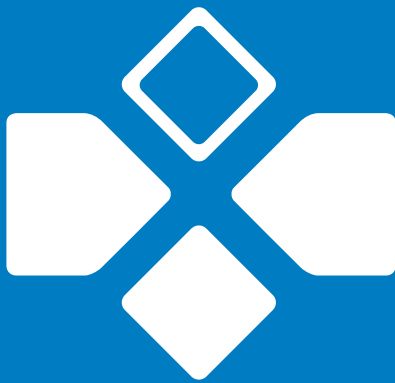


بورصة البحرين  
BAHRAIN BOURSE



2015

Annual Report



## **Bahrain Bourse**

P.O.Box 3203

Manama, Kingdom of Bahrain

Telephone: +973 17 261260

Fax: +973 17 256362

Email: [info@bahrainbourse.com](mailto:info@bahrainbourse.com)

Website: [www.bahrainbourse.com](http://www.bahrainbourse.com)



**H.H. Prince Khalifa  
bin Salman Al Khalifa**

The Prime Minister of the  
Kingdom of Bahrain



**H.M. King Hamad  
bin Isa Al Khalifa**

The King of the  
Kingdom of Bahrain



**H.H. Prince Salman  
bin Hamad Al Khalifa**

The Crown Prince,  
Deputy Supreme Commander, and  
First Deputy Prime Minister

# Contents

# CONTENTS

07	VISION & MISSION
08	CHAIRMAN'S STATEMENT
10	CEO'S MESSAGE
12	BOARD OF DIRECTORS
14	MANAGEMENT TEAM
16	WORLD STOCK MARKETS PERFORMANCE DURING 2015
23	KEY STATISTICAL DATA 2014 - 2015
30	TRADED SECURITIES & INSTRUMENTS
30	LISTED COMPANIES
31	LISTED MUTUAL FUNDS
31	LISTED BONDS & SUKUK
31	BROKERS & CUSTODIANS
32	LISTING AND ANNUAL SUBSCRIPTION FEES
34	BAHRAIN BOURSE CORPORATE GOVERNANCE REPORT 2015
47	FINANCIAL STATEMENTS





# Vision &



## 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.

# Mission

## CHAIRMAN'S STATEMENT



**Bahrain Bourse's efforts in 2015 focused on completing the legislative and technical infrastructure that will make the bourse supportive to the strategies and development plans adopted by the Kingdom of Bahrain in order to revitalize the local economy and enhance its attractiveness to attract more investments in different sectors in spite of the challenges caused by the sharp decrease in oil prices.**

Bahrain Bourse's efforts in 2015 focused on completing the legislative and technical infrastructure that will make the bourse supportive to the strategies and development plans adopted by the Kingdom of Bahrain in order to revitalize the local economy and enhance its attractiveness to attract more investments in different sectors in spite of the challenges caused by the sharp decrease in oil prices. The decrease in oil prices has resulted in searching for new alternatives to finance the infrastructure and strategic investment projects where the capital markets sector can provide better solutions in the upcoming period.

Despite the negative performance of the majority of bourses and Arabian stock markets in 2015 triggered by the economic situation in the region, 2015 was an important year for us as we have made various legislative and legal achievements that came in line with the implementation of BHB's strategy. In return, we hope that such achievements support and enhance the competitiveness of the bourse in attracting local and regional investments.

While implementing the plans and programs during the year, we have kept in mind our aim of making the bourse's accessibility feasible for both issuers of securities and investors, and with a reasonable cost for all related parties in order to achieve their strategic and investment objectives in a fair and transparent manner.

On the legislative front, the guidelines of listing and trading in Real Estate Investment Trusts "REITs" and Treasury Bills at the bourse have been approved, paving the way to provide more investment options for issuers of securities and investors to issue and trade new financial instruments at Bahrain Bourse. Amendments on the listing requirements for listed shareholding companies were also approved which includes adopting the electronic registry for trading and showing proof of ownership in securities. Other amendments



# Chairman's Statement



included changing the companies' profitability ratio and increasing the number of outstanding shares as well as the shareholders. In addition, the Disciplinary Board was formed going in line with finalizing the bourse's legislative infrastructure.

On the technical side, a new mechanism has been approved in cooperation with the Central Bank of Bahrain (CBB) to facilitate the trading of investors of debt instruments in the secondary market, which in return contributed to increasing the trading activity in this market during the year. Moreover, Bahrain Islamic Index was launched to allow investors to track the performance of their investment portfolios that comply with the Islamic Shari'ah.

During the year, Bahrain Bourse hosted various local and regional events. The main event hosted by the bourse in 2015 was the celebration of Bahraini Women's Day that was held on 1<sup>st</sup> of December under the patronage of Her Royal Highness Princess Sabeeka bint Ebrahim Al-Khalifa, Wife of the King of the Kingdom of Bahrain and President of the Supreme Council for Women themed "Women in the Financial and Banking Sector". The bourse also organized and hosted the Arab Federation of Exchanges Annual Conference during 22- 23 April 2015 that was attended by a large number of specialists, professionals, and those related to developing capital markets worldwide.

Our efforts continued to spread investment awareness by organizing various events and workshops that were important in highlighting the bourse's efforts and opportunities available for a wide range of citizens and residents.

Looking into Bahrain Bourse's financial performance in 2015, BHB's total revenue decreased from BD4,267,413 to BD2,843,480, reporting a decrease of 33%. Shareholders' equity also declined from BD9,082,075 as of 31<sup>st</sup> December

2014 to BD7,989,178 posting a decrease of 12% as of 31<sup>st</sup> December 2015. The bourse reported a deficit of BD1,092,897 during 2015 compared to a net profit of BD654,540 in 2014 as a result of decreasing the government's grant to the bourse in 2015 by 72% in 2014.

On behalf of myself and Bahrain Bourse's Board of Directors and staff, I would like to express my thanks and sincere appreciation 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 ongoing support to the Bourse. I also thank the Chairman and Board Members of the Central Bank of Bahrain (CBB), and H.E. the Governor of the CBB for their support to the Bourse.

I extend my appreciation to Bahrain Bourse's Board Members for their efforts and valuable recommendations that highly contributed to the development of the Bourse. I also thank the Bourse's executive management, directors, and staff for their hard work and commitment during the year, hoping that such efforts will continue to develop the bourse further.

**Yusuf Abdulla Humood**

**Chairman of the Board**

## CEO'S MESSAGE



**This year was a difficult year due to the abovementioned factors where all trading activity indices declined in comparison to 2014. Bahrain All Share Index closed at 1,215.89 points decreasing by 14.77% compared to its closing in 2014. The value of shares traded during 2015 also dropped by 60%, and the volume of shares traded declined by 54%, while the number of transactions executed decreased by 13% compared to 2014.**



# CEO's Message

The performance of most of the bourses and stock markets in the region experienced a negative trend due to the sharp decline in oil prices. This led investors to become increasingly cautious and vigilant regarding the situation and accordingly reflected on the performance of all indices in GCC bourses and some of the Arabian bourses and financial markets. The volume of trades also declined significantly compared to the trades in 2014.

Bahrain Bourse (BHB) was not an exception from the overall situation that dominated over other bourses despite the good performance reported by the majority of Bahraini public shareholding companies listed at the bourse. This year was a difficult year due to the abovementioned factors where all trading activity indices declined in comparison to 2014. Bahrain All Share Index closed at 1,215.89 points decreasing by 14.77% compared to its closing in 2014. The value of shares traded during 2015 also dropped by 60%, and the volume of shares traded declined by 54%, while the number of transactions executed decreased by 13% compared to 2014.

Despite the difficult market conditions on the trading level, we at Bahrain Bourse continued developing and improving the infrastructure of the bourse in different aspects including the legislative and technical infrastructure. This has been done to implement the plans and strategic programs that aim at developing the bourse and enhancing its capabilities to serve the development of the Kingdom of Bahrain by comprehensively working together with related government institutions to achieve the prosperity of the Kingdom of Bahrain's economy. In addition, all procedures have been taken to facilitate the accessibility of issuers of securities and investors to the opportunities available at the bourse with a reasonable cost.

In terms of the legislative front, several key amendments have been made on the listing requirements of the listed shareholding companies and the companies that intend to list their shares in the future. Those amendments were considered a milestone in the history of the capital markets sector in general and the bourse in particular, most importantly the amendment regarding approving the CSD electronic registry for trading purposes and proving ownership, as well as registering and depositing the issued shares in the Clearing, Settlement, Central Depository & Registry system in the Bourse, provided that the establishment and management of the shareholders' record in the company is in line with the electronic registry system licensed by the Central Bank of Bahrain and approved by the bourse. The amendments also included that listed companies should have a minimum free float of 10% of its the issued and fully paid shares.

In line with the bourse's efforts to broaden the market and increase its depth to provide more instruments and investment options for investors, the listing and trading guidelines of REITs and T-Bills has been approved. This will open the door for investors to invest in these markets with reasonable costs, fair returns, and low-risk.

In order to support and enhance the Kingdom of Bahrain's position as a leading regional and international hub in the provision of Financial Islamic Services, Bahrain Bourse launched this year Bahrain All Share Islamic Index to act as

a standardized tool to measure the fluctuations of investment portfolios in the shares of listed companies computed within the Islamic Index. On the day of the launch, the index included 17 companies, all of which their activities comply with the Shari'ah's standards and regulations set by the Bourse's Shari'ah advisor for the programs, services, and Islamic financial solutions of the bourse. BHB has set a number of technical and financial standards to determine the companies that are computed within the index in which the composites of the index will be reviewed periodically.

In line with the joint cooperation and coordination between the Central Bank of Bahrain and Bahrain Bourse and for the first time among stock exchanges and financial markets in the Middle East, a new mechanism was launched to allow individual investors to purchase government bonds and sukuk issued by the CBB from the primary market and trade them (buy & sell) in the secondary market of the debt market at BHB. This was feasible in the past because this market was limited to financial institutions, banks, and big companies only. The mechanism allows investors to directly contribute to the government's infrastructure projects and receive reasonable returns by investing in them.

In addition, Bahrain Bourse in cooperation and coordination with the Central Bank of Bahrain has undertaken all the legislative and technical procedures for launching the Treasury Bills Market that is expected to be launched during the first quarter of 2016. We expect that this market becomes quite active especially that this is considered one of the leading initiatives on the stock markets level in the region given the large issues that are expected to list once the market is launched.

With regards to listing at BHB, four sukuk issues, issued by the Central Bank of Bahrain on behalf of the government of the Kingdom of Bahrain have been listed with a total value of BD700 million, along with Government Development Bonds with a total value of BD350 million.

The Bourse's efforts in spreading investment awareness continued in which several programs and awareness sessions have been organized for various categories of citizens and residents. Those awareness sessions contributed to enhancing the knowledge on the fundamentals of investing in securities to a large category of citizens and residents.

Within the bourse's efforts to enhance its presence among renowned international institutions, BHB became an affiliate member of the IOSCO. The IOSCO is the premier international body of securities regulators and administrators and includes most of the leading organizations and regulatory authorities of financial markets in most countries. This was a remarkable achievement for BHB that will enhance its credibility on the international level and supports its capability to benefit from the experience of the IOSCO in continuing developing the legislative and technical infrastructure of the capital markets sector in the Kingdom of Bahrain.

Bahrain Bourse also hosted in 2015 the Arab Federation of Exchanges (AFE) Annual Meeting in its 40<sup>th</sup> Year and the rotating presidency was handed over to Saudi Stock Exchange "Tadawul".

In addition, the bourse hosted the Arab Federation of Exchanges (AFE) Annual Conference during 22-23 April 2015 that is considered one of the biggest specialized conferences

in the capital markets sector organized in Arabian Countries, and was attended by more than 450 specialists from all over the world. In two days, several topics and issues related to investment in stock markets were discussed along with ways to improve liquidity in those markets. The conference also discussed ways to develop the IPO process in the Arab Financial Markets and increase the awareness of technological advancements in the equities field.

This year, Bahrain Bourse was honored by hosting the celebration of Bahraini Women's Day that was held under the patronage of Her Royal Highness Princess Sabeeka bint Ebrahim Al-Khalifa, Wife of the King of the Kingdom of Bahrain and President of the Supreme Council for Women themed "Women in the Financial and Banking Sector". On that day, HRH Princess Sabeeka bint Ebrahim Al-Khalifa honored more than 75 women who have contributed with their achievements to support and enhance the Kingdom of Bahrain's position as a leading financial center regionally and internationally.

With regards to next year's planned projects, BHB will focus on several projects including establishing a Bahraini CSD Company, launching Bahrain Investment Market, introducing margin trading, launching markets for new investment instruments, and organizing promotional visits to attract more investments and listings to the bourse along with launching various awareness programs in cooperation with related institutions and bodies.

Looking into Bahrain Bourse's financial performance this year, BHB's total revenue was BD2,843,480 compared to BD4,267,413 in 2014, while the total expenses reached BD3,864,377 in 2015 in comparison to BD3,612,873 in 2014. BHB recorded a deficit of BD1,020,897 as compared to a profit of BD654,540 in 2014.

The Bourse's total assets decreased to BD8,522,869 compared to BD9,923,708 in 2014, whereas the total liabilities in 2015 were BD461,691 against to BD841,633 in 2014. Shareholders' equity also decreased from BD9,082,075 in 2014 to BD8,061,178 in 2015 due to the decrease in the government's support in 2015 by 72% compared to 2014.

On behalf of myself and Bahrain Bourse's employees, I would like to express my sincere thanks and gratitude to His Majesty King Hamad bin Isa Al Khalifa, and to His Royal Highness Prince Khalifa bin Salman Al Khalifa, Prime Minister, and His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister of the Kingdom of Bahrain for their continued support for the Bourse and its members.

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.

**Sh. Khalifa bin Ebrahim Al-Khalifa**

**Chief Executive Officer**

## BOARD OF DIRECTORS



**Yusuf Abdulla Humood**  
Chairman



**Marwan Khalid Tabbara \***  
Vice Chairman



**Afnan Rashid Al Zayani \***  
Board Member



**Rana Ebrahim Faqihi \***  
Board Member

# Board of



**Yaser Ebrahim Humaidan \* ✓**  
Board Member



**Nabeel Khalid Kanoo #**  
Board Member



**Mohammed Ahmed Hassan #**  
Board Member



**Fouad A. Rahman Rashid # ✓**  
Board Member



**Aymen Tawfeeq Almoayed \* ✓**  
Board Member

- \* Member of the Executive,  
Nomination & Remuneration Committee
- # Member of the Audit & Risks Committee
- ✓ Member of the Corporate Governance Committee

# Directors

# MANAGEMENT TEAM



**Khalifa Bin Ebrahim  
Al Khalifa**  
Chief Executive Officer



**Narjes Farookh Jamal**  
Executive Director of  
Operations



**Ebrahim Jaffar Al Aradi**  
Director of Market Control  
& Members Affairs



**Abdulla Jaffar Abdin**  
Director of Central  
Securities Depository

# Management





**Mohammed Khalid Hamed**  
Director of Internal Audit



**Suha Yousif ALGhoozi**  
Director of HR &  
Administration Affairs



**Abdulrahman Abdulla  
Al-Shafei**  
Director of Risk & Compliance



**Syed Adel Javaid**  
Director of Information  
Technology



**Hani Husain Al Mandeel**  
Director of Marketing &  
Business Development



**Ali Ahmed Al-Mansoor**  
Director of Corporate  
Communication &  
International Affairs

# Team

# WORLD STOCK MARKETS

## PERFORMANCE DURING 2015

The majority of global financial markets declined in 2015, where the GDP growth rate of the global economy fell down to 3.1% during 2015 compared to 3.4% in 2014. On the other hand, the inflation rate worldwide amounted to 3.3% against 3.5% in 2014. In addition, the US economy posted a 2.6% growth in 2015 compared to 2.4% in 2014, and the interest rate of the Federal Reserve Bank doubled from 0.25% in 2014 to 0.5% at the end of 2015.

Moreover, the economies of the European Union registered a 1.5% growth in 2015 against 0.9% in 2014, with the Central Bank of England maintaining an interest rate of 0.5% with no change since March 2009. The European Central Bank also maintained its interest rate at 0.05%.

### The Real GDP Growth at Constant Prices %

COUNTRY	2015	2014
United States	2.6	2.4
United Kingdom	2.5	3.0
Germany	1.5	1.6
France	1.2	0.2
Japan	0.6	[0.1]
China	6.8	7.3

In Asia, China posted an economic growth of 6.8% in 2015 compared to 7.3% in 2014, while the Japanese economy reported a growth of 0.6% in 2015, following maintaining the Central Bank's interest rate at 0.1%. The Middle East and North Africa (MENA) economy, however, witnessed a growth of 2.3% in 2015 compared to 2.6% in 2014.

With regards to oil prices, Brent price decreased at the end of the year by US\$17.88 per barrel to close at US\$37.59 compared to US\$55.47 at the beginning of the year, registering a 32.23% decrease. Oman's oil price also fell by US\$21.63 per barrel, closing at US\$33.31, and posting a 39.37% decrease during the same period.



# WORLD STOCK MARKETS

## PERFORMANCE DURING 2015 (continued)

Regarding currency prices, the Euro decreased against the U.S. Dollar by 10.23%, and the Sterling Pound decreased by 5.36% against the U.S. Dollar compared to the beginning of the year, while the Yen increased by 0.52% during the same period.

With regards to the price of metals, the price of gold was down by 10.36% to reach US\$1,1060.91 per ounce posting a US\$122.64 decrease per ounce in comparison to its price at the beginning of last year, while the silver decreased during the same period by 11.69%.

On the financial markets front, the German DAX was up by 9.56% followed by the Shanghai Chinese index with a growth of 9.41%. Then came the Nikkei225 Japanese index that increased by 9.07% followed by the French CAC40 by 8.53%, while the British FTSE100 and S&P500 index decreased by 4.93% and 0.73% respectively.

### Performance of International Financial Markets

Market	2015	2014	Growth (%)
Germany (DAX)	10,743.01	9,808.55	9.56
China (SHANGHAI)	3,539.18	3,234.68	9.41
Japan (NIKKEI225)	19,033.71	17,450.77	9.07
France (CAC40)	4,637.06	4,272.75	8.53
US (S&P500)	2,043.94	2,058.90	(0.73)
UK (FTSE100)	6,242.32	6,566.09	(4.93)

### The Arabian Market

The real GDP of the Middle East and North Africa region declined by 2.3% in 2015 against 2.6% in 2014 according to the International Monetary Fund (IMF). With regards to the real GDP of the Arabian Economies, Morocco and Qatar reported the highest growth rates of 4.9% and 4.7% respectively.



# WORLD STOCK MARKETS

PERFORMANCE DURING 2015 (continued)

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

Country	2015	2014
Jordan	2.9	3.1
Morocco	4.9	2.4
Egypt	4.2	2.2
Lebanon	2.0	2.0

### GCC Countries

Qatar	4.7	4.0
Kuwait	1.2	0.1
Saudi Arabia	3.4	3.5
Oman	4.4	2.9
UAE	3.0	4.6
Bahrain	3.4	4.5

With regards to the performance of Arab financial markets, all markets witnessed a decline in their performance during 2015.

## Arab Stock Markets Performance in 2015

Markets (Points)	2015	2014	Annual Performance (%)
Egypt	7,006.01	8,926.58	(21.52)
Morocco	8,925.71	9,620.11	(7.22)
Jordan	2,136.32	2,165.46	(1.35)
Lebanon	1,169.52	1,170.26	(0.06)

### GCC countries

Qatar	10,429.36	12,285.78	(15.11)
Dubai	3,151.00	3,774.00	(16.51)
Bahrain	1,215.89	1,426.57	(14.77)
Abu Dhabi	4,307.26	4,528.93	(4.89)
Saudi Arabia	6,911.76	8,333.30	(17.06)
Muscat	5,406.22	6,343.22	(14.77)
Kuwait	5,615.12	6,535.72	(14.09)

# WORLD STOCK MARKETS

PERFORMANCE DURING 2015 (continued)

## The Local Market

The GDP growth of Kingdom of Bahrain was 3.4% in 2015 compared to 4.5% in 2014, while the inflation rate reached 2.0% in 2015 compared to 2.7% in 2014.

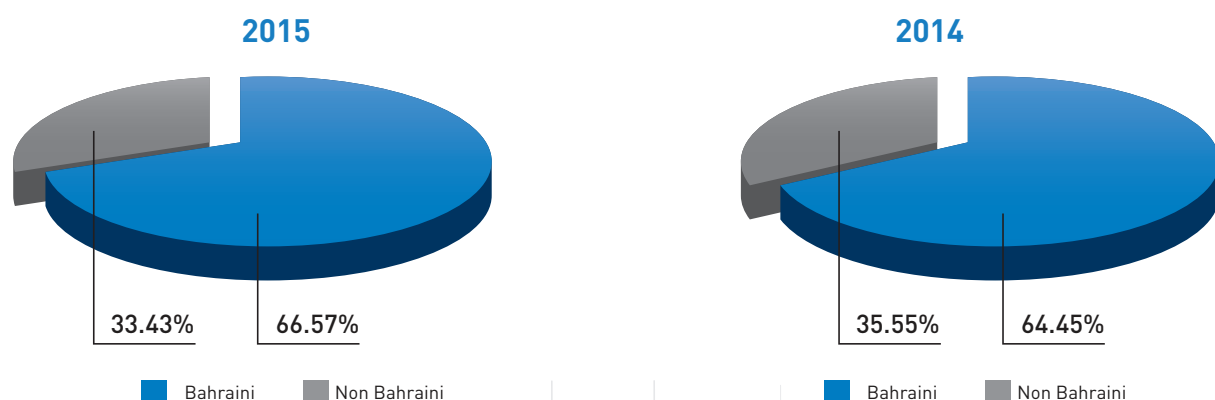
On the other hand, the Bahrain All Share Index decreased by 14.77% to close at 1,215.89 points at the end of 2015 thereby ending the year down by 210.68 points. As for the shares prices at the end of the year, the prices of 10 companies increased, while the share prices of 9 companies remained unchanged, and the share prices of 27 companies decreased. The trading activity witnessed a decline in the value of shares traded by 59.17% compared to 2014. The number of transactions also decreased by 30.64% compared to last year, and the volume of shares traded declined by 54.27%.

The Commercial Banks Sector comprised 62.30% of the total trading value followed by the Services Sector comprising 17.03%, Investment Sector 10.31%, Industrial Sector 5.32%, Insurance Sector 3.97%, and the Hotels & Tourism Sector 1.07%. Ahli United Bank came on top of the most active companies in terms of the value of shares traded, in which the trading value was BD41.54 million capturing around 37.77% of the total trading value at the Bourse, followed by BBK comprising 7.74%, Khaleeji Commercial Bank 6.65%, United Gulf Bank 5.50%, and Aluminum Bahrain (Alba) 5.18%.

As for the volume of shares traded, the Commercial Banks Sector represented 75.66% of total trading volume followed by the Services Sector with 8.92%, Insurance Sector 6.36%, Investment Sector 6.11%, Industrial Sector 2.43%, and Hotels & Tourism Sector 0.52%. Ahli United Bank came first among the most active companies in terms of the volume of shares traded with 152.17 million shares traded, comprising 29.52% of the total shares traded at the Bourse, followed by Khaleeji Commercial Bank with 23.67%, Ithmaar Bank 9.64%, Al Salam Bank 7.39%, and Takaful International Co. 5.06%.

Trading by nationality figures show that Bahrainis comprised 66.57% of the total value of shares traded, while other nationalities comprised 33.43% of the total value of shares. By the end of 2015, the total number of listed companies at Bahrain Bourse was 46 companies, while the number of mutual funds was 19, and Bonds/Sukuks were 12.

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



# WORLD STOCK MARKETS

PERFORMANCE DURING 2015 (continued)

## Market Capitalization

The market capitalization of Bahraini public shareholding companies listed on the Bourse decreased to BD7.20 billion compared to BD8.33 billion at the beginning of the year, reporting a decline of 13.54%. The Commercial Banks Sector accounted for 48.38% of the total market capitalization, followed by the Investment Sector with 23.93%, Services Sector 15.23%, Industrial Sector 7.61%, Hotels & Tourism Sector 2.81%, and Insurance Sector 2.04%. On the other hand, the Hotels & Tourism Sector posted a growth in the market capitalization of 2.32% compared to the beginning of the year. The other sectors, however recorded declines that varied in their percentages, where the Services Sector decreased by 2.59% followed by the Commercial Banks Sector 8.18%, Insurance Sector 10.36%, Investment Sector 24.92%, and the Industrial Sector that recorded the highest decline by 27.05%.

### Market Capitalization among Sectors (Million Dinars)

Sector	2015	2014	Change (%)	Relative Weight (%)
Commercial Banks	3,483.48	3,793.81	(8.18)	48.38
Investment	1,723.04	2,295.08	(24.92)	23.93
Services	1,096.38	1,125.57	(2.59)	15.23
Industrial	547.91164	751.12	(27.05)	7.61
Hotels & Tourism	202.19038	197.61	2.32	2.81
Insurance	146.90319	163.88	(10.36)	2.04
<b>Total Market</b>	<b>7,199.91</b>	<b>8,327.07</b>	<b>(13.54)</b>	<b>100.00</b>

# WORLD STOCK MARKETS

PERFORMANCE DURING 2015 (continued)

## Financial Indicators

The financial indicators among sectors varied. The table below presents the growth of financial indicators at the end of 2015 compared to 2014.

### Financial Indicators

Sector	P/E (%)		Div. Yield (%)		P/BV (%)	
	2015	2014	2015	2014	2015	2014
Commercial Banks	10.55	11.48	4.51	4.14	1.28	1.39
Investment	6.88	9.43	4.93	3.72	0.56	0.72
Insurance	8.74	9.59	7.69	6.91	0.7	0.78
Services	10.92	11.21	6.38	6.21	1.11	1.14
Industrial	5.57	7.64	7.2	5.25	0.57	0.79
Hotels & Tourism	10.63	10.51	4.23	4.33	0.94	0.92
<b>Total Market</b>	<b>8.85</b>	<b>10.30</b>	<b>5.16</b>	<b>4.47</b>	<b>0.88</b>	<b>1.01</b>

## Central Depository

The total number of Bahraini public shareholding shares deposited at Bahrain Bourse's Central Depository reached 14,233 billion shares at 31, December 2015, comprising 47.90% of the total issued and fully paid shares, compared to 13,787 billion shares at the beginning of year to record a growth of 3.24%.

The market capitalization of Bahraini public shareholding shares deposited at Bahrain Bourse was BD3,973 billion at 31 December, 2015 compared to BD4,297 billion at the beginning of the year, increasing by 7.54%.

The number of nationalities registered at the Central Depository reached 99 nationalities, while the number of investors holding shares in Bahraini public shareholding companies reached 32,108 investors by 31 December, 2015 compared to 31,031 investors at the beginning of the year, posting a growth of 3.47%.



# Key Statistical Data

# KEY STATISTICAL DATA

2014-2015

## COMPARISON OF TRADING ACTIVITY

	2015	2014	Change	Change %
Total Market Capitalization (BD)	7,199,907,825	8,327,068,304	(1,127,160,479)	(13.54)
Value of Shares (BD)	109,974,535	269,332,880	(159,358,345)	(59.17)
Volume of Shares	515,560,631	1,127,448,492	(611,887,861)	(54.27)
No. of Transactions	11,248	16,217	(4,969)	(30.64)
Total Trading Days	245	247	(2)	(1)
Daily Average Value of Shares (BD)	448,876	1,090,417	(641,541)	(58.83)
Daily Average Volume of Shares	2,104,329	4,564,569	(2,460,240)	(53.90)
Daily Average No. of Transactions	46	66	(20)	(30)

## BAHRAIN BOURSE INDICES PERFORMANCE

Bahrain All Share Index	2015	2014	Change (points)	Change (%)
Year end	1,215.89	1,426.57	(210.68)	(14.77)
High	1,482.88	1,494.03	(11.15)	(0.75)
Low	1,189.53	1,247.98	(58.45)	(4.68)

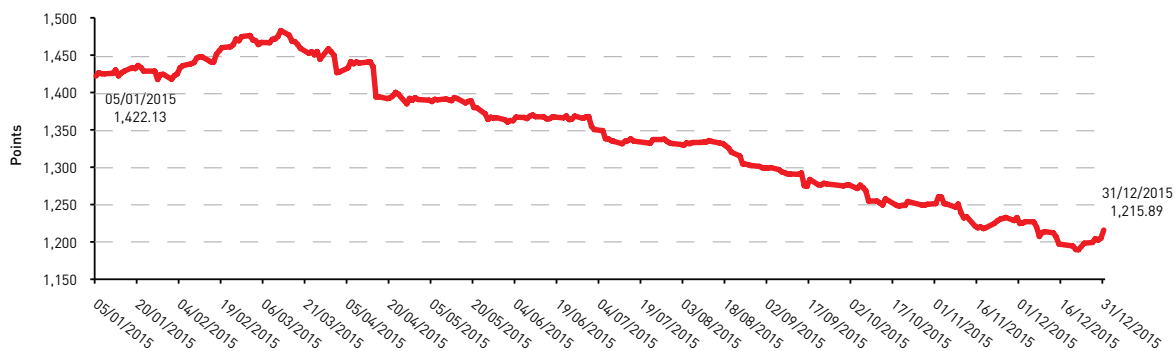
  

Dow Jones Bahrain Index	2015	2014	Change (points)	Change (%)
Year end	104.97	122.80	(17.83)	(14.52)
High	127.18	130.78	(3.60)	(2.76)
Low	104.97	110.57	(5.60)	(5.06)

Esterad Index	2015	2014	Change (points)	Change (%)
Year end	1,285.80	1,503.57	(217.77)	(14.48)
High	1,569.63	1,535.72	33.91	2.21
Low	1,258.92	1,272.39	(13.47)	(1.06)

## BAHRAIN ALL SHARE INDEX DURING 2015 (POINTS)



Sectorial Indices	2015	2014	Change (%)
<b>Bahrain All Share Index</b>			
Commercial Banks	2,461.82	2,721.17	(9.53)
Investment	613.84	842.14	(27.11)
Insurance	1,653.62	1,844.71	(10.36)
Services	1,361.73	1,385.97	(1.75)
Industrial	606.13	830.93	(27.05)
Hotels & Tourism	3,779.18	3,687.62	2.48

NO. OF LISTED COMPANIES	2015	2014
Public	42	42
Closed	2	2
Non Bahraini	2	3
Total	46	47

PREFERRED SHARES	2015	2014
	0	1

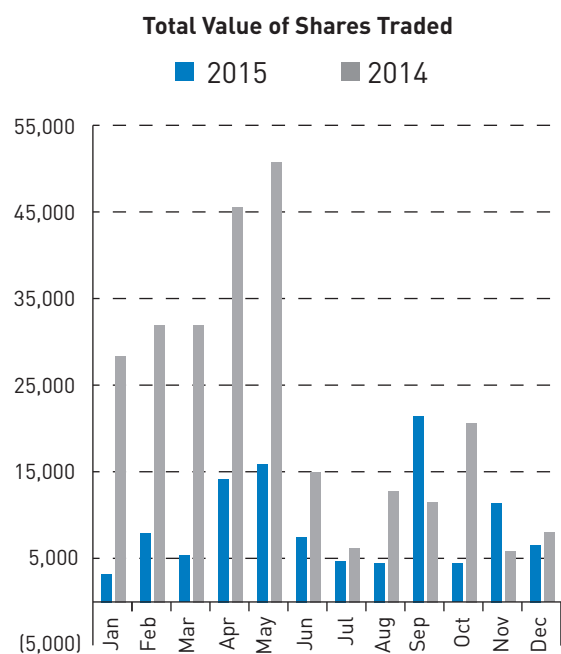
NO. OF LISTED BONDS & SUKUK	2015	2014
Bonds	6	4
Sukuk	6	4

NO. OF LISTED MUTUAL FUNDS	2015	2014
	19	21

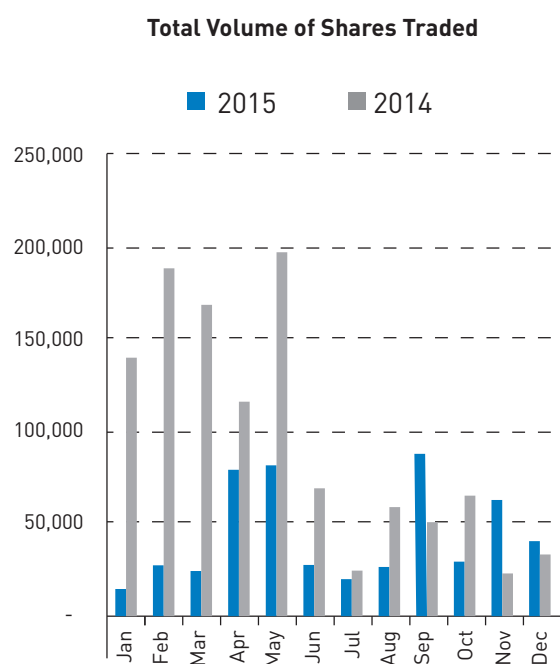


## EQUITY TRADING ACTIVITY

Value (BD 000)	2015	2014	Change (%)
Jan	3,532	28,485	(87.60)
Feb	8,370	31,850	(73.72)
Mar	5,777	31,980	(81.93)
Apr	14,571	45,468	(67.95)
May	15,931	50,566	(68.49)
Jun	7,334	15,089	(51.40)
Jul	4,946	6,575	(24.77)
Aug	4,957	13,008	(61.89)
Sep	21,607	11,757	83.77
Oct	4,559	20,608	(77.88)
Nov	11,728	5,707	105.48
Dec	6,663	8,241	(19.15)
<b>Market</b>	<b>109,975</b>	<b>269,333</b>	<b>(59.17)</b>

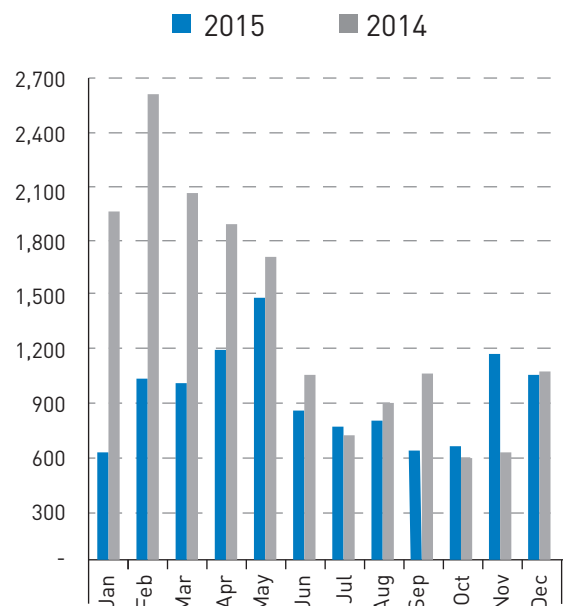


Volume (000 Shares)	2015	2014	Change (%)
Jan	14,277	140,116	(89.81)
Feb	27,111	187,685	(85.56)
Mar	24,173	168,896	(85.69)
Apr	78,892	114,685	(31.21)
May	80,681	197,940	(59.24)
Jun	27,568	67,168	(58.96)
Jul	19,287	25,118	(23.21)
Aug	25,721	57,647	(55.38)
Sep	87,122	50,686	71.88
Oct	28,456	64,278	(55.73)
Nov	62,734	21,965	185.61
Dec	39,539	31,266	26.46
<b>Market</b>	<b>515,561</b>	<b>1,127,448</b>	<b>(54.27)</b>



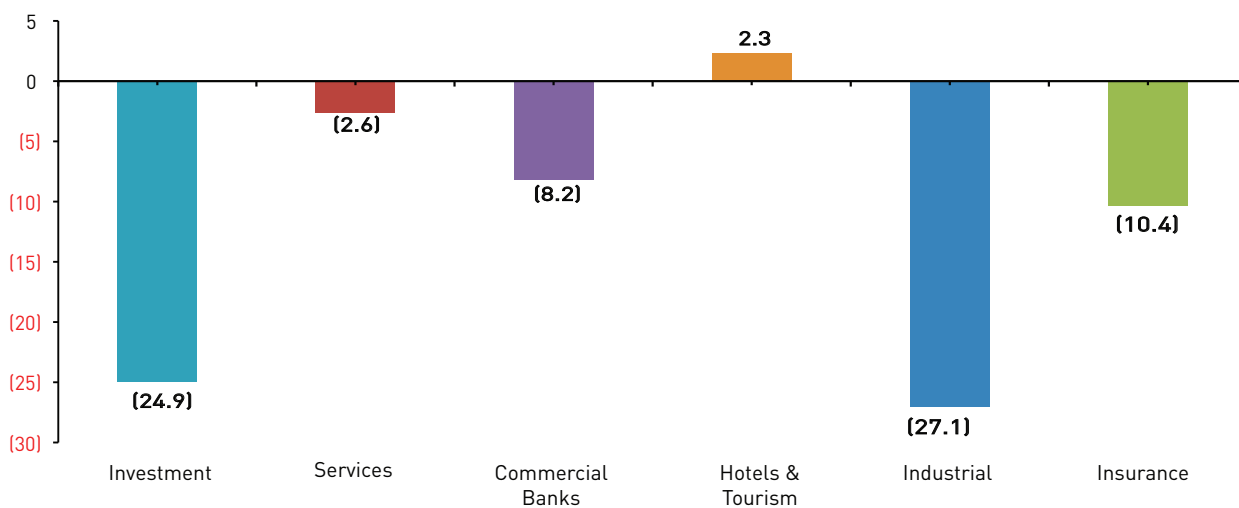
NO. OF TRANSACTIONS	2015	2014	CHANGE (%)
Jan	626	1,954	(67.96)
Feb	1,029	2,615	(60.65)
Mar	1,005	2,070	(51.45)
Apr	1,194	1,892	(36.89)
May	1,483	1,707	(13.12)
Jun	866	1,050	(17.52)
Jul	758	706	7.37
Aug	797	897	(11.15)
Sep	626	1,069	(41.44)
Oct	659	586	12.46
Nov	1,169	609	91.95
Dec	1,036	1,062	(2.45)
<b>Market</b>	<b>11,248</b>	<b>16,217</b>	<b>(30.64)</b>

Total Number of Transactions



MARKET CAP ( BD MILLION )	2015	2014	CHANGE (%)
Commercial Banks	3,483.5	3,793.8	(8.2)
Investment	1,723.0	2,295.1	(24.9)
Insurance	146.9	163.9	(10.4)
Services	1,096.4	1,125.6	(2.6)
Industrial	547.9	751.1	(27.1)
Hotels & Tourism	202.2	197.6	2.3
<b>Market</b>	<b>7,199.9</b>	<b>8,327.1</b>	<b>(13.5)</b>

Sectorial Growth in Market Capitalization During 2015 (%)

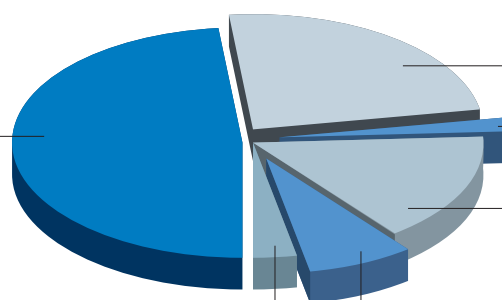


## THE BREAKDOWN OF MARKET CAPITALIZATION BY SECTORS FOR THE YEARS 2014 & 2013

### 2015

48.4%  
Commercial Banks

2.8%  
Hotels & Tourism



23.9%  
Investment

2.0%  
Insurance

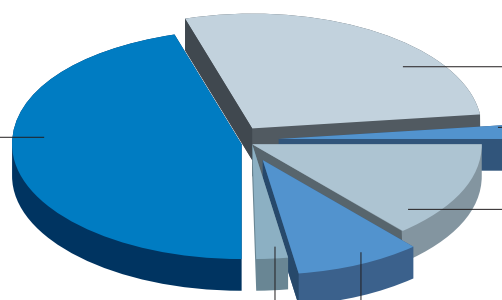
15.2%  
Service

7.6%  
Industrial

### 2014

45.6%  
Commercial Banks

2.4%  
Hotels & Tourism



27.6%  
Investment

2.0%  
Insurance

13.5%  
Service

9.0%  
Industrial

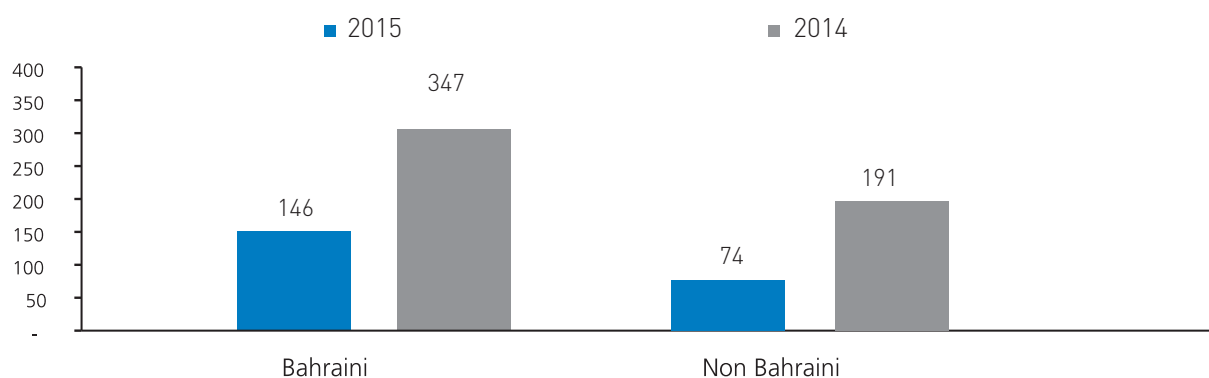
## TRADING BY NATIONALITY

VOLUME	2015	2014	CHANGE (%)
Bahraini	677,600,013	1,455,186,677	(53.44)
Non Bahraini	353,521,249	799,736,677	(55.80)
Total	1,031,121,262	2,254,923,354	(54.27)

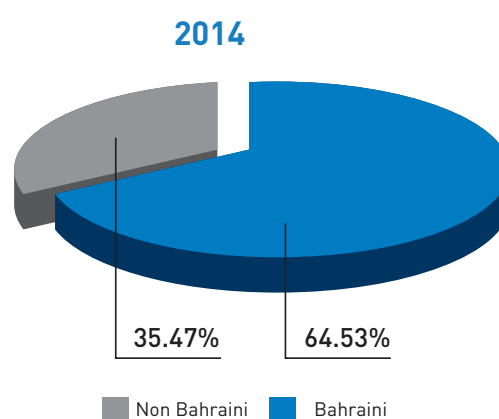
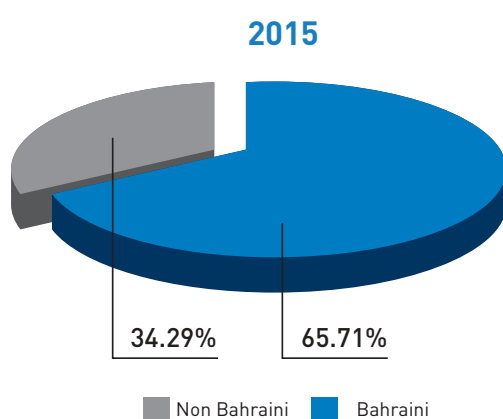
VALUE	2015	2014	CHANGE (%)
Bahraini	146,410,882	347,180,242	(57.83)
Non Bahraini	73,538,189	191,493,671	(61.60)
Total	219,949,071	538,673,913	(59.17)

## Trading by Nationalities (Value - BD)



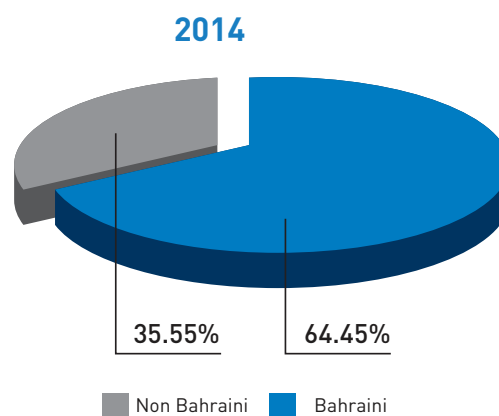
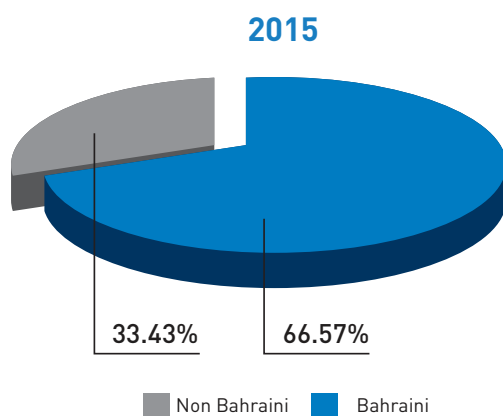
### Percentage of Trading by Nationality-Volume (Buy & Sell)

	2015	2014
Bahraini	65.71%	64.53%
Non Bahraini	34.29%	35.47%



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

	2015	2014
Bahraini	66.57%	64.45%
Non Bahraini	33.43%	35.55%





# TRADED SECURITIES AND INSTRUMENTS

## Listed Companies on Bahrain Bourse :

### Commercial Banks Sector

Al Ahli United Bank B.S.C.  
Al Salam Bank - Bahrain B.S.C.  
Bahrain Islamic Bank B.S.C.  
BBK B.S.C.  
Khaleeji Commercial Bank B.S.C.  
National Bank of Bahrain B.S.C.  
Ithmaar Bank B.S.C.

### Investment Sector

Al Baraka Banking Group B.S.C.  
INOVEST B.S.C.  
Arab Banking Corporation B.S.C.  
Bahrain Commercial Facilities Company B.S.C.  
Bahrain Middle East Bank B.S.C.  
Esterad Investment Company B.S.C.  
GFH Financial Group B.S.C.  
Gulf Monetary Group B.S.C.  
Investcorp Bank B.S.C.  
TAIB Bank B.S.C.  
United Gulf Bank B.S.C.  
United Gulf Investment Corporation B.S.C.

### Services Sector

Bahrain Ship Repairing and Engineering Company B.S.C.  
Bahrain Car Park Company B.S.C.  
Bahrain Cinema Company B.S.C.  
Bahrain Duty Free Shop Complex B.S.C.  
BMMI B.S.C.  
Bahrain Telecommunications Company B.S.C.  
Trafco Group B.S.C.  
Nass Corporation B.S.C.  
Seef Properties B.S.C.  
Zain Bahrain B.S.C.

### Insurance Sector

Al Ahlia Insurance Company B.S.C.  
Arab Insurance Group B.S.C.  
Bahrain Kuwait Insurance Company B.S.C.  
Bahrain National Holding Company B.S.C.  
Takaful International Company B.S.C.

### Hotels & Tourism Sector

Bahrain Family Leisure Company B.S.C.  
Gulf Hotels Group B.S.C.  
Bahrain Tourism Company B.S.C.  
Banader Hotels Company B.S.C.  
National Hotels Company B.S.C.

### Industrial Sector

Bahrain Flour Mills Company B.S.C.  
Delmon Poultry Company B.S.C.  
Aluminium Bahrain B.S.C.

### Closed Companies

Securities & Investment Company B.S.C. (c)  
United Paper Industries B.S.C. (c)

### Non-Bahraini Companies

Bank Muscat S.A.O.G.  
Global Investment House K.S.C.C.

## Listed Mutual Funds

Unit Investment Bank  
SICO Selected Securities (SSS)  
Khaleej Equity Fund  
SICO Gulf Equity Fund  
Makaseb Arab Tigers Fund  
Makaseb Income Fund  
Global Opportunistic Fund  
Global GCC Large Cap Fund  
The Zenith 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  
NBK Gulf Equity Fund  
NBK Qatar Equity Fund  
SICO Kingdom Equity Fund  
Markaz Arabian Fund  
SICO Fixed Income Fund

## Listed Bonds & Sukuk

Government Development Bond - 2019  
Government Islamic Leasing Securities - Issue 17  
Government Development Bond - 2017  
Sukuk Al Musharaka (Investment DAR  
Sukuk Co.) - 2010\*  
Government Islamic Leasing Securities - Issue 19  
Government Development Bond - 2016  
Government Islamic Ijarah Leasing Securities - Issue 22  
Government Islamic Ijarah Leasing Securities - Issue 21  
Government Islamic Ijarah Leasing Securities - Issue 23  
Government Development Bond - Issue 9  
Government Development Bond - Issue 8  
Government Development Bond - Issue 10

\* Matured as of 26<sup>th</sup> Oct 2010

## Brokers & Custodians

### Brokerage Firms

Ahli United Bank  
Al Ahlia Bahrain B.S.C. (c)  
BBK B.S.C.  
Global Investment House B.S.C. (c)  
Mubasher Financial Services B.S.C. (c)  
Securities & Investment Co. B.S.C. (c)  
United Gulf Bank B.S.C.  
Gulf Securities Company W.L.L.

### Individual Brokers

Abdulla J. Zain Al-Abedeen Office  
Nasser Abbas Khosrou Office  
Yousif H. Al-Ajaji Office

### Custodians

SICO Funds Services Company B.S.C.  
Gulf Custody Company B.S.C. (c)  
HSBC Bank Middle East Limited  
Standard Chartered Bank Bahrain  
Citibank N.A. Bahrain



# LISTING AND ANNUAL SUBSCRIPTION FEES

## Local Equities

- Listing\*:
  - > 0.1% of the company's paid-up capital, with a maximum amount of BD15,000 and a minimum amount of BD5,000.
- Annual subscription\*\*:
  - > 0.13% of the first BD10 million of the company's paid up capital, with a minimum of BD5,000/-.
  - > 0.07% of the amount exceeding BD10 million, up to BD50 million.
  - > 0.035% of the amount exceeding BD50 million, with a maximum amount of BD80,000/-.
- Clearing & Settlement:
  - > 0.0125% of the first BD15 million of the company's paid-up capital with a minimum of BD1,000.
  - > 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\*:
  - > 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\*\*:
  - > 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\*\*:
  - > 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
  - > 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:
  - > Listing\*: BD 1,500
  - > Annual Subscription\*\*: BD 2,000
- Private & Non Bahraini:
  - > Listing\*: 0.05% of the total value with a minimum of BD 2,000 and maximum of BD 5,000.
  - > 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 2015

## 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 legislations 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.

## Company and Shareholder Information

Bahrain Bourse was established as a Bahraini Closed Shareholding Company pursuant to Decree number (60) for the year 2010 to replace Bahrain Stock Exchange which was established in 1987. Bahrain Bourse is licensed as a stock exchange by the Central Bank of Bahrain and is fully owned by the Government of The Kingdom of Bahrain.

The Bourse is governed by the law of the Central Bank of Bahrain (Capital Market Sector), the Central Bank of Bahrain's Rulebook – Volume 6 (Capital Markets), Commercial Companies Law, and the Implementing Regulations Commercial Companies Law.

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/- (Bahraini 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 started from 6th February 2011 and ended on 5th February 2014.

## 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 that 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 they 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 in 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, policies, and BHB Corporate Governance Policy Manual with its related appendices, determine the financial and other transactions that require the approval of the Board of Directors, which is including the Board members and all 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 and Remuneration Committee. Similarly, the Audit Committee, Risks Committee and Corporate Governance Committee were merged into one Committee called the Audit, Risks and Governance Committee, based on the approval of the Central Bank of Bahrain. During March 2015, a separate Corporate Governance committee was formed to be independent of the Audit, Risks and Governance Committee.

#### Executive, Nomination and Remuneration Committee

MEMBERS	BRIEF TERMS OF REFERENCE, TASKS AND RESPONSIBILITIES
<b>Afnan Rashid Al Zayani</b> Committee Chairperson	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>Aymen Tawfeeq Almoayed</b> Committee Deputy Chairperson	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>Rana Ebrahim Faqihi</b> Committee Member	<ul style="list-style-type: none"> <li>The attendance of at least a majority of the members, provided that the Chairperson or Deputy Chairperson is among them, shall constitute a quorum.</li> </ul>
<b>Yaser Ebrahim Humaidan</b> Committee Member	<ul style="list-style-type: none"> <li>The Committee shall hold minimum of four meetings in a year.</li> </ul>
<b>Marwan Khalid Tabbara</b> Committee Member	<ul style="list-style-type: none"> <li>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.</li> </ul> <p><b>Summary of Responsibilities:</b> recommend ways and means to develop Bahrain Bourse, instruct the Executive Management to prepare the studies and reports related to the Bourse, nominate qualified candidates to be members in the Board of Directors, recommend the qualified candidates to fill in Executive Management to the Board, and review the Remuneration Policy of the Board and the Executive Management.</p>

#### Audit and Risks Committee

Members	BRIEF TERMS OF REFERENCE, TASKS AND RESPONSIBILITIES
<b>Mohammed Ahmed Hassan</b> Committee Chairperson	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>The attendance of at least a majority of the members, provided that the Chairperson or Deputy Chairperson is among them, shall constitute a quorum.</li> <li>The Committee shall hold minimum of four meetings in a year.</li> <li>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.</li> </ul> <p><b>Summary of Responsibilities:</b> 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.</p>
<b>Nabeel Khalid Kanoo</b> Committee Deputy Chairperson	
<b>Fouad Abdulrahman Rashid</b> Committee Member	

#### Corporate Governance Committee

Members	BRIEF TERMS OF REFERENCE, TASKS AND RESPONSIBILITIES
<b>Aymen Tawfeeq Almoayed</b> Committee Chairperson	<ul style="list-style-type: none"> <li>The Board of Directors appoints the members of the Committee who will be at least three independent and non-executive members, for a term of three years, subject to renewal in concurrence with the term of the Board of Directors.</li> <li>A committee chairperson is elected from among the members of the Committee at the first meeting after the appointment of its members.</li> <li>The meeting attendance quorum is at least a majority of the members, provided that the Chairperson or Deputy Chairperson is among them, shall constitute a quorum.</li> <li>The Committee shall hold minimum of two meetings in a year.</li> <li>The Committee conducts an annual self-assessment of the performance of the Committee / members and report the results 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.</li> </ul> <p><b>Summary of Responsibilities:</b> The Committee oversees the implementation of corporate governance rules and principles in the Bourse and reviews the instructions issued by the regulatory authorities regarding corporate governance.</p>
<b>Yaser Ebrahim Humaidan</b> Committee Deputy Chairperson	
<b>Fouad Abdulrahman Rashid</b> Committee Member	

## **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 2015, there was no remuneration to the Board of Directors.

## **Remuneration of Executive Management**

### **Fixed and Variable Compensations and Remunerations**

The amount of Executive Management's compensations and remunerations for the year 2015 was BHD 92,899, and this amount includes basic salaries, fixed allowances, and bonuses related to performance appraisals at the year-end 2015.

## **Evaluating 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, according to the approved assessment policy and procedure for Board members assessment.

## **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 and Board members 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 approved and included in the Corporate Governance Policy Manual of the Bourse to ensure that irregularities and breaches get reported. The Bourse have also approved the policies, procedures and 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 policies, procedures and 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 Audit and Risks Committee. Any reported issues will be then redirected to the relevant committee within the Board for immediate investigation.



### **Insiders' Policy**

Bahrain Bourse Insiders' Policy is applicable on its employees and Board Members. It is applied 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 and Risks Committee oversees 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

The independence of the Board Members was defined in the Board Meeting held on December 28<sup>th</sup>, 2015.

Yusuf Abdulla Humood		
Chairman of the Board of Directors (Non-Independent & Non-Executive Director)	Joined the Board of Directors on 6 <sup>th</sup> February 2011	
Executive Education Program Certificate from Harvard Kennedy School-Jordan, Certificate of Gulf Executive Development Program from Darden University-Virginia, Diploma of Projects Planning and Appraisal from Strathclyde University-Scotland, Bachelors of Economic Planning from the University of Aleppo – Syria		
<b>Experience:</b> More than 36 years in government economic sector.		
MEMBERSHIP	COMPANY NAME	COUNTRY
Board Member	Future Generations Reserve Fund	Bahrain
Board Member	Central Bank of Bahrain	Bahrain
Board Member	National Oil & Gas Authority	Bahrain
Board Member	Oil & Gas Holding Company	Bahrain
Deputy Chairman	Arab Investment Company	Saudi Arabia

Marwan Khalid Tabbara		
Deputy Chairman of the Board of Directors (Independent & Non-Executive Director)	Member of the Executive, Nomination & Remuneration Committee	Joined the Board of Directors on 6 <sup>th</sup> February 2011
Masters of Engineering from Duke University-USA, Bachelors of Electrical Engineering from Duke University-USA, Bachelors of Economics from Duke University-USA.		
<b>Experience:</b> more than 4 years in the banking sector and more than 13 years in consultancy.		
MEMBERSHIP	COMPANY NAME	COUNTRY
Managing Director	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
Board Member	Bahrain Flour Mills	Bahrain

(continued)

### Afnan Rashid Al Zayani

Member of the Board of Directors (Independent & Non-Executive Director)	Chairperson of Executive, Nomination & Remuneration Committee	Joined the Board of Directors on 6 <sup>th</sup> February 2011
Bachelors of Food Technology from Texas Technical University-USA, Majoring in Food Technology and Nutrition from The American University-Beirut. <b>Experience:</b> More than 34 years in the Business Administration sector.		
MEMBERSHIP	COMPANY NAME	COUNTRY
Owner	Al Zayani Commercial Services Company S.P.C.	Bahrain
Owner	Alzayani Elevators Company S.P.C.	Bahrain
Board Member	Bahrain Flour Mills Company	Bahrain
Board Member	Bahrain Chamber of Commerce & Industry	Bahrain
Owner	Afnan Artistic Production	Bahrain
Owner	Afnan Advertising & Designing	Bahrain
Owner	Dalia Investments S.P.C.	Bahrain
Shareholder & Partner	Martinizing Laundry W.L.L.	Bahrain

### Mohammed Ahmed Hassan

Member of the Board of Directors (Non-Independent & Non-Executive Director)	Chairperson of Audit & Risk Committee	Joined the Board of Directors on 6 <sup>th</sup> February 2011
Bachelors of Accounting from The University of Riyadh. <b>Experience:</b> More than 36 years in the public financial sector, including 11 years in Audit.		
MEMBERSHIP	COMPANY NAME	COUNTRY
Not a member of the Board of Directors of any other company.		

### Yaser Ebrahim Humaidan

Member of the Board of Directors (Independent & Non-Executive Director)	Deputy Chairperson of Corporate Governance Committee Member of the Executive, Nomination & Remuneration Committee	Joined the Board of Directors on 6 <sup>th</sup> February 2011
Bachelors of Finance from Lehigh University in Pennsylvania. <b>Experience:</b> More than 21 years in investment management in the banking sector.		
Not a member of the Board of Directors of any other company.		

### Rana Ebrahim Faqihi

Member of the Board of Directors (Non-Independent & Non-Executive Director)	Member of the Executive, Nomination & Remuneration Committee	Joined the Board of Directors on 6 <sup>th</sup> February 2011
Masters of International Business Management - UK <b>Experience:</b> around 13 years in the government economic sector.		
MEMBERSHIP	COMPANY NAME	COUNTRY
Board Member Audit Committee Member	Eskan Bank Tamkeen	Bahrain Bahrain

### Nabeel Khalid Kanoo

Member of the Board of Directors (Independent & Non-Executive Director)	Deputy Chairperson of Audit & Risk Committee	Joined the Board of Directors on 6 <sup>th</sup> February 2011
Bachelors of Business Administration from St. Edward's University - US. <b>Experience:</b> More than 18 years in investment and tourism sectors.		
MEMBERSHIP	COMPANY NAME	COUNTRY
Board Member	Yusuf Bin Ahmed Kanoo Co	Bahrain
Board Member	Yusuf Bin Ahmed Kanoo Co	Saudi Arabia
Board Member	Kanoo & El Shabrawy Co	Egypt
Board Member	Ithmaar Bank	Bahrain
Board Member	Bahrain Chamber of Commerce & Industry	Bahrain
Board Member	Bahrain Airport Services	Bahrain

### Aymen Tawfeeq Almoayed

Member of the Board of Directors (Independent & Non-Executive Director)	Chairperson of Corporate Governance Committee. Deputy Chairperson of the Executive, Nomination & Remuneration Committee	Joined the Board of Directors on 27 <sup>th</sup> March 2014
Masters in Business Administration from University of Cambridge – UK, Bachelors in Law from University of Kent. <b>Experience:</b> 13 years as a lawyer, arbitrator, and strategic adviser.		
MEMBERSHIP	COMPANY NAME	COUNTRY
Board Member	Almoayed Holdings & Companies	Bahrain
Managing Partner	Almoayed Chambers & Companies	Bahrain
Board Member	Coca-Cola Bahrain	Bahrain

### Fouad Abdulrahman Rashid

Member of the Board of Directors	Member of the Audit & Risks Committee Member of the Corporate Governance Committee	Joined the Board of Directors on 27 <sup>th</sup> March 2014
Certificate of Gulf Executives Development Program from Darden – Virginia, and Diploma in Commerce from Gulf College.		
<b>Experience:</b> Around 35 years in Capital Market Sector and brokerage firms, out of which 11 years as a Chief Executive Officer of Bahrain Bourse.		
Not a member of the Board of Directors of any other company.		

## 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 six meetings during the year of 2015, 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		1/2015	2/2015	3/2015	4/2015	5/2015	7/2015
		16 Feb. 2015	16 Mar. 2015	15 June 2015	29 Oct. 2015	9 Nov. 2015	28 Dec. 2015
Yusuf Abdulla Humood	Chairperson of the Board	✓	✓	✓	✓	✓	✓
Marwan Khalid Tabbara	Deputy Chairperson of the Board	✓	✓	✓	✓	✓	✓
Afnan Rashid Al Zayani	Board Member	✓	-	-	✓	✓	✓
Mohammed Ahmed Hassan	Board Member	-	✓	✓	✓	✓	✓
Yaser Ebrahim Humaidan	Board Member	✓	✓	✓	✓	✓	✓
Rana Ebrahim Faqihi	Board Member	✓	✓	✓	-	✓	✓
Nabeel Khalid Kanoo	Board Member	-	✓	-	✓	✓	-
Aymen Tawfeeq Almoayed	Board Member	-	✓*	✓	✓	✓*	✓
Fouad Abdulrahman Rashid	Board Member	✓	✓	✓	✓	✓	✓

\* Participated through the phone.

## Meetings of the Executive, Nomination and Remuneration Committee

Members of the Executive, Nomination & Remuneration		1/2015	2/2015	3/2015	4/2015	5/2015	6/2015	7/2015
		18 Jan. 2015	28 Jan. 2015	1 Apr. 2015	18 May 2015	4 Jun. 2015	13 Oct. 2015	20 Dec. 2015
Afnan Rashid Al Zayani	Committee Chairperson	✓	✓	✓	-	✓	✓	✓
Aymen Tawfeeq Almoayed	Committee Deputy Chairperson	-	-	✓	✓	-	✓	✓
Marwan Khalid Tabbara	Committee Member	✓	✓	✓	✓	✓	✓	✓
Yaser Ebrahim Humaidan	Committee Member	✓	✓	✓	✓	✓	✓	✓
Rana Ebrahim Faqihi	Committee Member	✓	-	✓	✓	-	-	-

## Meetings of the Audit & Risks Committee

Members of the Audit & Risks Committee		38 (1/2015)	39 (2/2015)	40 (3/2015)	41 (4/2015)	42 (5/2015)	43 (6/2015)	44 (7/2015)
		2 Mar. 2015	10 Mar. 2015	25 May 2015	29 Jun. 2015	29 Jul. 2015	8 Nov. 2015	13 Dec. 2015
Mohammed Ahmed Hassan	Committee Chairperson	✓	✓	✓	✓	✓	✓	✓
Nabeel Khalid Kanoo	Committee Deputy Chairperson	✓	-	✓	-	-	-	-
Fouad Abdulrahman Rashid	Committee Member	✓	✓	✓	✓	✓	✓	✓

## Meetings of Corporate Governance Committee

Members of the Audit & Risks Committee		(1/2015)	(2/2015)	(3/2015)	(4/2015)	(5/2015)
		2 April 2015	7 May 2015	4 June 2015	9 June 2015	11 Nov. 2015
Aymen Tawfeeq Almoayed	Committee Chairperson	✓	✓	-	✓	✓
Yaser Ebrahim Humaidan	Committee Deputy Chairperson	✓	✓	✓	✓	✓
Fouad Abdulrahman Rashid	Committee Member	✓	✓	✓	-	✓

## Auditors

Bahrain Bourse has appointed Ernst & Young as external auditors for the year 2015.

## Bahrain Bourse Corporate Governance - “Comply or Explain” Principle

### List of Partially-Implemented and Unimplemented Corporate Governance Principles

#	Principle	Explanation
1.	The Company should have a written appointment agreement with each director.	Corporate Governance Committee reviewed Board Members Appointment Agreement and recommended approving the agreement by the Board in order for all Board Members to sign it.
2.	The Chairman of the Board must be one of the independent members.	There is a recommendation from Corporate Governance Committee to rectify the situation.
3.	The board should review the independence of each director at least annually.	Independent and Non-Independent Board Members were defined by the Board of Directors in the meeting held on December 28 <sup>th</sup> , 2015.
4.	At least annually, the board shall conduct an evaluation of its performance and the performance of each committee and each individual director. (Partially-Applied).	According to Board Resolution, the Corporate Governance Committee approved a framework and a mechanism to evaluate the Board of Directors by an external party, and companies were invited to submit their proposals.
5.	The board shall establish an audit committee of at least three members of which the majority should be independent including the Chairman.	Independent and Non-Independent Board Members were defined by the Board of Directors in the meeting held on December 28 <sup>th</sup> , 2015.
6.	The chairman of the board shall ensure that each new director receives a formal and tailored induction to ensure his contribution to the board from the beginning of his term. (Informally Applied).	An introductory workshop based on corporate governance principles will be designed.
7.	The Nominating Committee shall oversee directors' corporate governance educational activities. (Partially Applied).	Nomination Committee have recently approved a framework to conduct a workshop about corporate governance.
8.	Holding Annual General Meeting (AGM) for the Bourse.	The Bourse settled for submitting an annual report to the shareholder containing all the clauses to hold the AGM. This is done based on the letter received from the Ministry of Industry and Commerce dated May 22 <sup>nd</sup> , 2013, which itself is based on the opinion of Legislation and Legal Opinion Commission, that Bahrain Bourse is owned by one person, which is the Bahraini Government, is not subject to the provisions related to conducting an AGM.  The Bourse will start to conduct AGMs starting from this year.
9.	Communication with the Shareholder.	The principle will be implemented.

# Financial

## Statements





## CONTENTS

50	Independent Auditor's Report
52	Statement of Financial Position
54	Statement of Comprehensive Income
55	Statement of Changes in Equity
56	Statement of Cash Flows
57	Notes to the Financial Statements

# Contents





# INDEPENDENT AUDITOR'S REPORT

## Report on the financial statements

We have audited the accompanying financial statements of Bahrain Bourse B.S.C. (c) (the "Bourse"), which comprise the statement of financial position as at 31 December 2015 and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Board of Directors' responsibility for the financial statements*

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

### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 the Board of Directors as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## ***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bourse as at 31 December 2015, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

## ***Emphasis of matter***

Without qualifying our opinion, we draw attention to note 2.2 to the financial statements which describes that the Board of Directors has withdrawn the financial statements of the Bourse for the year ended 31 December 2015 issued earlier, on which we had issued an unqualified audit opinion dated 7 March 2016.

This audit report on the re-issued financial statements is to account for a reversal effect of Board of Directors' remuneration fees amounting to BD 72 thousand. We further draw your attention that our audit procedures on subsequent events were restricted solely to the amendment of the financial statements for the matter described in note 2.2 to these reissued financial statements.

## ***Other matter***

The financial statements of the Bourse for the year ended 31 December 2014 were audited by another auditor who expressed an unmodified audit opinion dated 16 March 2015 on those financial statements.

## **Report on other regulatory requirements**

As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain (CBB) Rule Book (Volume 6), we report that:

- (a) the Bourse has maintained proper accounting records and the financial statements are in agreement therewith; and
- (b) the financial information contained in the report of the Board of Directors is consistent with the financial statements.

We are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 6) and CBB directives or the terms of the Bourse's memorandum and articles of association during the year ended 31 December 2015 that might have had a material adverse effect on the business of the Bourse or on its financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests.

Partner's registration no. 115  
20 June 2016  
Manama, Kingdom of Bahrain

# STATEMENT OF FINANCIAL POSITION

As at December 31, 2015

	<i>Note</i>	<i>2015 BD</i>	<i>2014 BD</i>
<b>ASSETS</b>			
<b>Non-current asset</b>			
Property and equipment	4	3,559,190	4,276,964
<b>Current assets</b>			
Accounts receivable	5	99,541	53,242
Prepayments and other receivables	6	144,829	67,602
Cash and bank balances	7	4,719,309	5,525,900
		4,963,679	5,646,744
<b>Total Assets</b>		<b>8,522,869</b>	<b>9,923,708</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	8	2,000,000	2,000,000
General reserve	9	2,000,000	2,000,000
Statutory reserve	10	401,075	401,075
Retained earnings		3,660,103	4,681,000
<b>Total equity</b>		<b>8,061,178</b>	<b>9,082,075</b>
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Provision for employees' end of service benefits	11	25,221	36,871

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

# STATEMENT OF FINANCIAL POSITION

As at December 31, 2015 (continued)

	<i>Note</i>	<i>2015 BD</i>	<i>2014 BD</i>
<b>CURRENT LIABILITIES</b>			
Accounts payable		30,268	83,104
Accruals and other liabilities	12	329,283	481,586
Deferred revenue	13	76,919	240,072
		436,470	804,762
<b>TOTAL LIABILITIES</b>		461,691	841,633
<b>TOTAL EQUITY AND LIABILITIES</b>		8,522,869	9,923,708
<b>Off balance sheet accounts</b>			
Guarantee deposits in custody	22	1,341,663	1,671,209

**Mr. Yousuf A. Humood**  
Chairman

**Mr. Mohammed Ahmed Hassan**  
Director

**Sh. Khalifa bin Ibrahim Al-Khalifa**  
Chief Executive Officer

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

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2015

	<i>Note</i>	<i>2015 BD</i>	<i>2014 BD</i>
<b>INCOME</b>			
Subscription fees		1,645,544	1,650,179
Dealing commission	14	236,545	352,386
Registration fees		9,000	15,000
Financial support from the Government of Bahrain		500,000	1,800,000
Interest income		89,952	117,893
Other income	15	362,439	331,955
<b>Total income</b>		<b>2,843,480</b>	<b>4,267,413</b>
<b>EXPENSES</b>			
Staff costs		1,598,333	1,420,236
General and administration expenses	16	1,486,764	1,504,834
Depreciation	4	740,159	571,475
Provision for impairment of receivables	5	39,121	52,328
Remuneration of the Board of Directors	17	-	64,000
<b>Total expenses</b>		<b>3,864,377</b>	<b>3,612,873</b>
<b>Net (loss) / profit and total comprehensive income for the year</b>		<b>(1,020,897)</b>	<b>654,540</b>

**Mr. Yousuf A. Humood**  
Chairman

**Mr. Mohammed Ahmed Hassan**  
Director

**Sh. Khalifa bin Ibrahim Al-Khalifa**  
Chief Executive Officer

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

## STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2015

	<i>Note</i>	<i>Share Capital BD</i>	<i>General Reserve BD</i>	<i>Statutory Reserve BD</i>	<i>Retained Earnings BD</i>	<i>Total BD</i>
At 1 January 2015		2,000,000	2,000,000	401,075	4,681,000	9,082,075
Total comprehensive income for the year		-	-	-	(1,020,897)	(1,020,897)
<b>At 31 December 2015</b>		<b>2,000,000</b>	<b>2,000,000</b>	<b>401,075</b>	<b>3,660,103</b>	<b>8,061,178</b>
At 1 January 2014		2,000,000	2,000,000	335,621	4,091,914	8,427,535
Total comprehensive income for the year		-	-	-	654,540	654,540
Transfer to statutory reserve	10	-	-	65,454	(65,454)	-
At 31 December 2014		2,000,000	2,000,000	401,075	4,681,000	9,082,075

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

# STATEMENT OF CASH FLOWS

For the year ended December 31, 2015

	<i>Note</i>	<i>2015 BD</i>	<i>2014 BD</i>
<b>OPERATING ACTIVITIES</b>			
Subscription fees and registration fees received		1,602,160	1,657,263
Commissions and other income received		402,795	727,815
Staff costs paid		(1,546,558)	(1,413,718)
General and administration expenses paid		(1,772,039)	(1,454,405)
Board of Directors' remuneration paid		(64,000)	(58,917)
Net cash flows used in operating activities		(1,377,642)	(541,962)
<b>INVESTING ACTIVITIES</b>			
Purchases of property and equipment	4	(22,385)	(76,105)
Capital work-in-progress -		-	(331,387)
Movement in term deposits with banks			
(original maturities more than 3 months)	7	(686,429)	1,020,647
Interest income received		93,436	97,836
<b>Net cash flows (used in) from investing activities</b>		(615,378)	710,991
<b>FINANCING ACTIVITY</b>			
Financial support from the Government of Bahrain		500,000	1,770,000
Net cash flows from financing activity		500,000	1,770,000
<b>(DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>		(1,493,020)	1,939,029
Cash and cash equivalents at beginning of the year		3,324,316	1,385,287
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	7	1,831,296	3,324,316

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

## 1 INCORPORATION AND ACTIVITIES

### Incorporation

The Bahrain Bourse B.S.C. (c) (the "Bourse") was incorporated in the Kingdom of Bahrain as a closed shareholding company under commercial registration (CR) number 76907 dated 13 December 2010 issued by the Ministry of Industry and Commerce according to Law Decree No. 60 for the year 2010 to replace Bahrain Stock Exchange (BSE) that was established in 1987. The Bourse is licensed as a capital market by the Central Bank of Bahrain ("CBB") and accordingly is subject to the regulations and supervision of the CBB.

### Activities

The Bourse is engaged in financial market activities by offering a capital markets platform, while acting as the intellectual and business hub for all capital market participants. The Bourse's registered office is at Bahrain Financial Harbour, Harbour Mall, P O Box 3203, Manama, Kingdom of Bahrain.

The financial statements of the Bourse for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Board of Directors dated 20 June 2016.

## 2.1 BASIS OF PREPARATION

### Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in conformity with the Bahrain Commercial Companies Law ("BCCL") the CBB and Financial Institutions Law, the CBB Rule Book (Volume 6) and the relevant CBB directives.

### Accounting convention

The financial statements have been prepared on a historical cost basis. These financial statements are presented in Bahrain Dinars (BD) which is the Bourse's functional and presentation currency.

## 2.2 RE-ISSUANCE OF FINANCIAL STATEMENTS

These financial statements are re-issued to reflect the reversal of Board of Directors' remuneration of BD 72 thousand for 2015 that was accrued in the previously issued financial statements. An audit report dated 7 March 2016 was issued by the auditors on those financial statements. However, since the Minister of Commerce and Industry ("a shareholder") did not approve the accrual of the Board of Directors' remuneration for 2015, the Bourse had to reverse this expense and the related accrual. Accordingly, the Bourse has withdrawn the financial statements issued earlier and reissued these financial statements to give effect to the above reversal.



## 3 ACCOUNTING POLICIES

### 3.1 Significant accounting judgements and estimates

#### Going concern

The Bourse's management has made an assessment of the Bourse's ability to continue as a going concern and is satisfied that the Bourse has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt about the Bourse's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

#### Impairment of receivables

A provision for impairment of receivables is made when there is objective evidence that the Bourse will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered as indicators that the receivable is impaired. The recoverable amount of the receivables is estimated based on past experience and estimate of future cash flows.

#### Useful lives of property and equipment

The Bourse's management determines the useful lives of tangible 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.

### 3.2 Standards, amendments and interpretations effective from 1 January 2015

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRSs effective during the year:

- Amendments to IAS 19 Defined Benefit Plans: Employee Contribution;
- IAS 36 Impairment of Assets (Amendment) - Recoverable amount disclosures for non-financial asset;
- Annual Improvements 2010-2012 Cycle;
- IFRS 2 Share-based Payment;
- IFRS 3 Business Combinations;
- IFRS 8 Operating Segments;
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets;
- IAS 24 Related Party Disclosures;
- IAS 40 Investment Property; and
- Annual Improvements 2011-2013 Cycle.

The above amendments to IFRSs which are effective for annual accounting periods starting from 1 January 2015 did not have any material impact on the accounting policies, financial position or performance of the Bourse.

## 3 ACCOUNTING POLICIES (continued)

### 3.3 New Standards, amendments and interpretations Issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the financial statements are listed below. This listing is of relevant standards and interpretations issued, which the Bourse reasonably expects to be applicable at a future date. The Bourse intends to adopt those standards (where applicable) when they become effective:

#### *IFRS 9 - Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Bourse is currently assessing the potential impact of adoption of IFRS 9 on its financial statements.

#### *Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments have no impact on the Bourse's financial position, performance or its disclosures.

#### *Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments have no impact on the Bourse's financial position, performance or its disclosures.

## 3 ACCOUNTING POLICIES (continued)

### 3.3 New Standards, amendments and interpretations Issued but not yet effective (continued)

#### *IFRS 15 - Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Bourse plans to adopt the new standard on the required effective date using the full retrospective method. The Bourse is currently assessing the potential impact of adoption of IFRS 15 on the financial statements.

#### *Amendments to IAS 1 Disclosure Initiative*

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statements of profit or loss and other comprehensive income and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements; and
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Bourse is currently assessing the potential impact of adoption of IAS 1 on the financial statements.

#### *Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Bourse is currently assessing the potential impact of adoption of IAS 16 and IAS 38 on the financial statements.

## 3 ACCOUNTING POLICIES (continued)

### 3.3 New Standards, amendments and interpretations issued but not yet effective (continued)

#### *IFRS 16 - Leases*

The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Bourse is currently assessing the impact of adoption of IFRS 16 on the financial statements.

### 3.4 Summary of significant accounting policies

#### (a) Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment. When significant parts of property and equipment are required to be replaced at intervals, the Bourse recognises such parts as individual assets with specific useful lives and depreciation, respectively. Similarly, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Fixtures	15 years
Furniture and equipment	5 – 10 years
Computers	5 years
Vehicles	5 years

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

#### *Capital work-in-progress*

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

#### (b) Cash and cash equivalents

Cash and cash equivalents comprise balances with banks and placement with financial institutions with original maturities of three months or less.

## 3 ACCOUNTING POLICIES (continued)

### 3.4 Summary of significant accounting policies (continued)

#### (c) Impairment of non-financial assets

The Bourse assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bourse estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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.

Impairment losses are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

#### (d) Financial assets

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

##### *Receivables*

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment.

##### *Impairment of financial assets*

The Bourse assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## 3 ACCOUNTING POLICIES (continued)

### 3.4 Summary of significant accounting policies (continued)

#### *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.

#### **(e) 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.

##### *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.

##### *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.

#### **(f) 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 benefits basis or to realise the assets and settle the liabilities simultaneously.

#### **(g) Share capital**

Ordinary shares issued by the Bourse are classified as equity. The Bourse classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

#### **(h) Statutory reserve**

The Bahrain Commercial Companies Law 2001 requires that 10% of the annual profit be appropriated to a statutory reserve which is normally distributable only on dissolution. Appropriations may cease when the reserve reaches 50% of the paid up share capital.

## 3 ACCOUNTING POLICIES (continued)

### 3.4 Summary of significant accounting policies (continued)

#### (i) Provision for employees' end of service benefits

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

The Bourse also provides end of service benefits to its expatriate employees in accordance with the labour law of the Kingdom of Bahrain. The entitlement to these benefits is based upon the employees' final salary and length of service. The expected costs of these benefits are accrued over the period of employment.

#### (j) 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.

#### (k) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bourse and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

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

Financial support received for specific purposes is recognised as liability until the fulfilment of its purpose and then recognised as revenue.

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

Interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.



## 3 ACCOUNTING POLICIES (continued)

### 3.4 Summary of significant accounting policies (continued)

#### (l) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Bourse receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

#### (m) 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.

#### (n) Foreign currency translation

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing on the date of the transaction.

Monetary assets and liabilities in foreign currencies are translated into Bahraini Dinars at functional currency rates of exchange prevailing at the reporting date. Any gains or losses are recognised in the statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### (o) Contingent assets and 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, 2015 (continued)

## 4. PROPERTY AND EQUIPMENT:

	<i>Fixtures BD</i>	<i>Furniture and Equipment BD</i>	<i>Computers BD</i>	<i>Vehicles BD</i>	<i>Capital Work-in- progress BD</i>	<i>Total BD</i>
<b>COST</b>						
At 1 January 2014	3,129,654	1,190,137	1,712,049	17,435	1,136,568	7,185,843
Additions	-	6,723	69,382	-	331,387	407,492
Transfers	-	-	1,100,459	-	(1,100,459)	-
At 31 December 2014	3,129,654	1,196,860	2,881,890	17,435	367,496	7,593,335
Additions	-	3,649	18,736	-	-	22,385
Transfers	-	367,496	-	-	(367,496)	-
<b>At 31 December 2015</b>	<b>3,129,654</b>	<b>1,568,005</b>	<b>2,900,626</b>	<b>17,435</b>	<b>-</b>	<b>7,615,720</b>
<b>ACCUMULATED DEPRECIATION</b>						
At 1 January 2014	660,100	578,541	1,495,821	10,434	-	2,744,896
Charge of the year	208,643	160,723	200,109	2,000	-	571,475
At 31 December 2014	868,743	739,264	1,695,930	12,434	-	3,316,371
Charge of the year	208,643	214,906	314,610	2,000	-	740,159
<b>At 31 December 2015</b>	<b>1,077,386</b>	<b>954,170</b>	<b>2,010,540</b>	<b>14,434</b>	<b>-</b>	<b>4,056,530</b>
<b>Net book value</b>						
<b>At 31 December 2015</b>	<b>2,052,268</b>	<b>613,835</b>	<b>890,086</b>	<b>3,001</b>	<b>-</b>	<b>3,559,190</b>
At 31 December 2014	2,260,911	457,596	1,185,960	5,001	367,496	4,276,964

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015 (continued)

## 5. ACCOUNTS RECEIVABLE:

	2015 BD	2014 BD
Subscription and registration fees receivable	411,769	359,385
Commissions receivable	30,921	25,339
Service fees receivable	5,250	4,624
Advertisement fee receivable	57,383	30,142
Other	3,576	3,989
	508,899	423,479
Provision for doubtful debts	(409,358)	(370,237)
	99,541	53,242

At 31 December 2015, the gross amount of receivables determined to be impaired amounted to BD 413,356 (2014: BD 400,256)

Effective 2014, the Bourse suspend recognition of subscription fees relating to customers classified as 'doubtful'.

### Details of accounts receivable by credit risk:

	2015 BD	2014 BD
Low risk	24,887	19,631
Watch list	56,940	17,097
Past due, but not impaired receivables	17,714	16,514
	99,541	53,242

### Aging of past due, but not impaired receivables is as follows:

	2015 BD	2014 BD
Less than one year	-	7,117
More than one year	17,714	9,397
	17,714	16,514

### The movement in provision for doubtful debts was as follows:

	2015 BD	2014 BD
Balance at beginning of the year	370,237	317,909
Charge during the year	39,121	52,328
Balance at end of the year	409,358	370,237

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015 (continued)

## 6 PREPAYMENTS AND OTHER RECEIVABLES

	2015 BD	2014 BD
Prepaid expenses	95,724	38,269
Accrued interest receivable	25,849	29,333
Advances to a project contractor (refer note below)	23,256	-
	144,829	67,602

During the year, the Bourse made payments of BD 23.256 thousand (2014: nil) to a contractor towards developing its information security system and event management system. Upon commencing the projects, these amounts will be reclassified to capital work-in-progress.

## 7 CASH AND BANK BALANCES

	2015 BD	2014 BD
Cash in hand	609	566
Current accounts with banks	332,195	374,879
Term deposits (original maturities of 3 months or less)	1,498,492	2,948,871
Cash and cash equivalents	1,831,296	3,324,316
Term deposits (original maturities of more than 3 months)	2,888,013	2,201,584
	4,719,309	5,525,900

The original maturity period of term deposits varies between 30 to 365 days (2014: 30 to 365 days). Term deposits earn interest at rates ranging between 0.75% and 2.95% (2014: between 0.70% and 3.10%) per annum. All bank current accounts and fixed deposits are denominated in Bahraini Dinars. All bank balances are held with locally incorporated banks with an investment grade credit rating.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015 (continued)

## 8 SHARE CAPITAL

	2015 BD	2014 BD
Authorised 10,000,000 shares of BD 1 each	10,000,000	10,000,000
Issued and fully paid 2,000,000 shares of BD 1 each	2,000,000	2,000,000

The share capital issued shares fully owned by the Government of Bahrain.

## 9 GENERAL RESERVE

To enhance the equity base, a general reserve has been created with a resolution of the Bourse's Board of Directors. There has been no transfer to general reserve during the year (2014: Nil). There is no restriction on the distribution of such reserve.

## 10 STATUTORY RESERVE

As required by the Bahrain Commercial Companies Law and the Bourse's Articles of Association 10% of the profit for the year is required to be transferred to a statutory reserve until such 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 and following approval of the CBB. During the year ended 31 December 2015, no amount was transferred to the statutory reserve (2014: BD 65,454).

## 11 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

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

	2015 BD	2014 BD
Balance at the beginning of the year	36,871	19,463
Charge for the year	21,949	17,408
Settlements made during the year	(33,599)	-
	25,221	36,871

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015 (continued)

## 12 ACCRUALS AND OTHER LIABILITIES

	2015 BD	2014 BD
Accrued staff costs	136,351	96,000
Leave and air tickets payable	88,814	67,594
Service fee	84,444	70,120
Sundry payables	19,674	93,297
Accrued Board of Directors' remuneration	-	64,000
Payable on refurbishment of new premises	-	51,575
Payable for the electronic display board	-	39,000
	329,283	481,586

## 13 DEFERRED REVENUE

	2015 BD	2014 BD
Relating to:		
Electronic display board	48,156	194,222
Printing and advertising	28,763	45,850
	76,919	240,072

## 14 DEALING COMMISSION

	2015 BD	2014 BD
Regular commission	127,408	290,507
Commission on exempted transactions and special dealings	109,137	61,879
	236,545	352,386

## 15 OTHER INCOME

	2015 BD	2014 BD
Display board income	145,667	145,667
Trading data income	63,750	57,939
Deposit and central depository income	45,362	31,694
Remote trading income	19,800	20,700
Investor guide income	17,000	14,100
Other	70,860	61,855
	362,439	331,955

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015 (continued)

## 16 GENERAL AND ADMINISTRATION EXPENSES

	2015 BD	2014 BD
Rent	660,150	662,585
Services	667,177	677,509
Conferences and subscriptions	74,217	56,993
Consumables	47,539	59,353
Consultations	29,337	39,718
Others	8,344	8,676
	1,486,764	1,504,834

## 17 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, shareholders, directors and key management personnel of the Bourse, and entities controlled, jointly controlled or significantly influenced by such parties. Transactions with Board of Directors, executive management and key management personnel of the Bourse are defined as related parties in accordance with IAS 24. Pricing policies and terms of these transactions are approved by the Bourse's executive management.

### 17.1 Transactions with related parties are as follows:

	2015 BD	2014 BD
Financial support from the Government of Bahrain	500,000	1,770,000

### 17.2 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 include board members and chief executive officer. The salaries and allowances paid to key management personnel during the year are as follows:

	2015 BD	2014 BD
Salaries	97,580	140,800
Remuneration of the Board of Directors	-	64,000
	97,580	204,800

In 2006, the Government of Bahrain transferred its ownership in certain companies listed on the Bahrain Bourse to Bahrain Mumtalakat Holding Company B.S.C. (c) (BMHC). Contrary to the requirements of Article 4 of Law Decree 4/1987, these transfers were not executed through the Bourse. The Bourse claimed BD 418,500 from Ministry of Finance of the Government of Bahrain which was fully recovered during 2013 and 2014. A further commission of BD 418,500 is receivable from BMHC, based on the legal opinion received from the Legislation & Legal Opinion Commission (LLOC) dated 13 October 2009, which was in favour of the Bourse. However, being a contingent asset, the Bourse has not recognised any income in this respect. This will be recognised as income on actual receipt.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015 (continued)

## 18 COMMITMENTS

### 18.1 Operating lease commitments

#### *Leased premises*

The Bourse has entered into two operating leases for its premises and business continuity centre respectively. The lease for the premises expires on 30 September 2017, while that of the business continuity centre expires on 30 September 2016. The Bourse has no option to purchase the leased properties at the end of the lease term.

#### *Payments recognised as an expense*

	2015 BD	2014 BD
Minimum lease payments	660,150	662,585

#### *Non-cancellable operating lease commitments*

	2015 BD	2014 BD
Not later than 1 year	661,975	637,356
1 to 5 years	479,242	1,080,723
	1,141,217	1,718,079

### 18.2 Other commitments

	2015 BD	2014 BD
Other commitments	605,713	750,387

Other commitments represent the maintenance contract for the trading platform with Nasdaq OMX which expires on 15 July 2019.

## 19 RISK MANAGEMENT

Risk is inherent in the Bourse's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risks limits and other controls. The process of risk management is critical to the Bourse's continuing profitability. The Bourse is exposed to market risk (which includes currency risk and interest rate risk), credit risk and liquidity risk.

### a) Credit risk

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015 (continued)

## 19 RISK MANAGEMENT (continued)

### a) Credit risk (continued)

There is no significant concentration of credit risk at the reporting date. The credit risk on liquid funds is limited because the counterparties are banks with good financial standing. The Bourse's maximum exposure to credit risk is as follows:

	2015 BD	2014 BD
Bank balances	4,718,700	5,525,334
Accrued interest receivable	25,849	29,333
Accounts receivables	99,541	53,242
	4,844,090	5,607,909
Off balance sheet account: Guarantee deposits from financial intermediaries	1,341,663	1,671,209
	6,185,753	7,279,118

### b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise interest rate risk and currency risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

#### (i) Currency risk

Currency risk is the risk that the value 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.

#### (ii) Interest rate risk

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

The interest rates on Bourse's term deposits are fixed. Hence the Bourse is not exposed to interest rate risk.

### c) Liquidity risk

Liquidity risk is defined as the risk that the Bourse will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Bourse could be required to pay its liabilities earlier than expected.

Management monitors the liquidity requirements on a monthly basis and ensures that sufficient funds are available to meet the Bourse's future commitments.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015 (continued)

## 19 RISK MANAGEMENT (continued)

### c) Liquidity risk (continued)

The table below summarises the maturity profile of the Bourse's financial liabilities at 31 December 2015 and 2014 based on contractual undiscounted payment obligation:

	31 December 2015			
	1-3 months BD	3 months to 1 year BD	More than 1 year BD	Total BD
<b>LIABILITIES AND COMMITMENTS</b>				
Accounts payable	30,268	-	-	30,268
Operating lease commitments	167,403	502,210	471,604	1,141,217
Other commitments	37,700	118,284	449,729	605,713
	235,371	620,494	921,333	1,777,198

	31 December 2014			
	1-3 months BD	3 months to 1 year BD	More than 1 year BD	Total BD
<b>LIABILITIES AND COMMITMENTS</b>				
Accounts payable	83,104	-	-	83,104
Operating lease commitments	165,949	497,848	1,054,282	1,718,079
Other commitments	34,873	109,801	605,713	750,387
	283,926	607,649	1,659,995	2,551,570

The table below summarises the expected maturity profile of the Bourse's assets and liabilities as at 31 December 2015 and 2014:

	31 December 2015				
	Up to 3 months BD	3 months to 1 year BD	1 to 5 years BD	No specific maturity BD	Total BD
Property and equipment	-	-	-	3,559,190	3,559,190
Accounts receivable	-	99,541	-	-	99,541
Prepayments and other receivables	-	144,829	-	-	144,829
Cash and bank balances	2,579,998	2,139,311	-	-	4,719,309
	2,579,998	2,383,681	-	3,559,190	8,522,869
<b>LIABILITIES</b>					
Provision for employees' end of service benefits	-	-	25,221	-	25,221
Accounts payable	30,268	-	-	-	30,268
Accruals and other liabilities	189,069	133,151	7,063	-	329,283
Deferred revenue	55,045	21,874	-	-	76,919
	274,382	155,025	32,284	-	461,691

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015 (continued)

## 19 RISK MANAGEMENT (continued)

### c) Liquidity risk (continued)

	31 December 2014				
	Up to 3 months BD	3 months to 1 year BD	1 to 5 years BD	No specific maturity BD	Total BD
Property and equipment	-	-	-	4,276,964	4,276,964
Accounts receivable	-	53,242	-	-	53,242
Prepayments and other receivables	-	67,602	-	-	67,602
Cash and bank balances	3,291,771	2,234,129	-	-	5,525,900
	3,291,771	2,354,973	-	4,276,964	9,923,708
<b>LIABILITIES</b>					
Provision for employees' end of service benefits	-	36,871	-	-	36,871
Accounts payable	-	83,104	-	-	83,104
Accruals and other liabilities	-	481,586	-	-	481,586
Deferred revenue	240,072	-	-	-	240,072
	240,072	601,561	-	-	841,633

### d) Categories of financial instruments

Financial instruments consist of financial assets and financial liabilities. Financial assets include cash and bank balances and accounts receivables. Financial liability include account payables.

	2015 BD	2014 BD
<b>Financial assets (at amortised cost):</b>		
Accounts and other receivables	148,646	82,575
Bank balances	4,719,309	5,525,334
<b>Financial liability (at amortised cost):</b>		
Accounts payable	30,268	83,104

## 20 CAPITAL MANAGEMENT

Equity includes equity attributable to the owners of the Bourse, which for capital management purposes, includes share capital, general reserve, statutory reserve and retained earnings.

The primary objectives of the Bourse's capital management processes are to ensure that the Bourse maintains liquidity in order to support its business and to maximise share capital. No changes were made in the objectives, policies and processes during the year ended 31 December 2015.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015 (continued)

## 21 FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### *Fair value hierarchy*

The Bourse uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

**Level 1:** quoted (unadjusted) prices in active markets for identical assets or liabilities;

**Level 2:** valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

**Level 3:** valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Board of 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.

## 22 OFF BALANCE SHEET ACCOUNTS

	2015 BD	2014 BD
Guarantee deposits in custody from financial intermediaries	1,341,663	1,671,209

## 23 COMPARATIVE FIGURES

In the Bourse's financial statements for the year ended 31 December 2015 certain comparative amounts have been reclassified to conform with the presentation in the current year.