara	Member

Director of the Bourse: Fouad A. Rahman Rashed

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Offices: Bahrain Financial Harbour, Shopping Mall, 4th Floor  
Box 3203, Manama, Bahrain  
Telephone: 17261260, Fax 17227857

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

Auditors: KPMG

<b>CONTENTS</b>	Page
Independent auditors' report to the Board of Directors	36
<b>Financial statements</b>	
Statement of financial position	37
Statement of comprehensive income	38
Statement of changes in equity	39
Statement of cash flows	40
Notes to the financial statements	41 - 56

# INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS

## Bahrain Bourse B.S.C (c)

Kingdom of Bahrain

28 February 2012

### Report on the financial statements

We have audited the accompanying financial statements of Bahrain Bourse B.S.C (c) ("the Bourse"), which comprise the statement of financial position as at 31 December 2011, and the statements of comprehensive income, statement of changes in equity 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 Bourse 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 Bourse as at 31 December 2011, 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

As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain (CBB) Rule Book (Volume 6), we report that: the Bourse has maintained proper accounting records and financial statements are in agreement therewith; the financial information contained in the chairman's report is consistent with the financial statements; we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 6), and CBB directives, the CBB Capital Markets Regulations and associated resolutions, or the terms of the Bourse's memorandum and articles of association having occurred during the year that might have had a material adverse effect on the business of the Bourse or on its financial position; and 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 2011

Bahraini dinars

	Note	2011	2010
<b>Current assets</b>			
Cash and Cash equivalents	3	2,429,252	1,033,891
Accounts receivable	4	65,196	104,745
Other assets	5	203,627	133,815
<b>Total current assets</b>		<b>2,698,075</b>	<b>1,272,451</b>
<b>Non-current assets</b>			
Property and equipment	6	3,971,435	4,688,462
Work in progress	6	-	18,970
<b>Total non-current assets</b>		<b>3,971,435</b>	<b>4,707,432</b>
<b>TOTAL ASSETS</b>		<b>6,669,510</b>	<b>5,979,883</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable		92,994	45,301
Accrued expenses	7	366,748	791,732
Deferred Revenue	8	562,555	673,301
Provision for the labour law obligation	9	20,756	23,541
<b>Total Current Liabilities</b>		<b>1,043,053</b>	<b>1,533,875</b>
<b>Non-current liabilities</b>			
End of service benefit	10	3,363	3,832
<b>Total current liabilities</b>		<b>3,363</b>	<b>3,832</b>
<b>TOTAL LIABILITIES</b>		<b>1,046,416</b>	<b>1,537,707</b>
<b>Shareholder's equity</b>			
Share capital		2,000,000	-
General Reserve		1,000,000	-
Statutory reserve		118,092	-
Retained earning		2,505,002	-
Accumulated surplus		-	4,442,176
<b>Total shareholder's equity</b>		<b>5,623,094</b>	<b>4,442,176</b>
<b>Total liabilities and shareholder's equity</b>		<b>6,669,510</b>	<b>5,979,883</b>

Yousuf A. Humood  
ChairmanMohammed Ahmed Hassan  
DirectorFouad A. Rahman  
Director of the Bourse

The Board of Directors approved the financial statements consisting of pages 37 to 56 on 28 February 2012.

## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

Bahraini dinars

	Note	2011	2010
<b>INCOME</b>			
Subscription fees		1,208,449	1,197,995
Registration fees		3,300	19,800
Dealing Commission	11	190,233	363,663
Interest income		48,484	60,380
Grant from Central Bank of Bahrain		500,000	1,522,210
Grant from Government of Bahrain		2,000,000	-
Other income	12	252,124	342,527
<b>Total Income</b>		<b>4,202,590</b>	<b>3,506,575</b>
<b>EXPENSES</b>			
Staff costs	13	1,227,464	1,223,695
General and administrative	14	1,194,162	1,418,982
Depreciation	6	534,085	205,928
Impairment of receivable		65,961	38,726
<b>Total Expenses</b>		<b>3,021,672</b>	<b>2,887,331</b>
<b>Profit for the year</b>		<b>1,180,918</b>	<b>619,244</b>
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>1,180,918</b>	<b>619,244</b>
<b>Earnings per share</b>		<b>590 Fils</b>	<b>-</b>

**Yousuf A. Humood**  
Chairman

**Mohammed Ahmed Hassan**  
Director

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

The financial statements are comprised of pages 37 to 56



## STATEMENT OF CHANGES IN ACCUMULATED SURPLUS

for the year ended 31 December 2011

Bahraini dinars

31 December 2011	Share Capital	General Reserve	Statutory Reserve	Retained Earnings	Accumulated Surplus	Total
At 1 <sup>st</sup> January 2011	-	-	-	-	4,442,176	4,442,176
Transferred to the Share Capital	2,000,000	-	-	-	(2,000,000)	-
Transferred to general reserve	-	1,000,000	-	-	(1,000,000)	-
Transferred to retained earning	-	-	-	1,442,176	(1,442,176)	-
Profit for the year	-	-	-	1,180,918	-	1,180,918
Transferred to statutory reserve	-	-	118,092	(118,092)	-	-
<b>At 31<sup>st</sup> December 2011</b>	<b>2,000,000</b>	<b>1,000,000</b>	<b>118,092</b>	<b>2,505,002</b>	<b>-</b>	<b>5,623,094</b>

31 December 2011	Share Capital	General Reserve	Statutory Reserve	Retained Earnings	Accumulated Surplus	Total
At 1 <sup>st</sup> January 2010	-	-	-	-	3,822,932	3,822,932
Profit for the year	-	-	-	-	619,244	619,244
At 31 <sup>st</sup> December 2010	-	-	-	-	4,442,176	4,442,176

The financial statements are comprised of pages 37 to 56.

## STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

Bahraini dinars

	2011	2010
<b>OPERATING ACTIVITIES</b>		
Cash received from subscribers	1,183,728	1,127,231
Cash received from Commissions and other revenues	493,855	637,089
Advance receipts from clients for electronic display board and	50,000	100,000
Cash paid for staff costs	(1,277,522)	(1,320,777)
Cash paid for general and administrative expenses	(1,375,101)	(1,474,317)
Payment to remuneration of the Board of Directors & committees	-	(11,600)
<b>Net cash flows used in operating activities</b>	<b>(925,040)</b>	<b>(942,374)</b>
<b>INVESTING AND FINANCING ACTIVITIES</b>		
Acquisition of property and equipment	(27,693)	(252,154)
Payments for work in progress	(200,390)	(803,756)
Grant from Central Bank of Bahrain	500,000	1,500,000
Grant from Government of Bahrain	2,000,000	-
Banks and Bonds Interests	48,484	70,682
<b>Net cash flows used in investing and financing activities</b>	<b>2,320,401</b>	<b>514,772</b>
<b>Net cash flow during the year</b>	<b>1,395,361</b>	<b>(427,602)</b>
Cash and cash equivalents at 1 January	1,033,891	1,461,493
<b>Cash and cash equivalents at 31 December</b>	<b>2,429,252</b>	<b>1,033,891</b>
Cash and cash equivalents per financial position comprising of:		
Cash and bank	272,446	186,573
Short term placements	2,156,806	847,318
	<b>2,429,252</b>	<b>1,033,891</b>

The financial statements are comprised of pages 37 to 56.

**NOTES**

to the 2011 financial statements

Bahraini dinars

**1 STATUS AND OPERATIONS**

The Bahrain Bourse BSC (c) ("the Bourse") 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.

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.

The accumulated surplus as at 31 January 2011 has been transferred to share capital of BD 2,000,000 and general reserve of BD 1,000,000. The remaining balance of BD 1,442,176 has been transferred to the retained earnings.

**2 SIGNIFICANT ACCOUNTING POLICIES****a) Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Bahrain Commercial Companies Law 2001.

**b) Standards, amendments and interpretations effective on or after 1 January 2011**

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

**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. There were no material changes to the current accounting policies of the Bourse as a result of these amendments.

**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. There were no material changes to the current accounting policies of the Bourse as a result of these amendments.

**c) 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 2011 and have not been applied in preparing the financial statements of the Bourse.

**IAS 1 - Presentation of items of other comprehensive income (amended June 2011)**

The amendments to IAS 1 require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendment is effective for annual periods beginning on or after 1 July 2012 with an option of early application. This amendment is not expected to have a material impact on the Bourse's financial statements.

**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.

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

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012.

**d) Early adoption of standards**

The Bourse did not early adopt new or amended standards in 2010, 2011.

**e) Basis of preparation**

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

**f) Functional and presentation currency**

Items included in the financial statements of Bourse 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.

**g) 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).

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**h) Revenues**

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.

**i) 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.

**j) 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 Bourse 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 Bourse 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.

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### **k) Impairment**

The carrying amounts of the Bourse'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.

### **l) 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 Bourse 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.

### **m) 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 Bourse'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.

### **n) Foreign currencies**

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

### **o) 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.

### **p) Provision**

A provision is recognised in the statement of financial position when the Bourse 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.

### **q) Accounts payable**

Accounts payable are stated at their amortised cost.



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### 3 CASH AND CASH EQUIVALENTS

	2011	2010
Petty Cash	552	1,008
Bank balances	271,894	185,565
Short term placements	2,156,806	847,318
	<b>2,429,252</b>	<b>1,033,891</b>

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

### 4 ACCOUNTS RECEIVABLE

	2011	2010
Subscription and registration fees	246,441	218,420
Commissions receivable	16,211	15,175
Services fees receivable	23,835	26,480
Write off	(146)	-
	<b>286,341</b>	<b>260,075</b>
Allowance for doubtful debts	<b>(221,145)</b>	<b>(155,330)</b>
<b>Allowance for doubtful debt</b>	<b>65,196</b>	<b>104,745</b>

	2011	2010
As at 1 January	155,330	116,604
Charge for the year	65,961	38,726
Write Off	(146)	-
	<b>221,145</b>	<b>155,330</b>

### 5 OTHER ASSETS

	2011	2010
Prepaid expenses	199,307	132,776
Interest receivable	4,320	1,039
	<b>203,627</b>	<b>133,815</b>

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### 6 PROPERTY AND EQUIPMENT / AND WORK IN PROGRES

	Fixture	Furniture and equipment	Computers	Vehicles	Work in progress (WIP)	2011 Total	2010 Total
<b>Cost</b>							
At 1 January	3,124,654	1,222,216	1,934,323	7,435	18,970	6,307,598	4,824,158
Additions	-	2,922	24,771	-	-	27,693	1,717,559
Transfer from WIP	-	-	-	-	-	-	-
Transfer to prepayment	-	-	-	-	-	-	(29,388)
Disposal*	(139,630)	(53,872)	(17,133)	-	(18,970)	(229,605)	(204,731)
<b>At 31 December</b>	<b>2,985,024</b>	<b>1,171,266</b>	<b>1,941,961</b>	<b>7,435</b>	<b>-</b>	<b>6,105,686</b>	6,307,598
<b>Depreciation</b>							
At 1 January	34,813	170,300	1,388,362	6,691		1,600,166	1,594,913
Charge for the year	208,370	157,045	167,926	744	-	534,085	205,928
Disposal	-	-	-	-	-	-	(200,675)
<b>At 31 December</b>	<b>243,183</b>	<b>327,345</b>	<b>1,556,288</b>	<b>7,435</b>	<b>-</b>	<b>2,134,251</b>	1,600,166
<b>Net book value</b>	<b>2,741,841</b>	<b>843,921</b>	<b>385,673</b>	<b>-</b>	<b>-</b>	<b>3,971,435</b>	4,707,432

\* Disposals include an amount of BD 210,635 for fine imposed on the contractor for the delay in equipping the new offices of Bourse in the Bahrain Financial Harbour.

### 7 ACCRUED EXPENSES

	2011	2010
Payable for the new location project	203,385	628,377
Staff related expenses	110,622	66,955
Municipalities fees	36,010	33,396
Others	16,731	63,004
	<b>366,748</b>	<b>791,732</b>

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**8 DEFERRED REVENUE**

	2011	2010
Electronic display boards (*)	556,222	651,888
Publication and advertising	6,333	21,413
	<b>562,555</b>	<b>673,301</b>

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

	2011	2010
At 1 January	673,301	669,888
Addition		
Display screen	50,000	100,000
<b>Transferred to income</b>	<b>6,333</b>	<b>21,413</b>
Display screen	(145,666)	(97,112)
Publication	(21,413)	(20,888)
As at 31 December	<b>562,555</b>	<b>673,301</b>

**9 PROVISION FOR THE LABOUR LAW OBLIGATION**

	2011	2010
Leave entitlements	20,756	23,542
End of the service benefits	3,363	3,832
	<b>24,119</b>	<b>27,374</b>

Pension rights and other social benefits for the Bahraini employees are covered by the Social Insurance Organisation to which the Bourse and employees contribute monthly on a fixed percentage of salary bases. The Bourse's contributions for Bahraini employees for 2011 amounted to BD133,227 (2010: BD129,770).

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### 10 END OF SERVICE BENEFIT

	2011	2010
At 1 January	3,832	3,521
Charge for the year	10,778	9,394
Payment	(11,247)	(9,083)
As at 31 December	<b>3,363</b>	3,832

The Bourse employed 56 Bahraini nationals and 3 expatriates as at 31 December 2011 (56 and 3 employees respectively for 2010).

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.

### 11 DEALING COMMISSION

	2011	2010
Commission from ordinary dealings	115,462	119,252
Commission from exempted and special dealings	74,771	244,411
	<b>190,233</b>	363,663

### 12 OTHER INCOME

	2011	2010
Central depository income	20,016	41,929
Remote trading income	19,800	20,700
Advertisements	8,917	-
Trading data	29,912	39,977
Investor guide	19,800	20,200
Trading display board	145,667	97,112
Services	-	5,450
Municipality fees exemption	-	79,076
Other income	8,012	38,082
	<b>252,124</b>	342,527

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**13 STAFF COST**

	2011	2010
Basic salaries	789,464	781,087
Allowances	117,558	121,984
Encouragement remuneration	66,992	64,945
Social insurance contribution	144,159	140,243
Leaves	66,141	69,706
Others	43,150	45,730
	<b>1,227,464</b>	<b>1,223,695</b>

**14 GENERAL AND ADMINISTRATIVE EXPENSES**

	2011	2010
Rent	565,974	607,434
Consulting fees	28,848	307,423
Services	486,981	423,725
Consumables	33,886	28,205
Conferences and subscription	29,922	29,586
Remuneration of the Board of director and committees	40,000	14,800
Insurance	8,551	7,809
Other	-	-
	<b>1,194,162</b>	<b>1,418,982</b>

**15 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 Bourse. The key management personnel comprise members of the Board of Directors, the director and the deputy director of the Bourse. There were no commercial transactions between the key management personnel and the Bourse during the year. Their short term compensation is as follows:



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	2011	2010
Salaries and related costs of executive management	106,265	84,453
Board and committees attendance fees	40,000	14,800

### - Grant received

The financial support received from government entities for assisting the Bourse to meet its financial obligations.

	2011	2010
Bahrain Government Support	2,000,000	-
Central Bank Support	500,000	1,522,210
	<b>2,500,000</b>	<b>1,522,210</b>

## 16 STATUTORY RESERVE:

In accordance with the provisions of the Bahrain Companies Commercial Law 2001, 10% of the net profit of the Bourse is transferred to a statutory reserve until such time the statutory reserve equals 50 % of the paid-up share capital of the Bourse. This reserve is not distributed.

## 17 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Financial instruments

Financial instruments include financial assets and financial liabilities. Financial assets of the Bourse include cash and cash equivalents, accounts receivable, financial liabilities of the Bourse include trade payables and other financial current liabilities.

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

- credit risk
- liquidity risk
- market risk

This note presents information about the Bourse's exposure to each of the above risks, the Bourse'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.

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The Board of Directors has overall responsibility for the establishment and oversight of the Bourse'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 Bourse's risk management policies.

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

The Bourse audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and adhoc 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 Bourse to incur a financial loss. The Bourse is exposed to credit risk primarily on its cash and cash equivalents, accounts receivable and investment in funds, and debt instruments.

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

The Bourse establishes provision for impairment of accounts receivables when there is objective evidence that the Bourse 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:

	2011	2010
Cash and cash equivalent	2,428,700	1,032,883
Accounts receivable	65,196	104,745
	<b>2,494,448</b>	<b>1,138,636</b>

The Bourse 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 Bourse limits its exposure to credit risk by mainly investing in government securities.

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The ageing of accounts receivables at the reporting date was:

	2011		2010	
	Gross	Impairment	Gross	Impairment
Not past due	14,449	-	54,987	-
Past due 0-90 days	678	-	1,009	-
Past due 91-180 days	293	-	1,195	-
More than 180 days	270,921	221,145	202,884	155,330
	<b>286,341</b>	<b>221,145</b>	<b>260,075</b>	<b>155,330</b>

Balance of past due and impaired accounts receivables, as at 31 December 2011 was BD 221,145 (2010: BD 155,330).

### Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Bourse will not be able to meet its financial obligations as they fall due. The Bourse'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 Bourse's reputation.

Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Bourse 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:

2011	Carrying amount	6 months or less	6-12 months
<b>Financial liabilities</b>			
Accounts payable	92,994	92,994	-
Accrued payable	366,748	366,748	-
	<b>459,742</b>	<b>459,742</b>	<b>-</b>

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

**Market risk**

Market risk is the risk that changes in market prices, such as foreign Bourse rates, interest rates and equity prices will affect the Bourse'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 Bourse 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 Bourse's earnings will be affected as a result of fluctuations in the value of financial instruments due to changes in market interest rates.

The Bourse's interest rate risk is limited to its interest bearing short-term deposits and investment in debt instruments. The Bourse's short-term bank deposits are at fixed interest rates and mature within 90 days. The Bourse's investment in debt instruments is at variable interest rates. The Bourse earned an effective interest rate of 2.75 % p.a. for the year ended 31 December 2011 (2010: 2.58 %).

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

	2011	2010
<b>Fixed rate instruments</b>		
Short term placements	2,156,806	847,318
	<b>2,156,806</b>	847,318

**Capital Management**

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

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### Foreign exchange risk

Foreign exchange risk is the risk that the Bourse'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 Bourse 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:

2011

Loans and  
receivables

Financial  
liabilities at  
amortized  
cost

Total  
carrying  
value

#### At 31 December

Cash and cash equivalent	2,429,252	-	2,429,252
Accounts receivable	65,196	-	65,196
Accrued Interest	4,320	-	4,320
	<b>2,498,768</b>	<b>-</b>	<b>2,498,768</b>
Accounts payable	-	92,994	92,994
Accrued payable	-	366,748	366,748
	<b>-</b>	<b>459,742</b>	<b>459,742</b>



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2010	Loans and receivables	Financial liabilities at amortized cost	Total carrying value
As at 31 December			
Cash and cash equivalent	1,033,891	-	1,033,891
Accounts receivable	104,745	-	104,745
Accrued Interest	1,039		1,039
	<u>1,139,675</u>	<u>-</u>	<u>1,139,675</u>
Accounts payable	-	45,298	45,298
Accrued payable	-	791,732	791,732
	<u>-</u>	<u>837,030</u>	<u>837,030</u>

**18 FIDUCIARY ACTIVITIES**

There are two bank accounts with total balance of BD 151 as 31 December 2011 (2010: BD 131) in the name of the Bourse 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 Bourse's assets and liabilities are in Bahrain. Therefore, the Bourse is not exposed to any risk outside Bahrain.

**20 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

The Bourse 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.

The Bourse determines that investments are impaired when there has been a significant decline in the fair value below its cost. This determination of what is significant decline 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 Bourse 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 operating and financing cash flows.

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The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider industry, past-due status and an estimation of future cash flows being indicative of the ability to pay all amounts due as per the contractual terms.

### 21 PROPOSED APPROPRIATIONS

	2011	2010
Statutory reserve	118,092	-
General reserve	1,000,000	-
Retained earnings	2,505,002	-

The proposed appropriations are subject to the approval of the shareholder.

### 22 COMPARATIVE FIGURES

Certain prior year amounts have been regrouped to conform to the presentation in the current year. Such reclassifications do not affect the previously reported profit or net assets or accumulated reserve.