

بورصة البحرين
BAHRAIN BOURSE



BAHRAIN BOURSE
ANNUAL REPORT
2012



**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,
and First Deputy Prime Minister



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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

Bahrain Bourse (BHB) continued its efforts to implement its strategy this year aiming at developing all work aspects in the stock market in the Kingdom of Bahrain. Those elements have been set to build a solid infrastructure that will enable the Bourse to achieve its periodic and strategic objectives of its strategy. The plan mainly focuses on contributing to the development of the legislative infrastructure of the capital markets sector in the Kingdom of Bahrain, improving the investment environment in securities, encouraging and facilitating the trading of securities for investors, and increasing investment awareness among investors and those working in the capital markets sector.

Going in line with the abovementioned points, Bahrain Bourse finalized the requirements of corporate governance within its efforts to adjust itself to meet the requirements of its new legal status as a closed shareholding company.

During this year, BHB approved the policies of the Business Continuity Plan that was prepared in accordance with international standards. These policies ensure that the Bourse continues providing services to all its clients in various conditions.

In line with the Bourse's continuous commitment to make use of the latest technology, BHB is currently

undergoing the procedures of replacing the trading system with a more advanced one that meets BHB's needs and requirements in terms of its activity in the upcoming period representing the Bourse's keenness to make the maximum benefit of the latest technological developments that can facilitate various areas at BHB's workplace.

This year, Bahrain Bourse obtained the approval of the World Federation of Exchanges (WFE) to become an Affiliate at the Federation. The approval of the World Federation came to praise BHB's efforts in supporting disclosure and transparency in the capital markets sector, investors' protection, the awareness programs that aim to spread investment awareness, as well as the Bourse's initiatives in organizing specialized programs for employees in the regional Bourses and listed companies.

In line with the Bourse's efforts to strengthen its relations with institutions that are related to its activities, BHB signed two Memorandums of Understanding (MOUs), one with Istanbul Bourse and the other with Chartered Financial Analyst (CFA) Society in Bahrain. Those MOUs were signed to enhance BHB's capability to share experience and information and widen the areas of cooperation between the Bourse and those institutions in various areas of shared interests.

Bahrain Bourse also launched various initiatives in cooperation with local institutions with the aim of increasing turnover at BHB, increasing the number of listed companies, widening the shareholders' base and those who deal in the securities market, and spreading awareness among listed companies at BHB.

Looking into Bahrain Bourse's financial performance in 2012, BHB's revenues increased from BD 4,413,224 to BD 4,748,967, recording an increase of 7.61%. Shareholders' equity also increased from BD 5,833,728 in 31 December 2011 to BD 7,337,135 with an increase of 25.77% from 31 December 2012. BHB reported net profits amounted to BD 1,503,407 in 2012 compared to BD 1,391,552 in 2011, recording an increase of 8.04% due to the grant received from the government.

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, Deputy Supreme Commander and First Deputy Prime Minister of the Kingdom of Bahrain 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.

Yousuf Abdulla Humood
Chairman



DIRECTOR'S MESSAGE

Most of the bourses and global financial markets bounced back in 2012 due to the improvements in the global economy performance in general which had a positive impact on the performance of the main indices of most of the bourses and financial markets. The performance of the Arab and GCC markets varied with some resulting in an upward growth while others faced a slowdown trend due to both internal and external factors. Bahrain Bourse was one of the bourses that recorded declines in the performance of its index in 2012 compared to 2011 as Bahrain All Share Index decreased by 6.83% in 2012 compared to 2011. On the other hand, the value of shares traded increased by 5.03% compared to 2011, and the volume of shares traded increased by 20.66%, while the number of transactions dropped by 13.96%.

In line with implementing BHB's strategy that aims at developing all work aspects, the Bourse continued working on developing the administrative and technical aspects of the Bourse. BHB also continued its efforts to strengthen its relations with other institutions in the Kingdom of Bahrain and abroad.

On the administrative side, the Bourse's new organizational structure has been approved along with other internal organizational projects. Those include BHB's Business Continuity Management Program and Guidelines of Corporate Governance Policies.

On the technical side, the online trading incentive program has been approved. The program aims at facilitating the accessibility of investors to Bahrain Bourse as well as the dealing at the Bourse in a way that will increase trading

turnover in the Bahraini shares market and widen the investors' base by offering incentives to brokers. Those incentives will make brokers more capable of attracting new types of investors and allow them to offer better quality services with a reasonable cost given the use of the latest technology. The program is expected to be implemented during 2013.

In terms of listings, Bahrain Bourse listed a Government Islamic Leasing Sukuk issue with a value of BD160 million. Following the listing, the number of conventional bonds and sukuk listed on the Bourse reached 8 issues with a total value exceeding BD one billion.

The Bourse signed an agreement with United Gulf Bank (UGB). According to the agreement, the bank became a member at BHB, and can provide brokerage services to its clients at BHB. This increases the number of member brokers at the Bourse to 12.

Bahrain Bourse signed an agreement with Batelco to assign the Bourse as a Share Registrar for the company.

In 2012, the World Federation of Exchanges (WFE) approved Bahrain Bourse as an Affiliate at the Federation. This will enhance the Bourse's capability to exchange expertise and information with many member Bourses at the Federation.

In line with BHB's efforts to enhance its relations with leading institutions locally and internationally, the Bourse signed a Memorandum of Understanding (MOU) with Chartered Financial Analyst (CFA) Bahrain with the aim of widening the areas of mutual cooperation in various areas.

Going in line with BHB's strategy that aims at contributing to the development of the capital market sector in the Kingdom of Bahrain by cooperating with leading Bourses, BHB signed a Memorandum of Understanding (MOU) with Istanbul Bourse. The MOU aims to pave the way towards the cooperation of the bourses in various areas, especially those related to improving technical aspects, exchanging experience, and offering new investment opportunities for the participants of both markets.

Within BHB's efforts to spread and enhance investment awareness between citizens and residents, the Bourse, for the first time, launched the TradeQuest Challenge program targeting university students in the Kingdom of Bahrain. BHB intends to conduct this program annually to include all universities in the Kingdom of Bahrain. Similarly, BHB organized a workshop on "Corporate Governance", where participants from the majority of public shareholding companies attended. In addition, the Bourse organized the annual "Investor Relations" program in cooperation with JP Morgan International that was attended by participants from listed companies at BHB and other participants from GCC stock markets.

In regards to financials, Bahrain Bourse's total income reached BD 4,748,967 compared to BD4,413,224 in 2011, posting 7.60% growth. The total expenses were BD3,245,560 compared to BD3,021,672 in 2010, increasing by 7.41%. Bahrain Bourse reported a profit of BD1,503,407 in comparison to BD1,391,552 in 2011 with an increase of 8.04% after receiving the Government's grant. The total assets rose to BD8,542,752 compared to BD6,880,144 in 2011, increasing by 24.16%. The total liabilities were

BD1,205,617 in 2012 compared to BD1,046,416 in 2011, increasing by 15.21%. The shareholders' equity increased to BD7,337,135 compared to BD5,833,728 in 2011, reporting 25.77% 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, the Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister of the Kingdom of Bahrain for their guidance and continued support of the Bourse and its employees.

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.

Fouad A.Rahman Rashid
Director of the Bourse

BOARD OF DIRECTORS



Nabeel Khalid Kanoo *
Director

Rana Ebrahim Faqihi *
Director

Afnan Rashid Al Zayani
V. Chairman

Yousif Abdulla Humood
Chairman



Yaser Ebrahim Humaidan **
Director

Nada Alawi Shubbar *
Director

Mohammed Ahmed Hassan **
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



**Hamid Awad
Hamid**

Legal Advisor



**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



Bourse News									
Sunday, March 24, 2013									
Bahrain Bourse Presents their 1st and 2nd Presentations to the TradeQuest Program									
Thursday, March 21, 2013									
AIB 1 Announcement									
Sponsored by United Gulf Bank									
BATELCO 0.392									
Sponsored by BSEBSC									
UGB 0.210									
Sponsored by Gulf Finance House									
BARKAS\$ 0.735									
0.700 0.725 1,416									

WORLD STOCK MARKETS' PERFORMANCE DURING 2012

The International Markets:

The majority of the financial markets witnessed a growth in 2012 following the slowdown in the previous year. The local GDP of the economy reached 3.2% during 2012 compared to 4.0% in 2011. In return, the world inflation reached 3.9% compared to 4.9% in 2011. Additionally, the U.S. economy posted a 2.2% growth in 2012 in comparison to a 1.8% growth in 2011 with the Federal Reserve Bank maintaining the interest rate at 0.25%.

From another perspective, the economies of the European Union countries decreased by 0.2% in 2012 compared to their 1.6% growth in 2011, where Britain posted a decline of 0.2%. The Central Bank of England maintained an interest rate of 0.5%, unchanged since March 2009. While the European Central Bank interest rate decreased its rate in July 2012 to 0.75%.

The Real GDP Growth at Constant Prices (%)

Country	2012	2011
US	2.2	1.8
UK	0.2	0.9
Germany	0.9	3.1
France	0.03	1.7
Japan	2.0	[0.6]
China	7.8	9.3

In Asia, China posted an economic growth of 7.8% in 2012 against 9.3% in 2011. While the Japanese economy reported a 2.0% growth compared to a 0.6% decline in 2011, the Central Bank maintained an interest rate of 0.1%. Moreover, the Middle East and North Africa (MENA) economy witnessed a growth of 4.8% in 2012 against 4.0% in 2011.

With regards to oil prices, the price of Brent oil increased by US\$2.41 per barrel compared to its close at US\$111.6 against US\$109.19 at the beginning of the year, reporting a growth of 2.21%. Oman's oil price decreased by approximately US\$3.04 per barrel to settle at US\$106.70, declining by 3.34% during the same.

Regarding currency prices, the Euro increased by 1.92% against the U.S. dollar, while the Sterling Pound increased against the U.S. dollar by 4.61% compared to its rate at the beginning of the year. The U.S. dollar also increased against the Yen by 12.74% during the same period.

The price of gold increased by 7.07% to reach US \$1,674.34 per ounce posting an increase of US\$110.54 in comparison to its price at the beginning of the year. The price of silver also increased by 9.46% during the year.

On the financial markets front, the S&P500 index increased by 13.41%. In the European market, the German DAX increased by 29.06%, the French CAC40 by 15.23%, the British FTSE100 by 5.84%, and the Japanese Nikkei225 by 22.94%.

Performance of International Financial Markets

Market	2012	2011	Growth (%)
Germany (DAX)	7,612.39	5,898.35	29.06
Japan (Nikkei225)	10,395.18	8,455.35	22.94
France (CAC40)	3,641.07	3,159.81	15.23
US (S&P500)	1,426.19	1,257.60	13.41
UK (FTSE100)	5,897.81	5,572.28	5.84
China (SHANGHAI)	2,269.13	2,199.42	3.17

The Arabian Market:

The local real GDP of the Middle East and North Africa region posted a growth of 4.8% in 2012 compared to 4.0% in 2011 according to the International Monetary

Fund (IMF). Most of the Arab economies posted a positive growth in their real GDP, with Iraq and Saudi Arabia recording the highest growth of 8.4% and 6.8% respectively.

The Real GDP Growth at Constant Prices (%)

Country	2012	2011
Iraq	8.4	8.6
Jordan	2.8	2.6
Morocco	3.0	5.0
Egypt	2.2	1.8
Lebanon	1.5	1.5

GCC Countries

Qatar	6.6	13.0
Kuwait	5.1	6.3
Saudi Arabia	6.8	8.5
Oman	5.1	4.5
UAE	3.9	5.2
Bahrain	3.9	2.1

On the Arab financial markets' front, the performance of the markets varied with Egypt and Dubai posting the highest growth of 50.80% and 19.89% respectively.

WORLD STOCK MARKETS' PERFORMANCE DURING 2012

Performance of Markets and Arab Bourses in 2012

Market	Market Indices		Yearly Performance (%)
	1 January 2012	31 December 2012	
Egypt	3,622.35	5,462.42	50.80
Lebanon	1,176.73	1,169.07	(0.65)
Jordan	1,995.13	1,957.60	(1.88)
Iraq	130.71	125.02	(4.35)
Morocco	11,027.65	9,359.19	(15.13)
GCC Countries			
Dubai	1,353.4	1,622.5	19.88
Abu Dhabi	2,402.3	2,630.9	9.52
Saudi Arabia	6,417.7	6,801.2	5.98
Kuwait	5,814.2	5,934.3	2.07
Muscat	5,695.1	5,760.8	1.15
Qatar	8,779.0	8,358.9	(4.79)
Bahrain	1,143.7	1,065.6	(6.83)

The Local Market:

The GDP growth for the Kingdom of Bahrain was 3.9% in 2012 compared to 2.1% in 2011. Moreover, the inflation rate in 2012 was 1.2% against (0.4%) in 2011.

With regards to the performance of Bahrain Bourse, Bahrain All Share Index decreased by 6.83% and closed at 1,065.61 points at the end of 2012, losing 78.1 points by the end of 2012. As for the prices of shares, the share prices of 16 companies increased, 10 companies maintained their share prices, and the share prices of 21 companies decreased. The trading activity at Bahrain Bourse witnessed a growth in the value of trades by 5.03% compared to 2011. The volume of shares traded increased by 20.66%, while the number of trades declined by 13.96%.

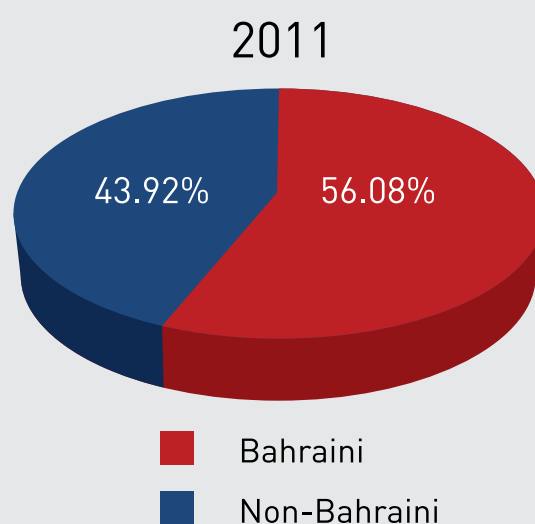
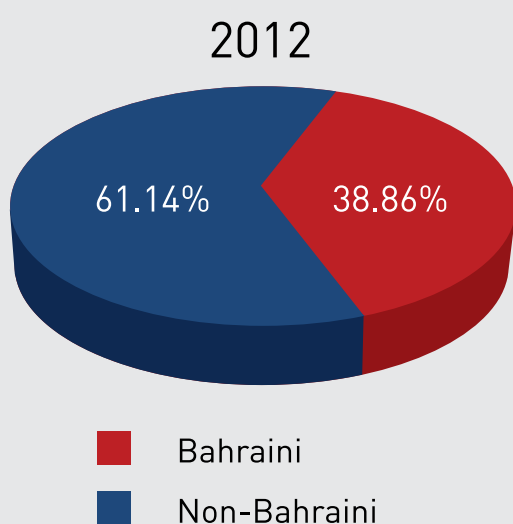
The Commercial Banks Sector captured the largest share in terms of the value of shares traded comprising 67.07% of the total value, followed by the Services Sector 15.46%, Investment Sector 9.07%, Industrial 6.97%, Insurance 0.79%, and Hotels & Tourism 0.63%. Ahli United Bank came first among the most active in terms of the value of shares traded, with a trading value of BD 50.02 million that accounted for 45.37% of the total value of shares traded and was followed by Ithmaar Bank capturing 7.79% of the total value, Alba 6.40%, Batelco 6.12%, and BBK 3.90%.

In terms of the volume of shares traded, the Commercial Banks Sector captured the largest share accounting for 78.81% of the total volume, followed by the Investment Sector 9.05%, Services Sector 8.53%, Industrial Sector 2.26%, Hotels & Tourism 0.81%, and

the Insurance Sector 0.55%. Ahli United Bank came first among the most active in terms of the volume of shares traded, with a volume of 221.12 million shares, accounting for 35.23% of the total volume traded and was followed by Ithmaar Bank with 23.45%, Al Salam Bank 9.05%, Batelco 2.55%, and Gulf Finance House 2.46%.

The trading by nationalities figures indicated that Bahrainis comprised 38.86% of the total value of shares, while the other nationalities comprised 61.14% of the total value of shares. By the end of 2012, the total number of listed companies in Bahrain Bourse was 47 companies, while the number of mutual funds was 26 and Bonds/Sukuk issues were 8.

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



Market Capitalization:

The market capitalization of Bahraini public shareholding companies listed on the Bourse decreased to BD5.86 billion from BD6.25 billion at the beginning of the year, posting a decline of 6.38%. The Commercial Banks Sector accounted for 39.75% of the total market capitalization, followed by the Investment Sector 27.62%, Services 16.10%, Industrial 10.75%, Hotels and Tourism 3.18%, and

Insurance 2.61%. From another perspective, the Services Sector reported a growth of 8.15% in its market capitalization compared to the beginning of the year. The other sectors decreased at different rates, with the Industrial Sector posting a decline of 34.02%, followed by the Insurance Sector 7.21%, Investment Sector 3.70%, Hotels and Tourism Sector 2.93%, and Commercial Banks 2.74%.

WORLD STOCK MARKETS' PERFORMANCE DURING 2012

Market Capitalization among Sectors (Million Dinars)

Sector	2012	2011	Change (%)	Relative Weight (%)
Commercial Banks	2,327.59	2,393.21	(2.74)	39.75
Investment	1,617.33	1,679.55	(3.70)	27.62
Services	942.79	871.78	8.15	16.10
Industrial	629.37	953.84	(34.02)	10.75
Hotels and Tourism	185.93	191.545	(2.93)	3.18
Insurance	152.62	164.481	(7.21)	2.61
Total Market	5,855.64	6,254.41	(6.38)	100

Financial indicators:

Financial indicators varied among sectors. The table below presents the growth of financial indicators at the end of 2012 compared to 2011.

Financial Indicators

Sector	P/E (X)		Div. Yield (%)		P/BV (X)	
	2012	2011	2012	2011	2012	2011
Commercial Banks	9.08	11.32	5.02	4.32	1.01	1.11
Investment	7.85	7.72	1.62	1.17	0.5	0.58
Insurance	11.56	14.73	2.55	2.38	0.79	0.92
Services	9.79	7.67	6.38	9.31	1.09	1.03
Industrial	6.35	4.44	6.50	10.10	0.73	1.13
Hotels and Tourism	12.62	15.57	4.39	3.57	1.01	1.10
Total Market	8.54	7.92	4.46	5.03	0.78	0.89

Central Depository:

The total number of Bahraini public shareholding shares deposited in Bahrain Bourse's Central Depository reached 11,133 billion shares at 31 December 2012, representing 40.84% of the total issued and fully paid shares, compared to 11,044 billion shares at the beginning of 2012, reporting a growth of 0.8%.

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

was BD2,676 billion at 31 December 2012 compared to BD2,996 billion at the beginning of the year, decreasing by 10.7%.

The number of nationalities registered in the Central Depository reached 96 nationalities, while the number of investors holding shares in Bahraini public shareholding companies reached 28,098 by 31 December 2012 compared to 27,241 at the beginning of the year, posting a growth of 3.1%.



KEY STATISTICAL DATA 2011-2012

Comparison of Trading Activity

	2012	2011	Change	Change %
Total Market Capitalization (BD)	5,855,641,334	6,254,410,719	(398,769,385)	(6.38)
Value of Shares (BD)	110,243,688	104,966,160	5,277,528	5.03
Volume of Shares	627,707,657	520,223,918	107,483,739	20.66
No. of Transactions	10,168	11,818	(1,650)	(13.96)
Total Trading Days	248	245	3	1.22
Daily Average Value of Shares (BD)	444,531	428,433	16,098	3.76
Daily Average Volume of Shares	2,531,079	2,123,363	407,716	19.20
Daily Average No. of Transactions	41	48	(7)	(15.00)

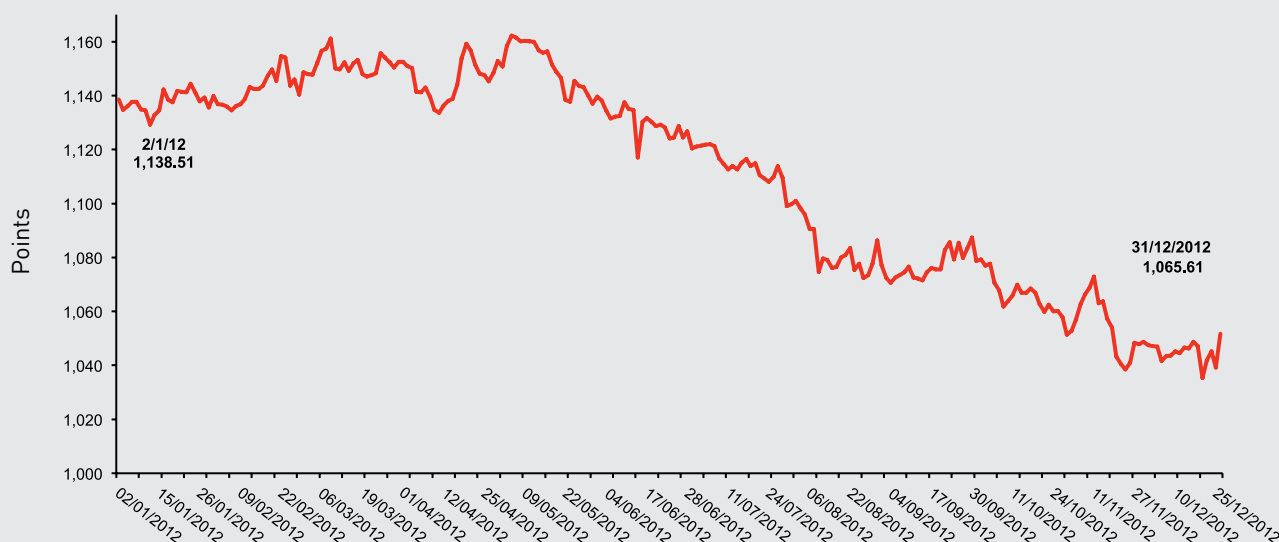
Bahrain Bourse Indices Performance

Bahrain All Share Index	2012	2011	Change (points)	Change (%)
Year end	1,065.61	1,143.69	(78.08)	(6.83)
High	1,162.19	1,475.10	(312.91)	(21.21)
Low	1,035.30	1,133.21	(97.91)	(8.64)

Dow Jones Bahrain Index	2012	2011	Change (points)	Change (%)
Year end	89.53	98.20	(8.67)	(8.83)
High	99.91	125.12	(25.20)	(20.14)
Low	86.15	96.01	(9.87)	(10.28)

Esterad Index	2012	2011	Change (points)	Change (%)
Year end	1,102.58	1,218.26	(115.68)	(9.50)
High	1,227.25	1,587.17	(359.92)	(22.68)
Low	1,075.13	1,204.97	(129.84)	(10.78)

Bahrain All Share Index Performance During 2012(Points)



Sectorial Indices	2012	2011	Change (%)
Bahrain All Share Index			
Commercial Banks	1,792.20	1,814.05	(1.20)
Investment	646.20	697.30	(7.33)
Insurance	1,718.03	1,852.03	(7.24)
Services	1,242.75	1,148.99	8.16
Industrial	696.26	1,055.17	(34.01)
Hotels & Tourism	3,468.87	3,573.71	(2.93)

No. of listed Companies	2012	2011
Public	41	42
Closed	2	2
Non Bahraini	4	5
Total	47	49

Preferred Shares	2012	2011
	1	1

No. of listed Bonds & Sukuk	2012	2011
Bonds	3	3
Sukuk	5	8

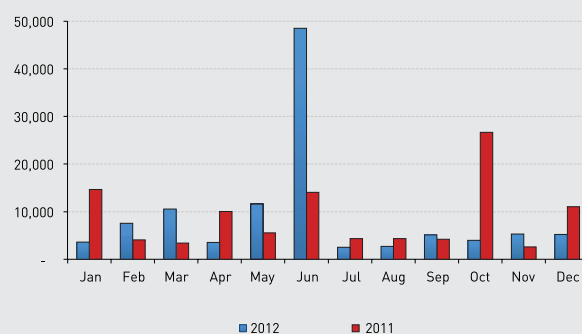
No. of listed Mutual Funds	2012	2011
	26	31

KEY STATISTICAL DATA 2011-2012

Equity Trading Activity for 2011-2012

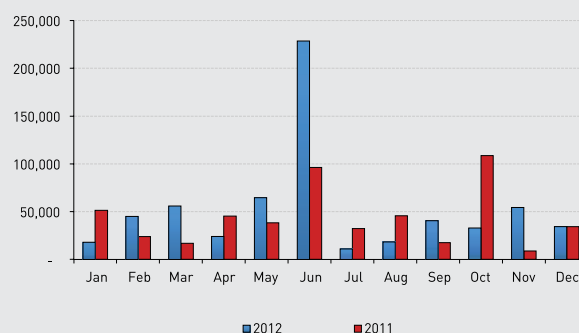
Value (BD 000)	2012	2011	Change (%)
Jan	3,609	14,678	(75.41)
Feb	7,559	4,060	86.16
Mar	10,549	3,370	213.03
Apr	3,536	10,067	(64.88)
May	11,634	5,555	109.46
Jun	48,513	14,060	245.04
Jul	2,520	4,314	(41.59)
Aug	2,708	4,368	(38.00)
Sep	5,120	4,227	21.13
Oct	3,979	26,663	(85.08)
Nov	5,303	2,588	104.94
Dec	5,214	11,017	(52.67)
Market	110,244	104,966	5.03

Total Value of Shares Traded



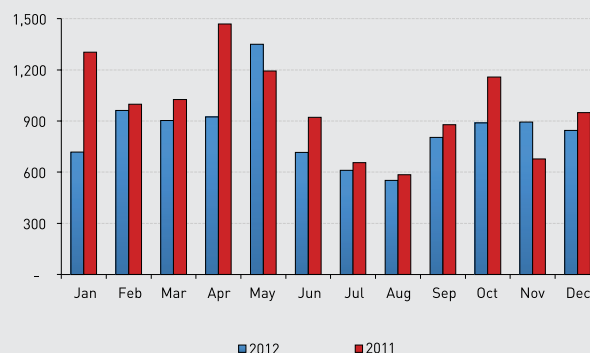
Volume (000)	2012	2011	Change (%)
Jan	17,993	51,524	(65.08)
Feb	45,021	23,969	87.83
Mar	55,919	16,774	233.37
Apr	24,053	45,494	(47.13)
May	64,630	38,272	68.87
Jun	228,536	96,238	137.47
Jul	11,014	32,432	(66.04)
Aug	18,340	45,850	(60.00)
Sep	40,552	17,655	129.68
Oct	32,911	108,603	(69.70)
Nov	54,372	8,971	506.05
Dec	34,368	34,440	(0.21)
Market	627,708	520,224	20.66

Total Volume of Shares Traded



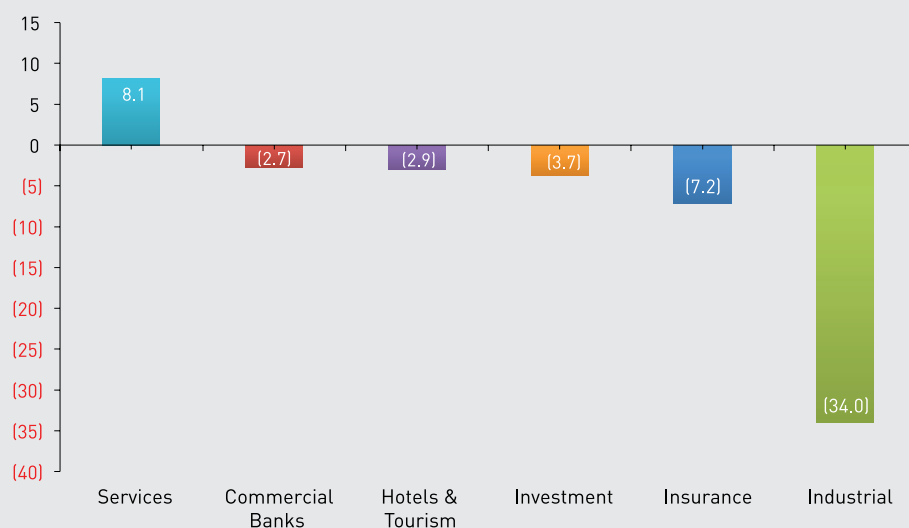
No. of Transactions	2012	2011	Change (%)
Jan	718	1,304	(44.94)
Feb	962	998	(3.61)
Mar	903	1,027	(12.07)
Apr	924	1,469	(37.10)
May	1,350	1,194	13.07
Jun	716	922	(22.34)
Jul	611	656	(6.86)
Aug	552	585	(5.64)
Sep	804	879	(8.53)
Oct	889	1,157	(23.16)
Nov	894	678	31.86
Dec	845	949	(10.96)
Market	10,168	11,818	(13.96)

Total Number of Transactions

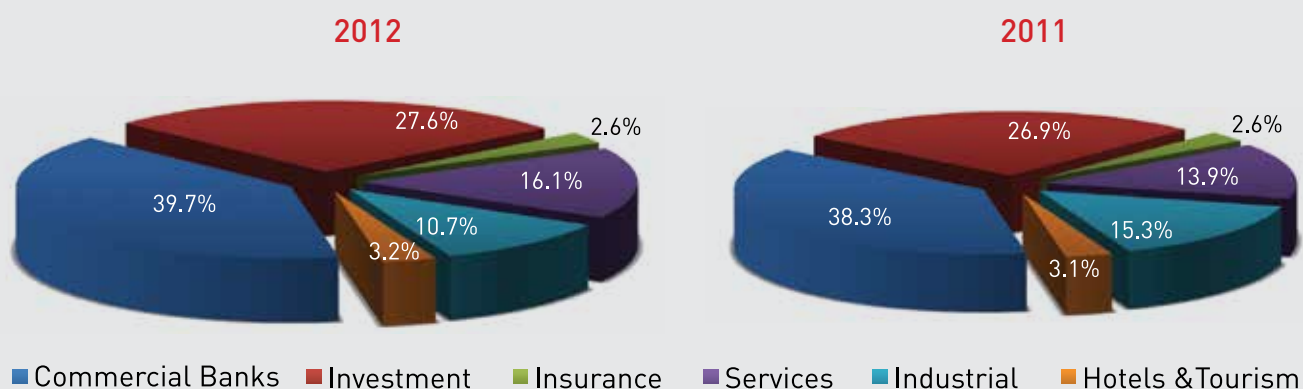


Market Cap (BD million)	2012	2011	Change (%)
Commercial Banks	2,327.6	2,393.2	(2.7)
Investment	1,617.3	1,679.6	(3.7)
Insurance	152.6	164.5	(7.2)
Services	942.8	871.8	8.1
Industrial	629.4	953.8	(34.0)
Hotels & Tourism	185.9	191.5	(2.9)
Market	5,855.6	6,254.4	(6.4)

Sectorial Growth in Market Capitalization During 2012 (%)



The Breakdown of Market Capitalization by Sectors for the years 2011 & 2012



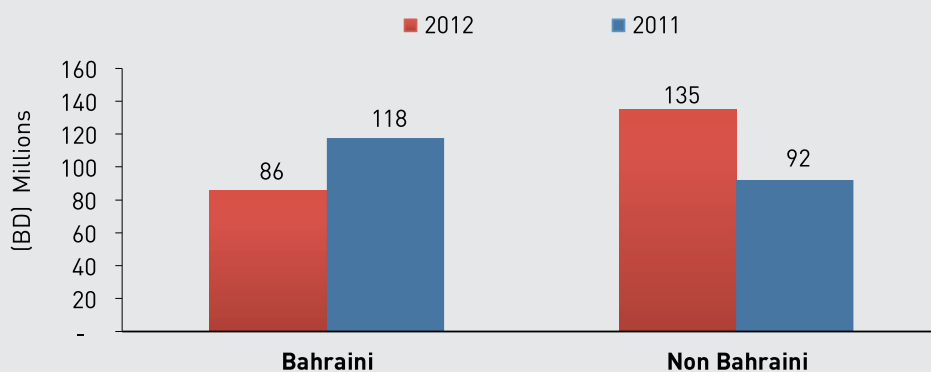
KEY STATISTICAL DATA 2011-2012

Trading by Nationality

Volume	2012	2011	Change (%)
Bahraini	544,973,515	659,903,692	(17.42)
Non Bahraini	710,441,799	380,544,144	86.69
Total	1,255,415,314	1,040,447,836	20.66

Value	2012	2011	Change (%)
Bahraini	85,683,324	117,727,730	(27.22)
Non Bahraini	134,804,050	92,204,589	46.20
Total	220,487,374	209,932,319	5.03

Trading by Nationality (Value - BD)



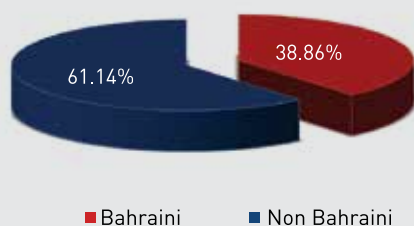
Percentage of Trading by Nationality-Volume (Buy & Sell)

	2012	2011
Bahraini	43.41%	63.42%
Non Bahraini	56.59%	36.58%

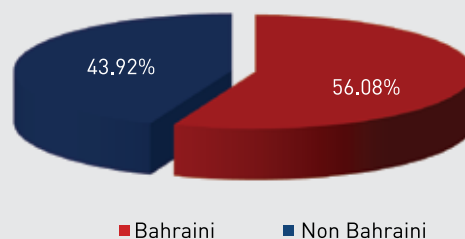
Percentage of Trading by Nationality-Value (Buy & Sell)

	2012	2011
Bahraini	38.86%	56.08%
Non Bahraini	61.14%	43.92%

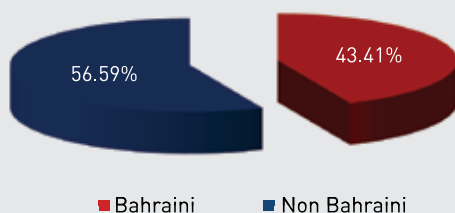
Percentage of **Value** of Trading in Terms of Nationality (Buy & Sell)-2012



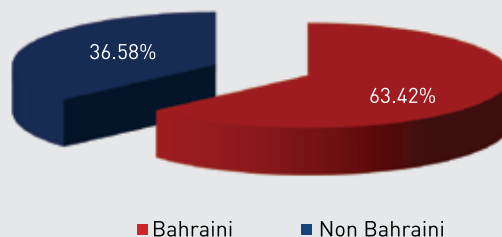
Percentage of **Value** of Trading in Terms of Nationality (Buy & Sell)-2011



Percentage of **Volume** of Trading in Terms of Nationality (Buy & Sell)-2012



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



TRADED SECURITIES AND INSTRUMENTS

Listed Companies

Commercial Banks Sector

NATIONAL BANK OF BAHRAIN
BBK
AHLI UNITED BANK
BAHRAIN ISLAMIC 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
UNITED GULF INVESTMENT CORPORATION B.S.C.
TAIB BANK
ESTERAD INVESTMENT COMPANY B.S.C.
GULF FINANCE HOUSE
INOVEST B.S.C.
AL BARAKA BANKING GROUP B.S.C.

Insurance Sector

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

Services Sector

BAHRAIN SHIP REPAIRING & ENGINEERING CO.
BAHRAIN CINEMA CO.
TRAFICO GROUP B.S.C.
BMMI B.S.C.
BAHRAIN TELECOMMUNICATIONS CO.
BAHRAIN CAR PARK CO.
BAHRAIN DUTY FREE SHOP COMPLEX
NASS CORPORATION B.S.C.
SEEF PROPERTIES B.S.C.

Industrial Sector

BAHRAIN FLOUR MILLS CO.
DELMON POULTRY CO.
ALUMINUM BAHRAIN B.S.C.

Hotels & Tourism Sector

GULF HOTEL GROUP B.S.C.
NATIONAL HOTELS CO.
BAHRAIN TOURISM CO.
BAHRAIN FAMILY LEISURE CO.
BANADER HOTELS COMPANY B.S.C.

Closed Company

SECURITIES & INVESTMENT CO.
UNITED PAPER INDUSTRIES B.S.C.

Non-Bahraini Companies

BANK MUSCAT (Oman)
INTERNATIONAL INVESTMENT GROUP (Kuwait)
UNITED FINANCE COMPANY SAOG (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 GCC Real Estate Fund
 Global Distressed Fund
 Global Islamic Fund of Funds
 Global GCC Islamic 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*

IFC Hilal Sukuk

Government Islamic Leasing Securities

* 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
Mubasher Financial Services
United Gulf Bank

Individual Brokers

Abdulla Zain Al-Abedeem
Nassir Khosrou
Yousif Al-Ajaji

Member Firms

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



LISTING AND ANNUAL SUBSCRIPTION FEES

LOCAL EQUITIES

- **Listing*:**
 - o 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**:**
 - o 0.13% of the first BD10 million of the company's paid up capital, with a minimum of BD5,000/-.
 - o 0.07% of the amount exceeding BD10 million, up to BD50 million.
 - o 0.035% of the amount exceeding BD50 million, with a maximum amount of BD80,000/-.
- **Clearing & Settlement:**
 - o 0.0125% of the first BD15 million of the company's paid-up capital with a minimum of BD1,000.
 - o 0.00625% of the amount exceeding BD15 million of the company's paid-up capital, with maximum gross fees of BD4,000.

NON-BAHRAINI EQUITIES

- **Listing*:**
 - o 0.1% of the company's paid-up capital, with a maximum amount of BD5,000 and a minimum amount of BD2,000.
- **Annual Subscription**:**
 - o 15% of the Bahraini shareholding company with maximum gross fees of BD12,000 and a minimum of BD2,000.

LOCAL CLOSED COMPANIES

- **Listing*: BD1,000.**
- **Annual Subscription**:**
 - o 0.025% of the company's paid-up capital, with a maximum amount of BD6,000 minimum of BD1,000

MUTUAL FUNDS

- **Listing*: BD300**
- **Annual Subscription**: BD250**

PREFERRED SHARES

- **Listing**
 - o 0.5% of the par value of the outstanding shares with a maximum amount of BD5,000 and a minimum amount of BD2,000.
- **Annual Subscription: BD2,000 annually**

BONDS & SUKUK

- Government:

- o Listing*: BD 1,500
- o Annual Subscription**: BD 2,000

- Private & Non Bahraini:

- o Listing*: 0.05% of the total value with a minimum of BD 2,000 and maximum of BD 5,000.

- o Annual Subscription**: BD 2,000.

- Currency Warrants

- Listing*: BD 250
- Annual Subscription: Nil

- Transfer Agents

- Listing*: BD500
- Annual Subscription**:BD 1,000

- Individual Brokers

- Listing*: BD 500
- Annual Subscription: BD250

- Brokerage Firms

- Listing*: BD 1,000
- Annual Subscription: BD500

- Custodianship

- Listing*: BD1,000
- Annual Subscription: BD 500

* 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 monthly basis.

BAHRAIN BOURSE CORPORATE GOVERNANCE REPORT 2012

Bahrain Bourse Corporate Governance Policy

Bahrain Bourse seeks to apply the rules and principles of corporate governance in an effective manner in accordance with the legislation issued by the Central Bank of Bahrain and the Ministry of Industry and Commerce, and in fulfillment of the responsibility of the Board of Directors in the overall control, supervision and enhancement of compliance with the requirements of corporate governance. Such compliance will contribute to improving the performance of the Bourse and thus help in enhancing the efficiency of the capital market and attract more domestic and foreign investments.

The implementation of the best standards of corporate governance is one of the top priorities of the Bahrain Bourse, because good governance plays a key role in building investors' confidence. Corporate governance enhances the level of disclosure and transparency and thus protects the interests of all stakeholders, thereby contributing to the strengthening of the position of the Kingdom of Bahrain as a financial center.

Shareholder Information

The authorized capital of the company is BD10,000,000/- (Bahrain Dinar ten million), divided into ten million shares of a nominal value of BD1/- per share. The issued and paid up capital amounts to BD2,000,000/- (Bahrain Dinar two million) divided into two million shares.

The Minister of Finance was appointed to perform the tasks of the shareholder in Bahrain Bourse Company in accordance with Decree No. (41) of 2012 issued on 26 April 2012.

Board of Directors Information

Composition of the Board of Directors

The Board of Directors of Bahrain Bourse is comprised of not less than five directors and not more than eleven, to be appointed by a resolution of the Economic Development Board with the approval

of the Central Bank of Bahrain in accordance with the provisions of the Memorandum and Articles of Association of Bahrain Bourse.

The current Board of the Bourse is comprised of eight directors who were appointed by Economic Development Board Resolution No. 1 of 2011 for a term of three years starting from 6th February 2011.

Duties and Responsibilities of the Board of Directors

■ All members of the Board of Directors of Bahrain Bourse shall have full understanding of all the duties and responsibilities of the Board of Directors stipulated by the "Commercial Companies Law of the Kingdom of Bahrain" and any other laws or regulations as amended from time to time, especially the following:

The role of the Board with respect to the executive management of the Bourse [(executive management members are appointed and supervised by the Board)].

The responsibility of the members of the Board in demonstrating sincerity and honesty towards the Bourse and the shareholder.

■ The duties and responsibilities of the Board, including those stipulated in the Articles of Association, include but are not limited to:

- 1, The overall performance of the Bourse in accordance with the approved strategic plan.
- 2, Ensuring the preparation of the financial statements and that such statements are prepared in a proper manner that reflects the actual financial position of the Bourse.
- 3, Monitoring the performance of the executive management.
- 4, Ensuring that there is no conflict of interest of any kind and prevent any dealings that may cause rise to conflict of interest.

- 5, Fixing and controlling the remuneration and compensation of the executive management of the Bourse.
- 6, Making changes to the compensation and remuneration of the executive management and members of the Board of Directors as may be deemed in the best interest of the Bourse.
- 7, Ensuring the integrity and fairness of the financial and accounting systems, including the independence of the audit, having in place the necessary internal control systems, and more specifically risk management and control systems for financial transactions and Bourse operations, in addition to ensuring the presence of a system for compliance with the applicable laws, regulations and related standards.
- 8, Monitoring the duties that the Bourse should comply with or perform, including ((but not limited to)) matters that relate to the requirements of listing on the Bourse, disclosure and dissemination of information that has a direct impact on the shares prices of listed companies on the Bourse, as well as preventing any transactions that involve any misuse of information.
- 9, Complying with all the provisions of the Bourse's incorporation documents, including ((but not limited to)) the Memorandum and Articles of Association of the Bourse and all related regulations, decrees and resolutions.
- 10, Approval of all fees in general, including admission and registration fees, commissions and penalties whether they are related to administrative issues or the operations of the Bourse.
- 11, Developing and putting in place the systems and regulations necessary for organizing the work and management of the company, appoint and remove directors, chief executive officer and employees

along with determining their duties, salaries and the guarantees that they should provide, if any, and the purchase and sale of property, rights and concessions, whether movable or fixed, leasing and authorization to withdraw funds and collateral owned by the company and the transfer and sale thereof, approval of taking legal action to protect the company's interests before the courts as plaintiff or defendant, write-off of assets, termination of concessions, whether for or without consideration, take decisions on how to use the company's funds, and the determining and imposing of fines and penalties for violations by the members and companies listed on the Bourse.

■ The Board members are collectively and individually responsible for performing these tasks and responsibilities. The Board may delegate specific tasks to committees. However, the Board may not delegate the task of ensuring having in place a comprehensive adequate, effective and transparent corporate governance framework.

Transactions that Require the Approval of the Board of Directors

The rules, regulations and policies determine the financial and other transactions that require the approval of the Board of Directors. Furthermore, work is under way on developing mechanisms for the approval of transactions involving members of the Board of Directors and related parties.

Board Committees

The Board of Directors has formed a number of committees to support the Board in carrying out its responsibilities. These committees include the Executive, Nomination and Remuneration Committee and the Audit, Risks and Governance Committee.

The Executive Committee, Nomination Committee and Remuneration Committee were merged into one Committee called the Executive, Nomination

BAHRAIN BOURSE CORPORATE GOVERNANCE REPORT 2012

and Remuneration Committee. Similarly, the Committee, based on the approval of the Central Audit Committee, Risks Committee and Corporate Bank of Bahrain. Governance Committee were merged into one Committee called the Audit, Risks and Governance

Executive, Nomination and Remuneration Committee	
Members	Brief Terms of Reference, Tasks and Responsibilities
Nada Alawi Shubbar Committee Chairman	<ul style="list-style-type: none"> ■ The Board of Directors appoints the members of the Committee who will be at least three for a term of three years, subject to renewal in concurrence with the term of the Board of Directors. ■ A committee chairperson is elected from among the members of the Committee at the first meeting after the appointment of its members, provided that he/ she shall be an independent director. The majority of the members shall be independent non-executive directors. ■ The attendance of at least a majority of the members, provided that the Chairman or Vice Chairman is among them, shall constitute a quorum. ■ The Committee shall hold minimum of four meetings in a year. ■ The Committee conducts an annual self-assessment of the performance of the Committee / members and report the findings and recommendations to the Board of Directors. This shall be carried out in accordance with the assessment process approved by the Board of Directors and its committees. <p>Summary of Responsibilities: The Committee reviews the reports and proposals of the executive management, suggests ways and means for the development of the Bahrain Bourse Board Structure, nominates qualified persons to join the Board of Directors or executive management and recommends them to the Board of Directors. It reviews Bourse policies related to the remuneration of members of the Board of Directors.</p>
Nabeel Khalid Kanoo Committee Member	
Rana Ebrahim Faqihi Committee Member	

Audit, Risks and Governance Committee

Members	Brief Terms of Reference, tasks and Responsibilities
<p>Mohammed Ahmed Hassan</p> <p>Committee Chairman</p>	<ul style="list-style-type: none"> ■ The Board of Directors appoints the members of the Committee who will be at least three for a term of three years, subject to renewal in concurrence with the term of the Board of Directors. ■ A committee chairperson is elected from among the members of the Committee at the first meeting after the appointment of its members, provided that he/ she shall be an independent director. The majority of the members shall be independent directors.
<p>Marwan Khalid Tabbara</p> <p>Committee Member</p>	<ul style="list-style-type: none"> ■ The attendance of at least a majority of the members, provided that the Chairman or Vice Chairman is among them, shall constitute a quorum. ■ The Committee shall hold minimum of four meetings in a year.
<p>Yaser Ebrahim Humaidan</p> <p>Committee Member</p>	<ul style="list-style-type: none"> ■ The Committee conducts an annual self-assessment of the performance of the Committee / members and report the findings and recommendations to the Board of Directors. This shall be carried out in accordance with the assessment process approved by the Board of Directors and its committees. <p>Summary of Responsibilities: The Committee oversees the internal audit program, the internal control systems and the performance of the external auditor. It reviews compliance with legislative and legal requirements, oversees risk management and reviews risk management policies and strategy, supervises the implementation of corporate governance rules and principles in the Bourse and reviews the instructions issued by the regulatory authorities regarding corporate governance.</p>

Directors' Remuneration

The remuneration for the members of the Board of Directors is determined by a resolution by the shareholder in accordance with the Articles of Association of the Bourse and the Commercial Companies Law.

For the year 2012, the Directors' Remuneration amounted to BHD 64,000.

Remuneration of Executive Management

Fixed and Variable Compensations and Remunerations

The amount of Executive Management's compensations and remunerations for the year 2012 was BHD 137,840, and this amount includes basic salaries, fixed allowances, and bonuses related to performance appraisals at the year end 2012.

BAHRAIN BOURSE CORPORATE GOVERNANCE REPORT 2012

Evaluating of the Performance of the Board of Directors and Committees

The performance of the Board and the committees is evaluated through self- assessment by reviewing their tasks and responsibilities. The assessment also includes reviewing the level of achievement with regard to the implementation of plans and programs designed to develop the performance of the Bourse. Mechanisms are currently being prepared for approval for evaluating the performance of the Board and the committees.

Code of Conduct

A code of conduct has been issued by the Bourse. The code of conduct that embodies the values of the Bourse enhances compliance with work regulations and procedures and with the applicable laws and regulations. It also enhances the commitment to avoiding conflict of interest and separating personal interests from the interests of the Bourse, as well as to other best practice principles. All employees must adhere to the best professional practices and integrity in their dealings with all the concerned parties, and thereby help in enhancing the confidence of stakeholders.

Whistle Blowing Policy

As part of the Bourse efforts to ensure the highest level of professionalism, integrity and accountability, a whistle blowing policy has been included in the Governance Policy Manual of the Bourse to ensure that irregularities and breaches get reported. The Bourse is currently developing the mechanisms necessary for maintaining the highest level of professionalism in carrying out Bourse operations and building trust and confidence between the Bourse and all the parties dealing with it. According to these mechanisms, the staff will be encouraged to report any practices that violate the rules of the Code of Conduct or any illegal acts and effective measures will be implemented with regard to accountability. This will lead to enhancing the standards of honesty and integrity in all the activities of the Bourse.

The said mechanisms will also provide the necessary

protection for the employees who report irregularities by ensuring complete confidentiality. The overseeing of this policy will be the direct responsibility of the Chairperson of the Audit, Risks and Governance Committee.

Key Persons Dealing Policy

The Bourse developed a Key Persons Dealing Policy for its employees and implementation procedures to ensure fairness and integrity of trading in the capital market and enhance the standards of transparency and clarity in such transactions.

Compliance and Anti-money Laundering

The function of compliance aims to protect the Bourse from the risk of violating the laws and regulatory controls that govern the internal operations of the Bourse, or the rules that are issued by the legislative and regulatory authorities. The ultimate purpose is to help in the management and minimization of risks arising from non-compliance with laws and regulations.

As part of its role in this regard, the Audit, Risks and Governance Committee supervises the process of compliance and follows up on the implementation of the instructions of the internal and external regulators by reviewing periodic reports on compliance. It also monitors the Bourse's compliance with corporate governance in terms of disclosure and transparency requirements, as well as ensuring and following up on anti-money laundering policies and procedures.

Conflict of Interests

No member of the Board of Directors shall vote on any agreement, arrangement or any other proposal in which he or she has personal interest.

Every member shall declare to the Board his/ her personal interest, whether direct or indirect, if any, in any transaction, contract or any proposals for the account of the Bourse, and such declaration shall be recorded in the minutes of the relevant meeting. Such member of the Board shall not participate in any deliberations or vote on decisions related to this matter.

Disclosures Related to Members of the Board of Directors

Yousuf Abdulla Humood

Chairman of the Board of Directors Joined the Board of Directors on 6th February 2011
(Independent non-executive)

Background	Membership	Name of Company	Country
Executive Education Program Certificate from Harvard Kennedy School-Jordan, Certificate of Gulf Executive Development Program from Darden University-Virginia, Diploma of Project Planning and Appraisal from Strathclyde University-Scotland, Bachelors of Economic Planning from the University of Aleppo – Syria Experience: More than 33 years in government economic sector.	Board Member	Future Generations Reserve Fund	Bahrain
	Board Member	Arab Investment Company	Saudi Arabia

Afnan Rashid Al Zayani

Vice Chairman of the Board of Directors Joined the Board of Directors on 6th February 2011
(Independent non-executive)

Background	Membership	Name of Company	Country
Bachelors of Food Technology from Texas Technical University-USA, Majoring in Food Technology and Nutrition from The American University-Beirut. Experience: More than 31 years in the investment sector.	Partner and Director	Martinizing Express Laundry & Dry Cleaners	Bahrain
	President	Al Zayani Commercial Services Company	Bahrain
	Chief Executive Officer	Al Zayani Investment Company	Bahrain

Mohammed Ahmed Hassan

Member of the Board of Directors Joined the Board of Directors on 6th February 2011
(Independent non-executive)

Chairman of Audit, Risk and Governance Committee	Membership	Name of Company	Country
Bachelors of Accounting from The University of Riyadh Experience: More than 33 years in the public financial sector, including 11 years in Audit	Board Member	Bahrain Airport Company	Bahrain

BAHRAIN BOURSE CORPORATE GOVERNANCE REPORT 2012

Yaser Ebrahim Humaidan

Member of the Board of Directors Joined the Board of Directors on 6th February 2011
(Independent non-executive)

Member of Audit, Risk and Governance Committee	Not a member of the Board of Directors of any other company
Bachelors of Finance from Lehigh University in Pennsylvania Experience: More than 19 years in investment management in the banking sector	

Marwan Khalid Tabbara

Member of the Board of Directors Joined the Board of Directors on 6th February 2011
(Independent non-executive)

Member of Audit, Risk and Governance Committee	Membership	Name of Company	Country
Masters of Engineering from Duke University-USA, Bachelors of Electrical Engineering from Duke University-USA, Bachelors of Economics from Duke University-USA. Experience: more than 4 years in the banking sector and more than 10 years in consultancy.	Board Member	Stratum	Bahrain
	Board Member	Ensuriion Co.	Bahrain
	Board Member	Petrogenera Co.	Bahrain
	Board Member	Park Place Co.	Bahrain
	Board Member	Viacloud Co.	Bahrain
	Board Member	Viacloud Holding	Bahrain
	Board Member	Viacloud Jordan	Jordan
	Board Member	Viacloud Muscat	Oman
	Board Member	Doolab Holding Co	Bahrain

Nada Alawi Shubbar

Member of the Board of Directors Joined the Board of Directors on 6th February 2011
(Independent non-executive)

Chairman of Executive, Nomination and Remuneration Committee	Membership	Name of Company	Country
Masters of Business Administration from the University of Phoenix-USA, Bachelors of Management Information Systems from the University of Houston-USA. Experience: More than 9 years in the security and safety sector	General Manager	OSHO Training	Bahrain
	General Manager	National Consultative Council for Occupational Health and Safety Services	Bahrain

Rana Ebrahim Faqihi

Member of the Board of Directors Joined the Board of Directors on 6th February 2011
(Independent non-executive)

Member of Executive, Nomination and Remuneration Committee

Masters of International Business Management from the University of Westminster - UK, Bachelors of International Business Management from the University of Lincolnshire and Humberside, UK.

Experience: more than 10 years in the government economic sector.

Membership**Name of Company****Country**

Not a member of the Board of Directors of any other company

Nabeel Khalid Kanoo

Member of the Board of Directors Joined the Board of Directors on 6th February 2011
(Independent non-executive)

Member of Executive, Nomination and Remuneration Committee

Bachelors of Business Management from St. Edwards University - USA.
Experience: More than 15 years in the investment and tourism sectors.

Membership**Name of Company****Country**

Board Member

Yusuf Bin Ahmed
Kanoo Co

Bahrain

Board Member

Yusuf Bin Ahmed
Kanoo Co

Saudi Arabia

Board Member

Kanoo Travel

ME, UK & France

Board Member

Kanoo & El
Shabrawy Co

Egypt

Board Member

Ithmar Bank

Bahrain

Board Member

Bahrain Chamber
of Commerce and
Industry

Bahrain

Board Member

Bahrain Airport
Services

Bahrain

BAHRAIN BOURSE CORPORATE GOVERNANCE REPORT 2012

Board and Committees Meetings and Attendance Record

Board Meetings

Board meetings are held regularly in accordance with the provisions of Bourse's Articles of Association upon the invitation of the Chairman of the Board of Directors, or the request of two members of the Board.

The Board held during the 2012 six meetings under the chairmanship of the Board Chairman, who attended and chaired all the meetings. The tables below show the attendance record of the meetings held by the Board of Directors and its committees during the period.

Members of the Board of Directors of Bahrain Bourse		1/2012	2/2012	3/2012	4/2012	5/2012	6/2012
		28 Feb 2012	28 Mar 2012	24 June 2012	9 Oct 2012	18 Oct 2012	31 Dec 2012
Yousuf Abdulla Humood	Chairperson of the Board	√	√	√	√	√	√
Afnan Rashid Al Zayani	Vice Chairperson of the Board	√	√	-	√	√	√
Mohammed Ahmed Hassan	Board Member	-	√	√	√	-	√
Nada Alawi Shubbar	Board Member	√	√	√	√	√	√
Marwan Khalid Tabbara	Board Member	√	-	-	√	√	√
Yaser Ebrahim Humaidan	Board Member	√	√	√	√	√	√
Nabeel Khalid Kanoo	Board Member	-	√	√	-	-	-
Rana Ebrahim Faqihi	Board Member	√	√	√	√	√	√

Meetings of the Executive, Nomination and Remuneration Committee

Members of the Executive, Nomination and Remuneration Committee		1/2012	2/2012	3/2012	4/2012
		6 Feb 2012	17 June 2012	30 Sep 2012	19 Dec 2012
Nada Alawi Shubbar	Chairperson	√	√	√	√
Nabeel Khalid Kanoo	Committee Member	-	√	√	√
Rana Ebrahim Faqihi	Committee Member	√	√	√	-

Meetings of the Audit, Risks and Governance Committee

Members of the Audit, Risks and Governance Committee		22(1/2012)	23(2/2012)	24(3/2012)	25(4/2012)	26(5/2012)
		20 Feb 2012	6 June 2012	6 Aug 2012	11 Nov 2012	23 Dec 2012
Mohammed Ahmed Hassan	Chairperson	√	√	√	√	√
Marwan Khalid Tabbara	Member	√	√	√	√	√
Yaser Ebrahim Humaidan	Member	√	√	√	√	-

Auditors

Bahrain Bourse has appointed Deloitte & Touche as external auditors for the year 2012.

Time	Total Value	No Of Trds	P/E Ratio	Div Yld%
1,416	384	1	5.56	4.76
0	0	0	NM	7.07
140,000	4,900	2	52.24	0.00
0	0	0	18.68	0.00
0	0	0	NM	0.00
0	0	0	75.00	0.00
0	0	0	17.77	0.00
0	0	0	NM	0.00

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FINANCIAL STATEMENTS



BAHRAIN BOURSE B.S.C (C)

FINANCIAL STATEMENTS

31 DECEMBER 2012

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

Registered Office

P.O. Box 3203,
 Manama,
 Kingdom of Bahrain.

Principal Bankers

National Bank of Bahrain and Kuwait
 Bank of Bahrain and Kuwait
 Ahli United Bank
 Ethmaar Bank
 Khaleeji Commercial Bank
 Al Salam Bank
 Bahrain Islamic Bank

Auditor

Deloitte & Touche,
 P.O. Box 421,
 Manama,
 Kingdom of Bahrain.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Bahrain Bourse B.S.C (c)

Kingdom of Bahrain

27 February 2013

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 December 31, 2012 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management 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 management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 Bahrain Bourse B.S.C. (c) as of December 31, 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

We draw attention to Note 20 to the financial statements which relates to the restatement of prior year figures for the year ended December 31, 2011. Our opinion is not qualified in respect of the above matter.

Other matter

The financial statements of Bahrain Bourse B.S.C. (c) for the year ended December 31, 2011, were audited by another auditor who expressed an unmodified opinion on those statements on February 28, 2012.

Report on Other Legal and Regulatory Requirements

In our opinion, the Bourse has maintained proper accounting records and the financial statements have been prepared in accordance with those records. We further report that, to the best of our knowledge and belief, the financial information provided in the Board of Directors' Report is in agreement with the financial statements and based on the information and explanations provided by the management which were required for the purpose of our audit, we are not aware of any violations of the relevant provisions of Bahrain Commercial Companies Law 2001 the Central Bank of Bahrain (CBB) and Financial Institution Law, the CBB Rule Book (Volume 6), the CBB Capital Market Regulations and associated resolutions and the Bourse's Memorandum and Articles of Association having occurred during the year ended December 31, 2012 that might have had a material effect on the business of the Bourse or on its financial position.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2012

Bahraini dinars

	Notes	2012	2011 (Restated)
ASSETS			
Non-current asset			
Property and equipment	5	3,977,793	4,182,069
Current assets			
Accounts receivable	6	200,976	65,196
Prepayments and other receivables	7	72,280	203,627
Cash and bank balances	8	4,291,703	2,429,252
Total current assets		4,564,959	2,698,075
Total assets		8,542,752	6,880,144
EQUITY AND LIABILITIES			
Equity			
Share capital	9	2,000,000	2,000,000
General reserve	10	1,500,000	1,000,000
Statutory reserves	11	268,433	118,092
Retained earnings		3,568,702	2,715,636
Total equity		7,337,135	5,833,728
Liabilities			
Non-current liability			
Provision for employees' end of service benefit	12	8,903	2,323
Current liabilities			
Accounts payable		35,569	92,994
Accrued and other payables	13	674,042	388,544
Deferred revenues	14	487,103	562,555
Total current liabilities		1,196,714	1,044,093
Total liabilities		1,205,617	1,046,416
Total equity and liabilities		8,542,752	6,880,144

The financial statements were approved and authorised for issue by the Board of Directors on February 27, 2013 and signed on their behalf by:

Yousuf A. Humood
man

Mohammed Ahmed Hassan
Director

Fouad A. Rahman Chair
Director of the Bourse

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

Bahraini dinars

	Notes	2012	2011 (Restated)
INCOME			
Subscription fees		1,662,343	1,208,449
Registration fees		2,500	3,300
Dealing commission	15	191,799	190,233
Interest income		107,975	48,484
Grant from Government of Bahrain	16	2,000,000	2,000,000
Grant from Central Bank of Bahrain	16	500,000	500,000
Other income	17	284,350	462,758
Total income		4,748,967	4,413,224
EXPENSES			
Salaries and staff costs		1,386,187	1,227,464
Remuneration of the Board of Directors	16	40,000	40,000
General and administrative expenses	18	1,239,086	1,154,162
Depreciation	5	527,087	534,085
Impairment of receivable	6	53,200	65,961
Total expenses		3,245,560	3,021,672
Profit for the year		1,503,407	1,391,552
Total comprehensive income for the year		1,503,407	1,391,552

Yousuf A. Humood
Chairman

Mohammed Ahmed Hassan
Director

Fouad A. Rahman
Director of the Bourse

The attached notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2012

Bahraini dinars

	Share Capital	General Reserve	Statutory Reserve	Retained Earnings	Total
At December 31, 2010	-	-	-	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)	-
Total comprehensive income for the year (restated) (Note 19)	-	-	-	1,391,552	1,391,552
Transferred to statutory reserve	-	-	118,092	(118,092)	-
At December 31, 2011 (Restated)	2,000,000	1,000,000	118,092	2,715,636	5,833,728
Total comprehensive income for the year	-	-	-	1,503,407	1,503,407
Transferred to statutory reserve	-	-	150,341	(150,341)	-
Transferred to general reserve	-	500,000	-	(500,000)	-
At December 31, 2012	2,000,000	1,500,000	268,433	3,568,702	7,337,135

Yousuf A. Humood
Chairman

Mohammed Ahmed Hassan
Director

Fouad A. Rahman
Director of the Bourse

The attached notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012

Bahraini dinars

	2012	2011
Operating activities		
Cash received from subscribers	1,552,706	1,183,728
Cash received from commissions and other revenues	273,853	493,855
Advance receipts from clients for electronic display board	50,000	50,000
Cash paid for staff related cost	(1,291,027)	(1,277,522)
Cash paid for general and administrative expenses	(1,019,932)	(1,375,101)
Payment to remuneration of the Board of Directors & committees	(40,000)	-
Net cash flows used in operating activities	(474,400)	(925,040)
Investing activities		
Acquisition of property and equipment	(58,115)	(27,693)
Capital work in progress	(194,925)	(200,390)
Payments to invest in fixed deposits	(700,163)	-
Interest from banks and bonds	89,891	48,484
Net cash flows used in investing activities	(863,312)	(179,599)
Financing activities		
Grant from Central Bank of Bahrain	500,000	500,000
Grant from Government of Bahrain	2,000,000	2,000,000
Net cash flows used in financing activities	2,500,000	2,500,000
Net cash flow during the year	1,162,288	1,395,361
Cash and cash equivalents at the beginning of the year	2,429,252	1,033,891
Cash and cash equivalents at the end of the year (Note 8)	3,591,540	2,429,252

The attached notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Bahraini dinars

1 STATUS AND ACTIVITIES:

The Bahrain Bourse BSC (c) ("the Bourse") is a Bahraini Company registered with the Ministry of Commerce and under registration No. 76907. The Bourse was operative under the name of Bahrain Stock Exchange upto year 2010.

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. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

a) 2.1 Standards and Interpretations effective for the current period

The following new and revised standards and interpretations have been adopted in the current period with no material impact on the disclosures and amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements:

- Amendments to IAS 24 Related Party Disclosures modify the definition of a related party and simplify disclosures for government-related entities.
- Amendments to IAS 32 Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability.
- Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement. The amendments correct an unintended consequence of IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. In particular equity instruments issued under such arrangements are measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued are recognised in profit or loss.
- Improvements to IFRSs issued in 2010 – Amendments to: IFRS 1; IFRS 3 (2008); IFRS 7; IAS 1; IAS 27 (2008); IAS34; IFRIC 13.
- Amendments to IFRS 7 Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Bahraini dinars

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs): (CONTINUED)

2.2 Standards and Interpretations in issue but not yet effective

Management has not early applied the following new standards, amendments and interpretations that have been issued but not yet effective:

	Effective for annual periods beginning on or after
<ul style="list-style-type: none"> IFRS 9 <i>Financial Instruments</i>. The requirements of IFRS 9 represent a significant change from the classification and measurement requirements in IAS 39 <i>Financial Instruments: Classification and Measurement</i> in respect of financial assets. The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of the issuer. 	January 1, 2015
<ul style="list-style-type: none"> IFRS 10 Consolidated Financial Statements* uses control as the single basis for consolidation, irrespective of the nature of the investee. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. Accordingly IAS 27 Separate Financial Statements* and IAS 28 Investments in Associates and Joint Ventures* have been amended for the issuance of IFRS 10. 	January 1, 2013
<ul style="list-style-type: none"> IFRS 11 Joint Arrangements* establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. Accordingly IAS 28 Investments in Associates and Joint Ventures has been amended for the issuance of IFRS 11. 	January 1, 2013
<ul style="list-style-type: none"> IFRS 12 Disclosure of Interests in Other Entities* combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure Standard. 	January 1, 2013
<ul style="list-style-type: none"> IFRS 13 Fair Value Measurement issued in May 2011, establishes a single framework for measuring fair value and is applicable for both financial and non-financial items. 	January 1, 2013
<ul style="list-style-type: none"> Amendments to IAS 1 – Presentation of Other Comprehensive Income. The amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate statements. However, items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss with tax on items of other comprehensive income required to be allocated on the same basis. 	July 1, 2012

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Bahraini dinars

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs): (CONTINUED)**2.2 Standards and Interpretations in issue but not yet effective (Continued)**

	Effective for annual periods beginning on or after
<ul style="list-style-type: none"> Amendments to IAS 12 Income Taxes provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 Investment Property by the introduction of a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. 	January 1, 2012
<ul style="list-style-type: none"> Amendments to IAS 19 <i>Employee Benefits</i> eliminate the “corridor approach” and therefore require an entity to recognize changes in defined benefit plan obligations and plan assets when they occur. 	January 1, 2013
<ul style="list-style-type: none"> IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i> 	January 1, 2013
<ul style="list-style-type: none"> Amendments to IFRS 7 Financial Instruments: Disclosures enhancing disclosures about offsetting of financial assets and liabilities 	January 1, 2013
<ul style="list-style-type: none"> Amendments to IAS 32 Financial Instruments: Presentation relating to application guidance on the offsetting of financial assets and financial liabilities 	January 1, 2014
<ul style="list-style-type: none"> Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9 	January 1, 2015 (or otherwise when IFRS 9 is first applied)
<ul style="list-style-type: none"> Amendments to IAS 32 Financial Instruments: Presentation relating to application guidance on the offsetting of financial assets and financial liabilities 	January 1, 2014
<ul style="list-style-type: none"> Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9 	January 1, 2015 (or otherwise when IFRS 9 is first applied)

*In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Bourse anticipates that the adoption of the above Standards and Interpretations in future years will have no material impact on the financial statements of the Bourse in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Bahraini dinars

3. SIGNIFICANT ACCOUNTING POLICIES:

3.1 Statement of Compliance

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

3.2 Basis of Preparation

The financial statements are prepared under the historical cost convention. The accounting policies are consistent with those used in the previous period.

The financial statements have been presented in the Bahraini Dinar ("BD"), being the functional currency of the Bourse.

The significant accounting policies adopted are as follows:

3.3 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses.

The cost of property and equipment is depreciated by equal annual instalments over the estimated useful lives of the assets. The estimated useful lives of the assets for the calculation of depreciation are as follows:

Fixtures	15 years
Furniture, Tools and Equipment	5 – 10 years
Computers	5 years
Vehicles	5 years

The gain or losses arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Capital work-in-progress

Capital work-in-progress is not depreciated unless the asset under construction is complete and transferred to its relevant category in the property and equipment.

3.4 Impairment of Tangible Assets

At each reporting date, the Bourse reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Bahraini dinars

3. SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

3.4 Impairment of Tangible Assets (Continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss previously been recognised. The reversal of the loss is recognised immediately in profit or loss.

3.5 Financial Assets

Financial assets are classified based on the nature and purpose of the financial assets and determined at the time of initial recognition.

3.5.1 Receivables

Receivables that have fixed or determinable payments are classified as receivables. Receivables are measured at amortised cost using the effective interest method, less any impairment.

3.5.2 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.5.3 Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

For all the financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re - organisation.

For certain categories of financial asset, such as receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Bourse's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Bahraini dinars

3. SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

3.5.3 Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3.5.4 Derecognition of financial assets

The Bourse derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bourse neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bourse recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bourse retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bourse continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The difference between the carrying amount of the financial asset derecognised and the sum of the consideration received and receivable is recognised in profit or loss.

3.6 Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.6.1 Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

3.6.2 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Bahraini dinars

3. SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

3.6.3 Derecognition of financial liabilities

The Bourse derecognises financial liabilities when, and only when, the Bourse's obligations are discharged, cancelled or they expire.

The difference between the carrying amount of the financial liability derecognised and the sum of the consideration paid and payable is recognised in profit or loss.

3.7 Offsetting Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and reported on a net basis in the statement of financial position when a legally enforceable right to set-off such amounts exists and when the Bourse intends to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

3.8 Provision for Employees' End-of-Service Indemnity

The Bourse provides end-of-service indemnity to all its expatriate employees in accordance with the Bahrain Labour Law. The entitlement to these benefits is based upon the employee's final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of the employment.

For Bahraini employees, the Bourse makes contributions to the Social Insurance Organisation calculated as a percentage of the employees' salaries. The Bourse's obligations are limited to these contributions, which are expensed when due.

3.9 Provisions

Provisions are recognised when the Bourse has a present obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3.10 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the invoiced value of services provided in the normal course of business, net of discounts and returns.

Revenues from subscription fees, registration fees, services, dealing commission and other revenue are recognised when due.

Grants received for specific purposes are recognised as liabilities until the fulfilment of its purpose and then recognised as revenues.

Advances from customers of electronic display screen are recorded as liabilities when received and recognised as revenues over the period of display agreed on.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Bahraini dinars

3. SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

3.10 Revenue Recognition (Continued)

Interest income

Interest income is recognised on effective yield method.

3.11 Operating Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases.

Bourse as a lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3.12 Foreign currencies

The functional currency of the Bourse is the Bahraini Dinar. Transactions in foreign currencies are recognised in functional currencies at the rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3.13 Contingent liabilities

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Bahraini dinars

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

In the application of the Bourse's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying accounting policies

In the process of applying the entity's accounting policies, which are described in Note 3, and due to the nature of operations, the management did not have to make judgements that may have a significant effect on the amounts recognised in the financial statements.

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

4.2.1 Useful lives of tangible and intangible assets

The Bourse's management determines the useful lives of tangible and intangible assets and the related depreciation charge. The depreciation charge for the year will change significantly if the actual life is different from the estimated useful life of the asset.

The review carried out by the management in the current year did not indicate any necessity for changes in the useful lives of the tangible and intangible assets.

Impairment of tangible assets

The Bourse's management tests annually whether tangible assets have suffered impairment in accordance with the accounting policies stated in Note 3. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

4.2.2 Impairment of financial assets

The Bourse's management reviews periodically items classified as receivables to assess whether a provision for impairment should be recorded in profit or loss. Management estimates the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Bahraini dinars

5. PROPERTY AND EQUIPMENT:

	Fixture	Furniture, Tools and Equipment	Computers	Vehicles	Capital Work-in- progress	Total
Cost:						
At December 31, 2010	3,124,654	1,222,216	1,934,323	7,435	18,970	6,307,598
Additions	-	2,922	24,771	-	-	27,693
Disposals	(139,630)	(53,872)	(17,133)	-	(18,970)	(229,605)
At December 31, 2011	2,985,024	1,171,266	1,941,961	7,435	-	6,105,686
Restatement of comparative figures (Note 20)	139,630	53,871	17,133	-	-	210,634
At December 31, 2011 (restated)	3,124,654	1,225,137	1,959,094	7,435	-	6,316,320
Accumulated Depreciation:						
At December 31, 2010	34,813	170,300	1,388,362	6,691	-	1,600,166
Charge for the year	208,370	157,045	167,926	744	-	534,085
At December 31, 2011	243,183	327,345	1,556,288	7,435	-	2,134,251
Carrying Amounts:						
At December 31, 2011(restated)	2,881,471	897,792	402,806	-	-	4,182,069

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5. PROPERTY AND EQUIPMENT: (CONTINUED)

	Fixture	Furniture, Tools and Equipment	Computers	Vehicles	Capital Work-in- progress	Total
Cost:						
At December 31, 2011 (restated)	3,124,654	1,225,137	1,959,094	7,435	-	6,316,320
Additions	-	12,981	35,134	10,000	265,129	323,244
Reclassification	5,000	-	(5,000)	-	-	-
Write off	-	(65,690)	(330,466)	-	-	(396,156)
At December 31, 2012	3,129,654	1,172,428	1,658,762	17,435	265,129	6,243,408
Accumulated depreciation						
At December 31, 2011	243,183	327,345	1,556,288	7,435	-	2,134,251
Charge for the year	208,193	157,451	160,444	999	-	527,087
Reclassification	583	-	(583)	-	-	-
Write off	-	(65,282)	(330,441)	-	-	(395,723)
At December 31, 2012	451,959	419,514	1,385,708	8,434	-	2,265,615
Carrying amount						
At December 31, 2012	2,677,695	752,914	273,054	9,001	265,129	3,977,793

Capital work-in-progress represents the amounts paid for the external price moving bar and the design and study contracts related to the trading system and accounting system.

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6. ACCOUNTS RECEIVABLE:

	2012	2011
Subscription and registration fees	358,432	246,295
Commissions receivable	59,102	16,211
Services fees receivable	57,787	23,835
	475,321	286,341
Allowance for doubtful debts	(274,345)	(221,145)
	200,976	65,196

There is no concentration of receivables at the reporting date.

The average credit period is 60 days. No interest is charged on the trade receivables. The Bourse provides for receivables more than 60 days based on estimated irrecoverable amounts, determined by reference to past default experience.

Included in the Bourse's accounts receivable balance are debtors with a carrying amount of BD 151,922 (2011: BD 50,747) which are past due at the reporting date for which the Bourse has not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of past due but not impaired

	2012	2011
61 – 180 days	25,123	971
181 – 365 days	116,952	-
Over than 365 days	9,847	49,776
Total	151,922	50,747

The recoverability of past due and not impaired assets is expected reference to past experience. The Bourse does not hold any collateral over these balances.

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6. ACCOUNTS RECEIVABLES: (CONTINUED)

Movement in the allowance for doubtful debts:

	2012	2011
Balance at beginning of the year	221,145	155,330
Additional provision recognised	53,200	65,961
Amounts written off during the year	-	(146)
Balance at end of the year	274,345	221,145

Ageing of impaired trade receivables

	2012	2011
Less than 30 days	4,434	3,990
31 – 180 days	22,166	19,949
181 – 365 days	26,600	23,939
Over 365 days	221,145	173,267
	274,345	221,145

7. PREPAYMENTS AND OTHER RECEIVABLES:

	2012	2011
Prepaid expenses	49,876	199,307
Interest receivable	22,404	4,320
	72,280	203,627

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8. CASH AND BANK BALANCES:

	2012	2011
Petty cash	1,385	552
Bank current accounts	442,575	271,894
Short term deposits	3,147,580	2,156,806
Cash and cash equivalents	3,591,540	2,429,252
Short term bank deposits (Maturity date more than 3 months)	700,163	-
Balance at year end	4,291,703	2,429,252

- (i) The period of original maturity of short term deposits varies between 30 to 180 days (2011: 30 to 90 days) and earn interest at rates which range between 1% and 3.7% (2011: between 2.5% and 3.25%) per annum. All current account bank balances and bank fixed deposits are denominated in Bahraini Dinars.
- (ii) The current account balances with banks are non-interest bearing.

9. SHARE CAPITAL:

The share capital of the Bourse consists of 10,000,000 authorised share of BD 1 each. The issued and fully paid consists of 2,000,000 fully owned by the Government of Bahrain.

10. GENERAL RESERVE:

The Bourse's Board of Directors has resolved in their meeting no. 2/2013 held on February 27, 2013, to transfer an amount of BD 500,000 from the retained earnings to the general reserve. There is no restriction regarding the distribution of such reserve.

11. STATUTORY RESERVE:

As required by the Bahrain Commercial Companies Law and the Company's Articles of Association 10% of the profit for the year is to be transferred to a statutory reserve. The Bourse may resolve to discontinue such transfers when the reserve equals 50% of the issued share capital. The reserve is not available for distribution, except in the circumstances stipulated in the Bahrain Commercial Companies Law.

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12. PROVISION FOR EMPLOYEES' END-OF-SERVICE BENEFITS:

The movement in the provision for employees' end-of-service benefits is as follows:

	2012	2011
Balance at the beginning of the year	2,323	2,661
Additional provision recognised	8,593	6,898
Settlements	(2,013)	(7,236)
Balance at end of the year	8,903	2,323

13. ACCRUED AND OTHER PAYABLES:

	2012	2011
Payable for the new location project	185,610	203,385
Staff related expenses	125,930	70,622
Remuneration payable to board of directors	40,000	40,000
Service fee	246,344	36,010
Leave and air tickets payable	61,647	21,796
Others	14,511	16,731
	674,042	388,544

14. DEFERRED REVENUE:

	2012	2011
Electronic display boards	460,555	556,222
Publication and advertising	26,548	6,333
	487,103	562,555

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15. DEALING COMMISSION:

	2012	2011
Commission from ordinary dealings	121,268	115,462
Commission from exempted and special dealings	70,531	74,771
	<u>191,799</u>	<u>190,233</u>

16. TRANSACTIONS WITH RELATED PARTIES:

16.1 Transactions with related parties included in the statement of comprehensive income:

The Bourse has received grants from the following governmental entities to support the Bourse in the settlement of its financial liabilities:

	2012	2011
Government of Bahrain	2,000,000	2,000,000
Central Bank of Bahrain	500,000	500,000
	<u>2,500,000</u>	<u>2,500,000</u>

16.2 Transactions with key management personnel:

Key management personnel are those having the authority and responsibility of planning and directing the Bourse's operations. Key management personnel includes board members, director of the Bourse and the vice director.

There were no trading transactions between the key management personnel and the Bourse during the period. The salaries and allowances paid to the key management personnel during the period are as follows:

	2012	2011
Salaries	113,876	106,264
Allowances for attendance of board and committee meetings	40,000	40,000
	<u>153,876</u>	<u>146,264</u>

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17. OTHER INCOME:

	2012	2011 (Restated)
Deposit and central depository income	17,226	20,016
Remote trading income	24,150	19,800
Trading data income	51,706	29,912
Investor guide income	11,000	19,800
Trading display board income	145,667	145,667
Delay fine for Bourse new offices in Financial Harbour (Note 19)	-	210,634
Others	34,601	16,929
	284,350	462,758

18. GENERAL AND ADMINISTRATIVE EXPENSES:

	2012	2011
Rent	561,358	565,974
Services	554,477	486,981
Consumables	36,175	33,886
Conferences and subscription	41,280	29,922
Other	45,796	37,399
	1,239,086	1,154,162

19. OPERATING LEASE ARRANGEMENTS:

19.1 Leasing arrangements and capital commitments

Leased Premises

The operating lease relates to the rent of the Bourse's new premises for a period of 5 years.

The Bourse doesn't have the option to purchase the leased property at the expiry of the lease period. The lease term was terminated on September 30, 2012 and is not renewed upto December 31, 2012.

NOTES TO THE FINANCIAL STATEMENTS

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19. OPERATING LEASE ARRANGEMENTS: (CONTINUED)

19.1 Leasing arrangements and capital commitments (continued)

Payments recognised as an expense

	2012	2011
Minimum lease payments	542,640	542,640

Non-cancellable operating lease commitments

	2012	2011
Not later than 1 year	-	406,980

19.2 Capital Commitments

	2012	2011
Capital Commitments	223,384	319,796

Capital commitments represents the amounts of contracts related to the capital work-in-progress - the external price moving bar design and study system contractors related to the trading and accounting system.

20. RESTATEMENT OF COMPARATIVE FINANCIAL INFORMATION

During year 2011, a delay fine on the main contractor responsible for executing the new Bourse premises project was recorded in property and equipment account instead of recording it in profit or loss account.

In accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, this matter has been corrected by retrospective application to the financial statements to the year ended December 31, 2011.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

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The below shows the effect of changing the comparative figures on the financial statements:

	2011	
	Previously Reported Amounts	Restated Amounts
<u>Statement of financial position:</u>		
Property and equipment (Note 5)	3,971,435	4,182,069
Retained earnings	2,505,002	2,715,636
<u>Statement of comprehensive income:</u>		
Other income	252,124	462,758
Net profit	1,180,918	1,391,552

21. FINANCIAL INSTRUMENTS:**21.1 Capital risk management**

The Bourse's objectives when managing capital are to safeguard the Bourse's ability to continue as a going concern in order to provide benefits for stakeholders.

The capital structure of the Bourse consists of accumulated surplus. The Bourse is debt free at the reporting dates.

21.2 Significant accounting policies

Significant accounting policies and methods adopted, including the criteria for recognition, basis of measurement, and the basis on which income and expenses are recognised in respect of each class of financial assets and financial liabilities are set out in Note 3.

21.3 Categories of financial instruments

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Bourse include cash, bank balances and accounts and other receivables.

Financial liabilities of the Bourse include payables and accrued liabilities.

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21. FINANCIAL INSTRUMENTS: (CONTINUED)

	2012	2011
Financial assets:		
Receivables at amortised cost (including cash and bank balances)	4,515,083	2,498,768
Financial liabilities :		
Amortised cost	709,611	481,538

21.4 Financial risk management objectives

The finance function of the Bourse monitors and manages the financial risks relating to the operations of the Bourse through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk. The risk associated with financial instruments and the Bourse's approaches to managing such risks are described below:

21.5 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices. Market risks arise from open positions in foreign currency, interest rate and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as foreign exchange rates, interest rates and equity prices.

21.5.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Bourse's financial assets and financial liabilities are denominated in Bahraini Dinars and United States Dollars. As the Bahraini Dinar is pegged to the United States Dollar, balances in the US Dollar are not considered to represent a significant currency risk.

21.5.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Bourse is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Bourse is exposed to interest rate risk in respect of its financial assets.

The Management reviews the market analysis and expectations for interest rate movements as the basis.

Interest / profit rate sensitivity analysis

If interest / profit rates relating to financial assets had been 25 basis points higher/lower and all other variables were held constant, the Bourse's excess of income over expenditure for the year would increase/decrease by BD 9,619 (2011: BD 5,392).

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21. FINANCIAL INSTRUMENTS: (CONTINUED)**21.5 Market risk (Continued)****21.5.3 Other price risks**

The Bourse is not exposed to any significant other price risks.

21.6 Credit risk management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The concentration of credit risk is disclosed in Note 6. The Bourse seeks to limit its credit risk by defining credit limits that are monitored regularly and establishing a settlement period for these individual accounts receivable, in addition to the standard process of receivables review.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international rating agencies. The carrying values of financial assets at the reporting date represent the Bourse's maximum exposure to credit risk.

21.7 Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Management monitors the liquidity requirements on a monthly basis and ensures that sufficient funds are available.

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The following table details the Bourse's expected maturity for its financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest, if applicable, that will be earned on those assets except where the Bourse anticipates that the cash flow will occur in a different period.

	Weighted average effective interest / profit rate %	1-3 months	3 months to 1 year	Total
2012				
Non-interest earning				
Receivables (including bank balances)	-	655,990	11,350	667,340
Interest earning				
Deposits	2.7%	3,157,655	703,806	3,861,461
		3,813,645	715,156	4,528,801
2011				
Non-interest earning				
Receivables (including bank balances)	-	341,962	-	341,962
Interest earning				
Deposits	2.8%	2,162,671	-	2,162,671
		2,504,633	-	2,504,633

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21. FINANCIAL INSTRUMENTS: (CONTINUED)**21.7 Liquidity risk (Continued)**

The following table details the Bourse's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Bourse can be required to pay. The tables include both interest, if applicable, and principal cash flows.

	1-3 months	3 months to 1 year	Total
2012			
Non-interest bearing			
Amortised cost	462,351	247,257	709,608
2011			
Non-interest bearing			
Amortised cost	256,357	225,181	481,538

21.8 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximated their fair values as at the reporting dates.

There are no financial assets or financial liabilities carried at fair value as at the reporting dates.