

بورصة البحرين
BAHRAIN BOURSE



Annual Report 2017



Bahrain Bourse

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

The Prime Minister of the
Kingdom of Bahrain



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

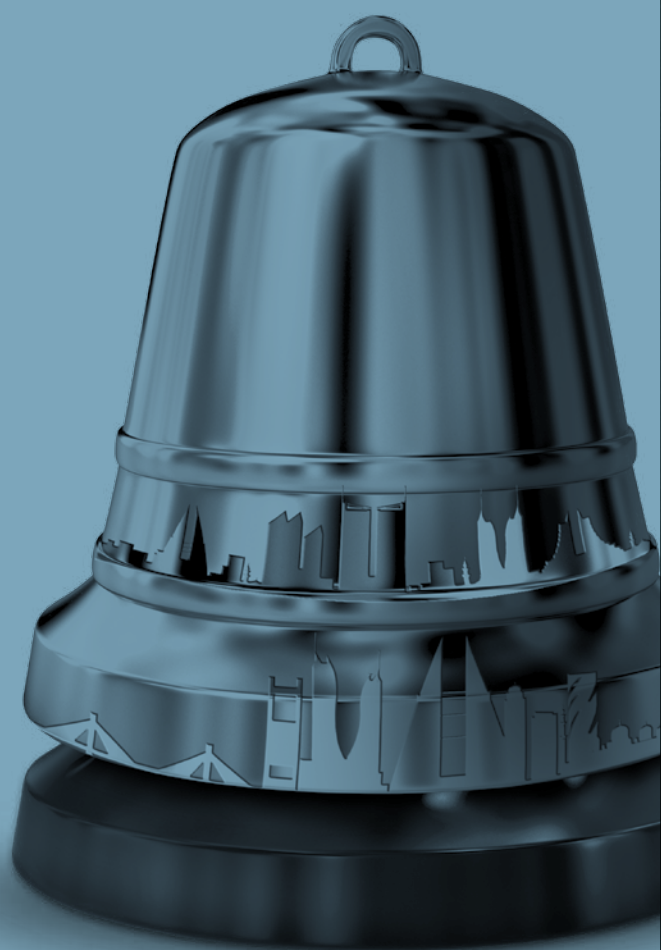
The King of the
Kingdom of Bahrain



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

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

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Vision

**A Regional Multi-Asset Class
Marketplace Leader**



Mission

**To provide a unique suite of
listing, trading, and settlement
& depository services to all
stakeholders through an effec-
cient capital markets platform
and facilitate innovative capital
raising opportunities**



CORE VALUES

- **Transparency**
- **Integrity**
- **Efficiency**
- **Commitment to Excellence**
- **Teamwork**
- **Fairness**
- **Flexibility**

KEY PERFORMANCE INDICATORS



Value

BD 211,338,670
(70% YoY Increase)



Transactions

19,440
(84% YoY Increase)



Volume

1,129,826,742
(53% YoY Increase)



Market Capitalization

BD 8,146,333,645
(12% YoY Increase)



Bahrain All Share Index

1,331.71 (+9.12%)

KEY ACHIEVEMENTS

Instruments & Markets

سوق البحرين الإستثماري
BAHRAIN INVESTMENT MARKET

**Launch of Bahrain
Investment Market**

REITs

Listing of first REIT

Services



Inauguration of Bahrain Clear



**Licensing Mubasher
as a Market Maker**

**Bahrain
TRADE**

Launch of Bahrain Trade

Corporate Social Responsibility



**Launch of Investment Academy
in collaboration with BIBF**



**The 20th year of the
TradeQuest program**



**MOU signing with MOE to launch
the Smart Investor Program**

CHAIRMAN'S STATEMENT



Abdulkareem Ahmed Bucheery
Chairman

Bahrain Bourse (BHB) achieved significant legislative, regulatory and technical milestones in 2017 going in line with the key pillars of its strategy to enhance BHB's competitive capabilities to provide more services to both investors and securities' issuers, and offer more investment alternatives for investors. BHB efforts during the year also focused on increasing financial market literacy and investor awareness.

In terms of regulations, Bahrain Clear was inaugurated in 2017 to mark a remarkable milestone in the history of the capital markets in the Kingdom of Bahrain. This achievement goes in line with the efforts of BHB to complete the implementation of its strategic plan aimed at developing various aspects of work, providing services in accordance with the international best practice standards, and complying with the requirements of the Central Bank of Bahrain. The legal spin-off of Bahrain Clear as an independent full-fledged clearing house licensed by the Central Bank of Bahrain (CBB) aims at enhancing post-trade services, and will allow greater flexibility to meet the expectations and needs of the company's clients including issuers of securities, investors, institutions, custodians and others, thereby enhancing the competitiveness of the capital markets sector to attract more investments.

From a legislative standpoint, Bahrain Bourse approved the Market Making Guidelines that has set a professional foundation for Market Making in Bahrain Bourse as applied in international financial markets. The guidelines came to complement the legal framework stated in BHB's Market Rules that aims at increasing Market Makers' efficiency and maintaining market integrity as well as investor protection.

With the approval of the Market Making Guidelines, Bahrain Bourse licensed Mubasher to commence its market making services in Bahrain Bourse. Licensing for Mubasher and other Market Makers in Bahrain Bourse aims to enhance market depth and increase trading activity in order to support the investment environment of the capital market sector and the competitiveness of BHB to attract more investments and contribute to the national economy's prosperity.

In addition, Bahrain Bourse finalized the procedures and technical requirements to launch Bahrain Investment Market which is an innovative equity market designed specifically to offer the region's fast-growth companies an alternative cost-and time-effective means for raising capital. The market has been created to help those companies fund their expansion plans by raising capital

through Bahrain Bourse, thus supporting the Kingdom of Bahrain's efforts to enhance the economic growth of the Kingdom by providing financing alternatives for issuers.

In line with Bahrain Bourse's strategy to facilitate investor access to Bahrain Bourse, BHB launched the "Bahrain Trade" Platform, an innovative trading solution that enables investors to trade on Bahrain Bourse online through Khaleeji Commercial Bank being the first participating financial institution to offer this unique service to their client base through their web portal.

Although listing targets fell short of expectations this year, Bahrain Bourse witnessed the listing of the first REIT by Eskan Bank 'EBREIT' early on in the year, along with 2 bond/sukuk issues and 33 T-Bill issues.

Within BHB's efforts to enhance market literacy, Bahrain Bourse expanded its awareness programs to reach a broader target. Besides the TradeQuest program which has been running for the past 20 years for high school and university students, a new initiative, "Smart Investor", will be introduced in the upcoming academic year 2018/2019 targeted towards elementary students. BHB also bolstered its relations with educational partners "BIBF" to launch the Investment Academy which aims to develop the technical market know-how for capital market practitioners. As part of the Investment Academy offering, a monthly "Investment and Saving Seminar" has been initiated to educate the public about the fundamentals of investment and saving.

Looking into Bahrain Bourse's financial performance in 2017, BHB's gross revenue increased from BD2,917,421 to BD3,039,480 reporting an increase of 4.2%. Bahrain Bourse reported a deficit of BD1,505,502 in 2017 compared to BD847,595 in 2016. Shareholders' equity also declined from BD7,213,583 in 2016 to BD5,708,081 in 2017 due to our commitment to cost discipline in relation to recurring costs to reduce financial burdens in the future. To achieve this objective, BHB reduced lease occupancy space and certain fixed assets were excluded, which in return negatively impacted BHB's performance this year but is projected to increase BHB's profitability in the future.

On behalf of myself and Bahrain Bourse's Board of Directors and Management team, 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. Zayed bin Rashid Al-Zayani, the Minister of Industry, Commerce, and Tourism (the 'Shareholder') for his continuous support extended to Bahrain Bourse in its various initiatives and programs. I also would like to thank the Chairman and Board Members of the Central Bank of Bahrain (CBB), and the Governor of the CBB, H.E. Rasheed Mohammed Al-Maraj for their ongoing support to Bahrain Bourse.

I would like to also thank our issuers, investors, members, and stakeholders for their continued support & confidence as we look forward to another year of key milestones achieved in the coming year. Most importantly, the employees behind this entire operations, who are our most important assets, thank you for your hard work and passion in living up to our goal to make Bahrain Bourse and the marketplace seamlessly efficient for all our stakeholders.

Abdulkareem Ahmed Bucheery

Chairman

CEO'S STATEMENT



Sh. Khalifa Bin Ebrahim Al Khalifa
Chief Executive Officer

2017 was a positive year for the global stock markets, and the majority of the GCC financial markets' and Bourses' performance increased mainly due to the recovery of the oil prices and regained investors' confidence. Accordingly, Bahrain Bourse achieved an exceptional trading performance ranking 2nd among GCC stock markets and 4th across the MENA region.

Bahrain All Share Index closed at +9.12%, and Bahrain Islamic Index closed at +19.73% compared to its closing in December 2016. Trading volume stood at 1.129 billion shares representing 53% YoY increase, and trading value for the year stood at BD 211 million representing 70% YoY increase. The number of transactions also increased by 84% compared to the transactions executed in 2016.

During the year, Bahrain Bourse made achievements on various fronts, mainly focusing on initiatives aimed at growing the capital market and enhance its depth and sophistication, which includes the listing of the first REIT by Eskan Bank 'EBREIT'. The listing of the REIT goes in line with BHB's efforts to enhance Bahrain Bourse's liquidity and depth, thereby strengthening its competitiveness and attracting local, regional and international investors.

To cap an eventful year, the number of listed bonds/sukuk as of 31st December 2017 reached 13 issues with a total value of US\$ 6.084 billion, and 5 T-Bill issues with a total value of BD 546 million.

One of the most remarkable regulatory achievements in 2017 was the Inauguration of Bahrain Clear, licensed by the Central Bank of Bahrain to operate as a full-fledged clearing house, to become independently responsible for clearing, settlement and central depository services. Bahrain Clear's main objective is to enhance and diversify the post-trade services and provide services that are in line with those applied in the advanced markets, which ensures quality of services offered to investors in accordance with international standards.

In line with BHB's efforts to offer alternative investment options for issuers, Bahrain Bourse launched Bahrain Investment Market aimed at attracting fast-growing companies seeking growth capital to list and addressing the increasing demand of global investors to invest in companies in the region. Four companies (KPMG, Keypoint, BDO Consulting, and SICO) were Authorized as Sponsors in the Bahrain Investment Market to assist companies in listing by ensuring all pre-listing requirements and post-listing documentation and disclosures are continuously met. An agreement was also signed with Tamkeen to support businesses and enterprises cover the costs associated with listing and appointing a Sponsor.

2017 also marks the adoption of the Market Making Guidelines aiming at increasing Market Makers' efficiency and maintaining market integrity as well as investors' protection. This regulatory advancement has enabled Bahrain Bourse to license the second market maker, Mubasher Financial Services, to commence its market making services to its respective clients.

To enhance service offerings to investors, Bahrain Bourse launched 'Bahrain Trade', an innovative online trading solution that enables investors to trade on Bahrain Bourse online via "Bahrain Trade" platform. Accordingly, Khaleeji Commercial Bank joined the Bahrain Trade network as the first participating financial institution to provide this service to their respective client base. The launch of Bahrain Trade goes in line with BHB's belief in investing in the latest technological advancements and applications to meet investors' ever-changing expectations and at the same time, encourage an active retail participation in the market.

In line with Bahrain Bourse efforts to continuously develop its technological infrastructure to enhance

its competitiveness to attract further investments instruments and increase and develop the quality of services offered to investors and issuers, BHB upgraded its NASDAQ X-Stream Trading System to cater for multi-asset class solutions including a better improved multi-currency platform.

Additionally, Bahrain Bourse's e-services have been launched on Bahrain eGovernment portal to all investors and stakeholders, allowing registered investors to view their investment portfolios and details of their securities' transactions in a timely and easy manner.

Financial literacy forms an important pillar of our strategy. The financial literacy pillar branches out to three core programs: TradeQuest, Investment Academy, and Smart Investor.

Bahrain Bourse successfully kicked-off its 20th year of the TradeQuest program for schools that aim at raising investment awareness among high school and university students. Over the years, Bahrain Bourse has trained under the TradeQuest program more than 1,300 students across 18 schools and 5 universities covering both private and government educational institutions across the Kingdom.

As part of our endeavor to promote investor education & financial literacy, the Investment Academy was officially launched under the umbrella of Bahrain Bourse and Bahrain Institute of Banking and Finance (BIBF). "The Investment Academy" aims at offering technical market know-how targeted towards capital market practitioners with innovative teaching methods and technologies. The Academy also offers public awareness sessions, professional certifications, and aims to be positioned as a regional training center and hub for capital markets.

Bahrain Bourse has also signed a cooperation agreement with the Ministry of Education that aims at enhancing joint-cooperation in areas related to spreading investment awareness among students such as the launch of The "Smart Investor" initiative. The Smart Investor is an awareness program targeted towards elementary students with the objective of introducing the basic concept of saving & investment among students by using various tools, projected to be rolled out in the academic year 2018/2019.

As for the financial performance of Bahrain Bourse in 2017, BHB reported an increase in its gross revenue by 4.2% from BD3,039,480 in 2017 compared to BD2,917,421 in 2016, while the total expenses reached BD4,544,982 in 2017 in comparison to BD3,765,016 in 2016. BHB recorded a deficit of BD1,505,502 in 2017 as compared to BD847,595 in 2016.

BHB's total assets decreased to BD6,302,569 compared to BD7,640,717 in 2016, while the total liabilities in 2017 were BD594,488 against BD427,134 in 2016. Shareholders' equity also decreased from BD7,213,583 as of 31st December 2016 to BD5,708,081 as of 31st December 2017 due to our commitment to cost discipline in relation to recurring costs to reduce financial burdens in the future. Hence, BHB reduced lease occupancy space and certain fixed assets were excluded, which in return negatively impacted BHB's performance this year but is projected to increase BHB's profitability in the future.

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 in developing the Bourse and their continuous support. I also thank Bahrain Bourse's management and employees for their dedication and hard work, wishing them greater success in further developing Bahrain 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.

Khalifa bin Ebrahim Al-Khalifa

Chief Executive Officer

BOARD OF DIRECTORS



Abdulkareem Ahmed Bucheery ✓
Chairman



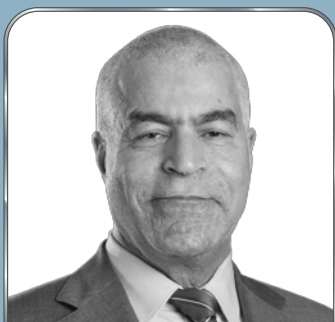
Marwan Khalid Tabbara #
Vice Chairman



Rana Ebrahim Faqihi *
Board Member



Aymen Tawfeeq Almoayed ✓
Board Member



Ali Yousif Fardan *
Board Member



Hassan Amin Jarrar #
Board Member



Yaser Abduljalil Alsharifi #
Board Member



Deena Ebrahim Al-Ansari *
Board Member



Abdulrahman Hamid Al-Zayani ✓
Board Member

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

MANAGEMENT TEAM



Sh. Khalifa Bin Ebrahim Al Khalifa
Chief Executive Officer
(Bahrain Bourse)
Managing Director (Bahrain Clear)



Narjes Farookh Jamal
Executive Director of Operations



Mohammed Khalid Hamed
Senior Director of Internal Audit



Abdulla Jaffar Abdin
Senior Director of
Operations (Bahrain Clear)



Abdulrahman Abdulla Al-Shafei
Director of Risk & Compliance



Syed Adel Javaid
Director of
Information Technology



Hani Husain Al Mandeel
Director of Trading Operations



Ali Ahmed Al-Mansoor
Director of Marketing &
Business Development

WORLD STOCK MARKETS PERFORMANCE DURING 2017

The Global Market

The majority of global financial markets experienced a growth in 2017, where the GDP growth rate of the global economy surged to 3.6% during 2017 compared to 3.2 % in 2016 while the inflation rate worldwide amounted to 3.1% compared to 3.2% in 2016. In addition, the US economy witnessed a 2.2% growth in 2017 compared to a decrease of 1.6% in 2016. The interest rate of the Federal Reserve Bank rose from 0.75% in 2016 to 1.50% at the end of 2017.

Moreover, the economies of the European Union posted a 2.3% growth in 2017 against a 1.5% growth in 2016, and the European Central Bank maintained an interest rate of 0.00% in 2017. The Central Bank of England, on the other hand, increased its interest rate to 0.5% in 2017 against a rate of 0.25% in 2016.

The Real GDP Growth at Constant Prices (%)

COUNTRY	2017	2016
United States	2.2	1.6
United Kingdom	1.7	1.8
Germany	2.0	1.7
France	1.6	1.3
Japan	1.5	0.5
China	6.8	6.6

In Asia, China's economic growth amounted to 6.8% in 2017 compared to 6.6% in 2016. Similarly, the Japanese economy posted a growth of 1.5% in 2016, as the Bank of Japan maintained its interest rate at 0.1%. However, the Middle East and North Africa (MENA) economy witnessed a decline of 2.2% in 2017 compared to 3.3% in 2016.

With regards to oil prices, Brent crude price increased at the end of the year by US\$12.42 per barrel to close at US\$67.08 compared to US\$54.66 at the beginning of the year, posting 22.72% growth. The price of Oman crude oil also increased by US\$10.07 per barrel to close at US\$64.33, and posted a 18.56% increase during the same period.

As far the main FOREX currencies, the Euro increased against the U.S. Dollar by 14.11%, and the Pound Sterling increased by 9.53% against the U.S. Dollar compared to the beginning of the year. By contrast, the Yen decreased by 3.59% during the same period.

With regards to the metals prices, the price of gold was up by 13.11% to reach US\$1,302.45 per ounce posting an increase of US\$150.99 per ounce in comparison to its price at the beginning of last year. The price of silver also increased during the same period by 6.35%.

On the financial markets front, the American S&P500 index reported a growth by 19.42%, followed by the Nikkei Japanese index by 19.10%, the German DAX by 12.51%, the French CAC40 by 9.62%, and the British FTSE100 index by 7.63%, while the Shanghai Chinese index increased by 6.56%.

Performance of International Financial Markets

Market	2017	2016	Growth (%)
US (S&P500)	2,673.61	2,238.83	19.42%
Japan (NIKKEI225)	22,764.94	19,114.37	19.10%
Germany (DAX)	12,917.64	11,481.06	12.51%
France (CAC40)	5,312.56	4,862.31	9.62%
UK (FTSE100)	7,687.77	7,142.83	7.63%
China (SHANGHAI)	3,307.17	3,103.64	6.56%

The Arabian Market

The real GDP of the Middle East and North Africa region decreased by 2.2% in 2017 against a decline of 3.3% in 2016 according to the International Monetary Fund (IMF). With regards to the real GDP of the Arabian Economies, Morocco, Egypt, Bahrain and Qatar reported the highest growth rates of 4.8%, 4.1%, 2.5% and 2.5% respectively.

WORLD STOCK MARKETS PERFORMANCE DURING 2017

(continued)

The Real GDP Growth at Constant Prices (%)

Country	2017	2016
Jordan	2.3	2.8
Morocco	4.8	1.8
Egypt	4.1	3.8
Lebanon	1.5	1.0

GCC Countries

Qatar	2.5	2.6
Kuwait	-2.1	2.5
Saudi Arabia	0.1	1.2
Oman	0	1.8
UAE	1.3	2.3
Bahrain	2.5	2.1

With regards to the performance of Arab financial markets, all markets reported growth in their performance during 2017 except for Lebanon, Muscat, Abu Dhabi, Dubai and Qatar.

Arab Stock Markets Performance

Markets Indices (Points)	2017	2016	Annual Performance (%)
Egypt	15,019.14	12,344.89	21.66%
Morocco	12,388.82	11,644.22	6.39%
Lebanon	1,148.57	1,212.73	(5.29%)
Jordan	2,126.78	2,170.29	2.00%

GCC Countries

Dubai	3,370.07	3,530.88	(4.55%)
Muscat	5,099.28	5,782.71	(11.82%)
Abu Dhabi	4,398.44	4,546.37	(3.25%)
Saudi Arabia	7,226.32	7,210.43	0.22%
Kuwait	6,408.01	5,748.09	11.48%
Bahrain	1,331.71	1,220.45	9.12%
Qatar	8,523.38	10,436.76	(18.33%)

The Local Market

The Kingdom of Bahrain witnessed a GDP growth of 2.5% in 2017 compared to 2.1% in 2016, whereas the inflation rate reached 0.9% in 2017 compared to 4.4% in 2016.

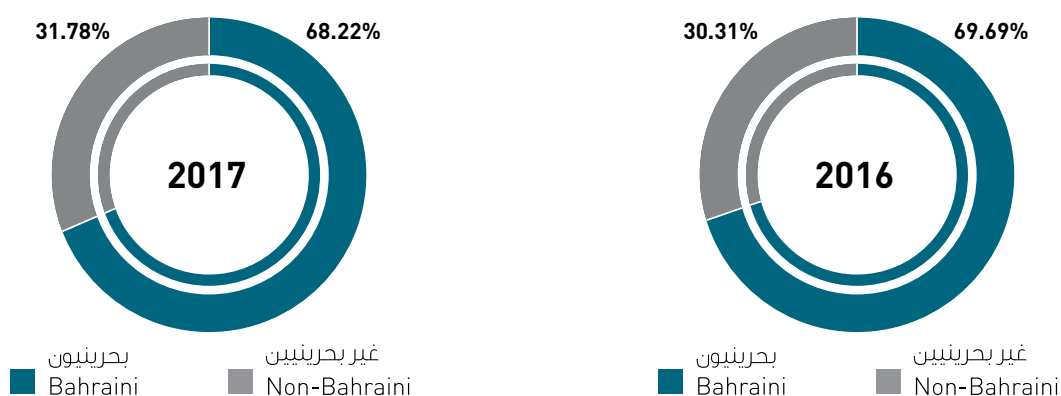
The Bahrain All Share Index increased by 9.12% to close at 1,331.71 points at the end of 2017 thereby ending the year up by 111.26 points. As for the year end share prices, the share prices of 14 companies increased, while the share prices of 7 companies remained unchanged, and the share prices of 22 companies decreased. The trading activity witnessed an increase in the value of shares traded by 69.81% compared to 2016. The number of transactions and the volume of shares traded increased by 83.53% and 53.22% respectively.

The Commercial Banks Sector comprised 46.51% of the total trading value followed by the Investment Sector comprising 21.24%, Services Sector 14.77%, Industrial Sector 14.01%, Insurance Sector 1.95%, and the Hotels & Tourism Sector 1.10%. Ahli United Bank came on top of the most active companies in terms of the value of shares traded, in which the trading value amounted to BD44.45 million capturing around 21.03% of the total trading value at the Bourse, followed by Aluminum Bahrain (Alba) comprising 14%, Khaleeji Commercial Bank 11.87%, GFH Financial Group 10.62%, and BBK 4.72%.

As for the volume of shares traded, the Commercial Banks Sector represented 56.22% of total trading volume followed by the Investment Sector with 24.79%, Services Sector 9.22%, Industrial Sector 6.04%, Insurance sector 2.69% and Hotels & Tourism Sector 0.79%. Khaleeji Commercial Bank came first among the most active companies in terms of the volume of shares traded with 243.97 million shares traded, comprising 21.59% of the total shares traded at the Bourse, followed by Ahli United Bank with 14.57%, GFH Financial Group 11.07%, Ithmaar Holding 10.91%, and Aluminum Bahrain (Alba) 6.03%.

Trading by nationality figures show that Bahrainis comprised 68.22% of the total value of shares traded, while other nationalities comprised 31.78% of the total value of shares. The year 2017 ended with a total of 43 listed companies, 19 mutual funds, 13 Bonds/Sukuks, and 33 Treasury Bills and Short Term Islamic Ijarah Sukuk.

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



WORLD STOCK MARKETS PERFORMANCE DURING 2017

(continued)

Market Capitalization

The market capitalization of Bahraini public shareholding companies listed on the Bourse increased to BD8.15 billion compared to BD7.24 billion at the beginning of the year, posting a growth of 12.39%. The Commercial Banks Sector accounted for 48.35% of the total market capitalization, followed by the Investment Sector with 26.08%, Industrial Sector 10.95%, Services Sector 10.67%, Hotels & Tourism Sector 2.02%, and Insurance Sector 1.93%. On the other hand, the Industrial Sector reported a growth in the market capitalization of 88.15% compared to the beginning of the year. The market capitalization of the Commercial Banks Sector was also up by 12.07%, the Insurance Sector and Investment Sector increased by 11.63% and 10.97% respectively whereas Hotels & Tourism and Services Sectors Market Capitalization declined by 17.13% and 13.58% respectively.

Market Capitalization among Sectors (Million Dinars)

Sector	2017	2016	Change (%)	Relative Weight (%)
Commercial Banks	3,938.94	3,514.83	12.07	48.35
Investment	2,124.86	1,914.78	10.97	26.08
Services	869.03	1,005.53	(13.58)	10.67
Industrial	891.79	473.972	88.15	10.95
Hotels & Tourism	164.46	198.47	(17.13)	2.02
Insurance	157.25	140.863	11.63	1.93
Total Market	8,146.33	7,248.44	12.39	100.00



Financial Indicators

The financial indicators among sectors varied. The table below presents the growth of financial indicators at the end of 2017 compared to 2016.

Financial Indicators

Sector	P/E (%)		Div. Yield (%)		P/BV (%)	
	2017	2016	2017	2016	2017	2016
Commercial Banks	10.84	9.8	4.94	4.98	1.24	1.21
Investment	5.63	6.89	3.84	1.26	0.72	0.63
Insurance	14.16	13.01	5.33	3.17	0.76	0.71
Services	10.39	10.33	8.16	6.89	0.88	1
Industrial	17.81	7.71	3.43	3.5	0.87	0.48
Hotels & Tourism	7.68	11.81	3.93	3.91	0.79	0.9
Total Market	9.42	8.99	4.82	4.11	0.95	0.87

Bahrain Clear

The total number of Bahraini public shareholding shares deposited at Bahrain Clear reached 32,691 billion shares at 31, December 2017 comprising 99.55% of the total fully issued and paid shares, compared to 30,703 billion shares at the beginning of the year posting a growth of 6.47%.

The market capitalization of Bahraini public shareholding shares deposited at Bahrain Clear reached BD8,142 billion at 31, December 2017 compared to BD7,248 billion at the beginning of the year recording an increase of 12.33%.

The number of nationalities registered at Bahrain Clear reached 99 nationalities, while the number of investors holding shares in Bahraini public shareholding companies reached 36,779 investors by 31 December, 2017 compared to 32,904 investors at the beginning of the year, recording a growth of 11.78%.



KEY STATISTICAL DATA 2016-2017

COMPARISON OF TRADING ACTIVITY

	2017	2016	Change	Change %
Total Market Capitalization (BD)	8,146,333,645	7,248,444,952	897,888,693	12.39
Value of Shares (BD)	211,338,670	124,453,992	86,884,679	69.81
Volume of Shares	1,129,826,742	734,391,937	395,434,805	53.85
No. of Transactions	19,440	10,592	8,848	83.53
Total Trading Days	246	245	1	0
Daily Average Value of Shares (BD)	859,100	507,975	351,125	69.12
Daily Average Volume of Shares	4,592,792	2,997,518	1,595,274	53.22
Daily Average No. of Transactions	79	43	36	83

BAHRAIN BOURSE INDICES PERFORMANCE

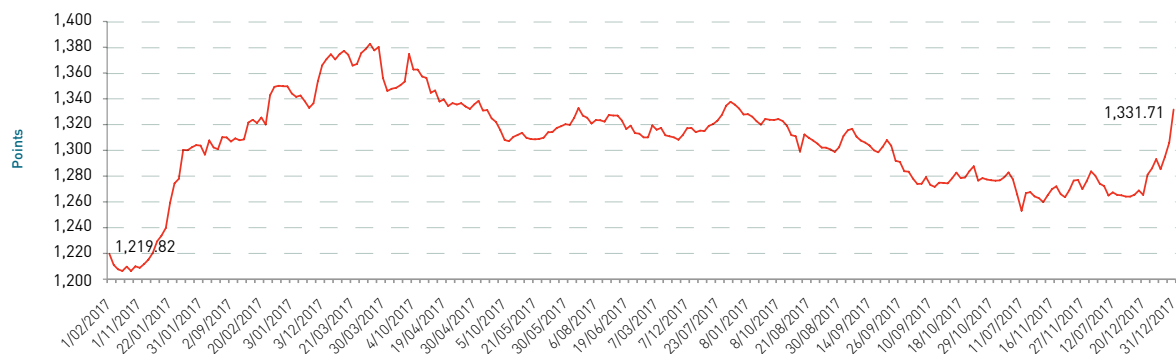
Bahrain All Share Index	2017	2016	Change (points)	Change (%)
Year end	1,331.71	1,220.45	111.26	9.12
High	1,382.71	1,220.45	162.26	13.30
Low	1,206.40	1,092.02	114.38	10.47

Bahrain Islamic Index	2017	2016	Change (points)	Change (%)
Year end	1,089.28	909.81	179.47	19.73
High	1,120.72	909.81	210.91	23.18
Low	886.61	698.65	187.96	26.90

KEY STATISTICAL DATA 2016-2017

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BAHRAIN ALL SHARE INDEX DURING 2017 (POINTS)



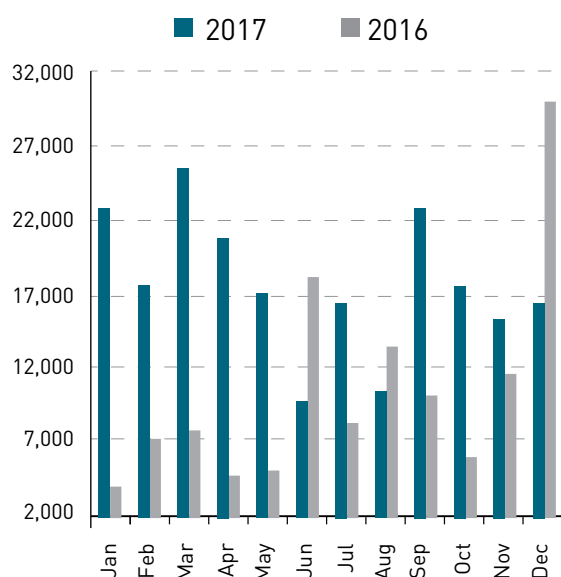
Sectorial Indices	2017	2016	Change (%)
Bahrain All Share Index			
Commercial Banks	2,772.59	2,481.78	11.72
Investment	680.22	686.24	[0.88]
Insurance	1,645.81	1,585.63	3.80
Services	1,078.63	1,248.89	[13.63]
Industrial	986.54	524.33	88.15
Hotels & Tourism	2,940.32	3,237.54	[9.18]
NO. OF LISTED COMPANIES			
	2017	2016	
Public	40	41	
Closed	2	2	
Non-Bahraini	1	1	
Total	43	44	
NO. OF LISTED T-BILLS			
	2017	2016	
	33	42	
NO. OF LISTED BONDS & SUKUK			
	2017	2016	
Bonds	8	9	
Sukuk	5	5	
NO. OF LISTED MUTUAL FUNDS			
	2017	2016	
	19	19	
NO. OF LISTED REAL ESTATE INVESTMENT TRUST			
	2017	2016	
	1	1	

EQUITY TRADING ACTIVITY

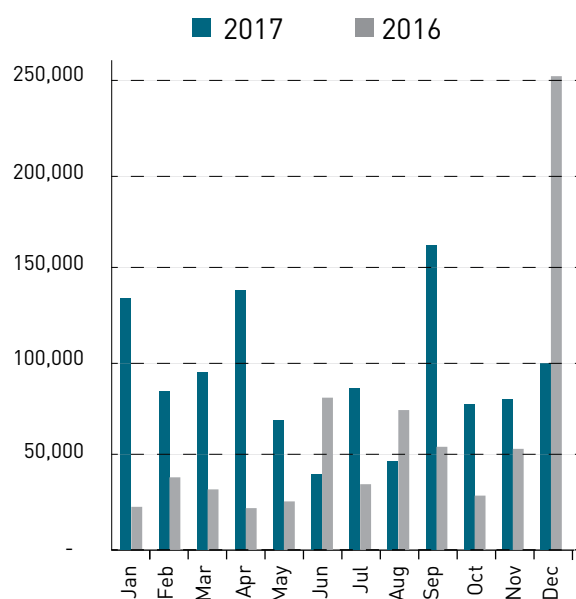
Value (BD 000)	2017	2016	Change (%)
Jan	22,755	3,855	490.23
Feb	17,491	7,091	146.68
Mar	25,420	7,434	241.93
Apr	20,725	4,602	350.39
May	17,057	4,832	253.04
Jun	9,714	18,075	(46.26)
Jul	16,145	8,024	101.20
Aug	10,309	13,357	(22.82)
Sep	22,716	9,931	128.74
Oct	17,463	5,676	207.67
Nov	15,227	11,598	31.29
Dec	16,317	29,980	(45.57)
Market	211,339	124,454	69.81

Volume (000 Shares)	2017	2016	Change (%)
Jan	135,629	23,428	478.91
Feb	85,923	39,337	118.43
Mar	96,129	32,833	192.79
Apr	141,012	22,469	527.59
May	71,248	26,092	173.07
Jun	40,109	83,148	(51.76)
Jul	87,297	36,195	141.19
Aug	47,951	75,597	(36.57)
Sep	164,565	55,511	196.46
Oct	78,583	29,474	166.62
Nov	81,455	54,689	48.94
Dec	99,924	255,620	(60.91)
Market	1,129,827	734,392	53.85

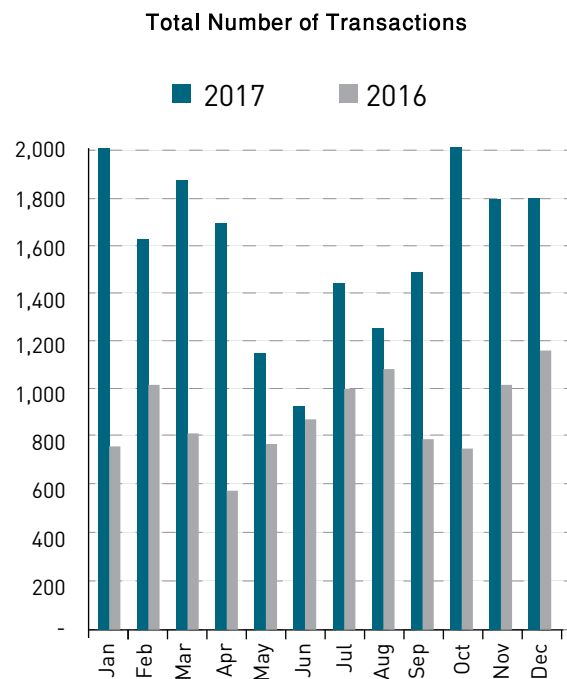
Total Value of Shares Traded



Total Volume of Shares Traded



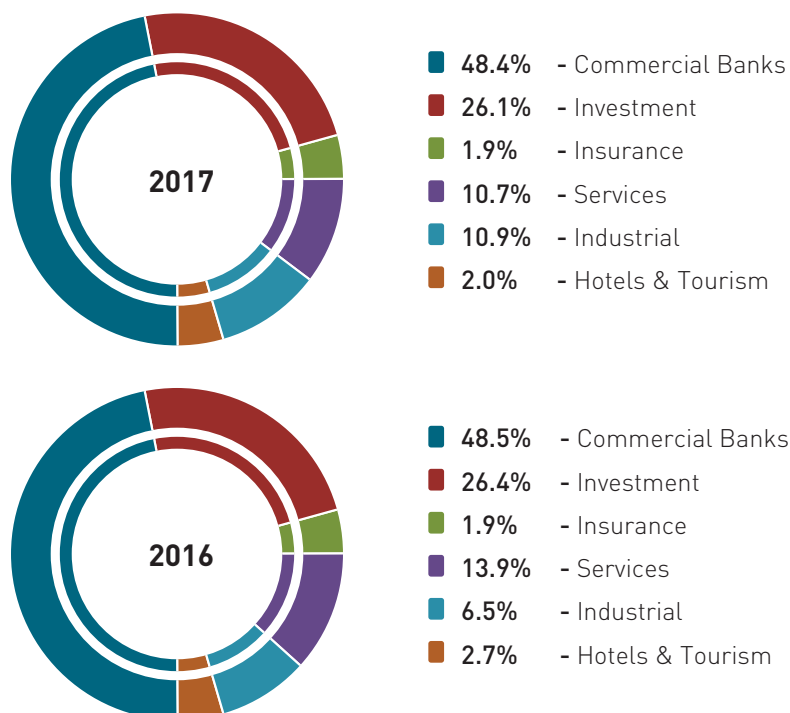
NO. OF TRANSACTIONS	2017	2016	CHANGE (%)
Jan	2,314	759	204.87
Feb	1,621	1,013	60.02
Mar	1,865	813	129.40
Apr	1,684	577	191.85
May	1,146	769	49.02
Jun	926	873	6.07
Jul	1,437	998	43.99
Aug	1,250	1,080	15.74
Sep	1,481	789	87.71
Oct	2,146	750	186.13
Nov	1,784	1,008	76.98
Dec	1,786	1,163	53.57
Market	19,440	10,592	83.53



MARKET CAP (BD MILLION)	2017	2016	CHANGE (%)
Commercial Banks	3,938.9	3,514.8	12.1
Investment	2,124.9	1,914.8	11.0
Insurance	157.3	140.9	11.6
Services	869.0	1,005.5	(13.6)
Industrial	891.8	474.0	88.2
Hotels & Tourism	164.5	198.5	(17.1)
Market	8,146.3	7,248.4	12.4



THE BREAKDOWN OF MARKET CAPITALIZATION BY SECTORS

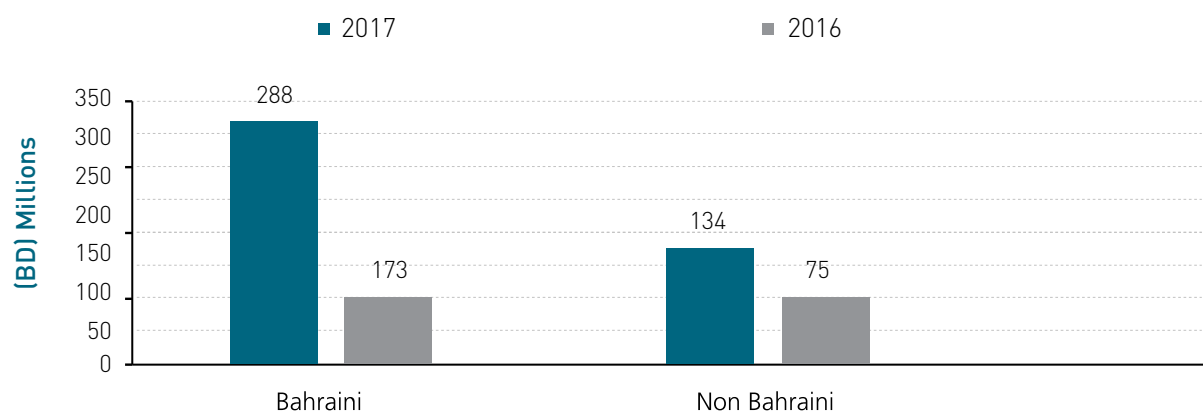


TRADING BY NATIONALITY

VOLUME	2017	2016	CHANGE (%)
Bahraini	1,410,294,733	904,084,326	55.99
Non-Bahraini	849,358,751	564,699,548	50.41
Total	2,259,653,484	1,468,783,874	53.85

VALUE	2017	2016	CHANGE (%)
Bahraini	288,357,205	173,464,862	66.23
Non-Bahraini	134,320,135	75,443,121	78.04
Total	422,677,340	248,907,983	69.81

Trading by Nationalities (Value - BD)

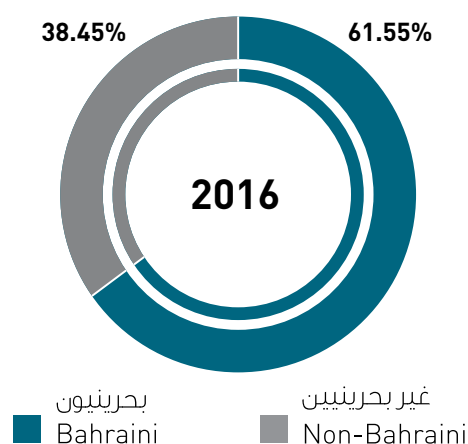
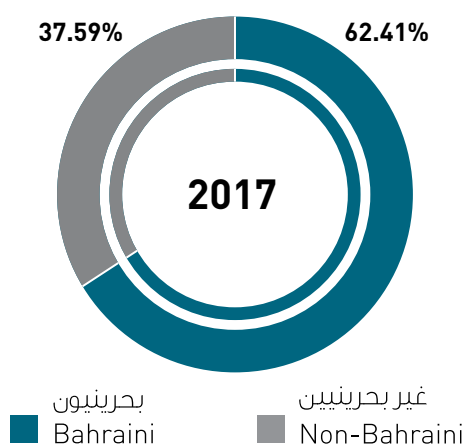


KEY STATISTICAL DATA 2016-2017

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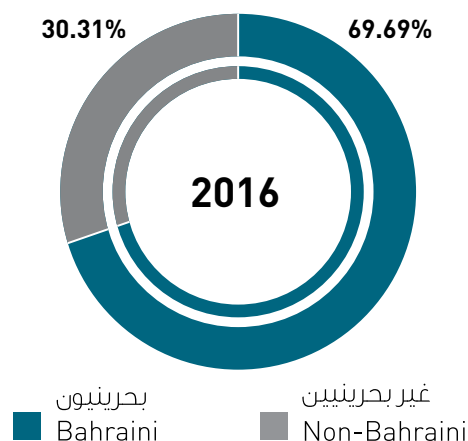
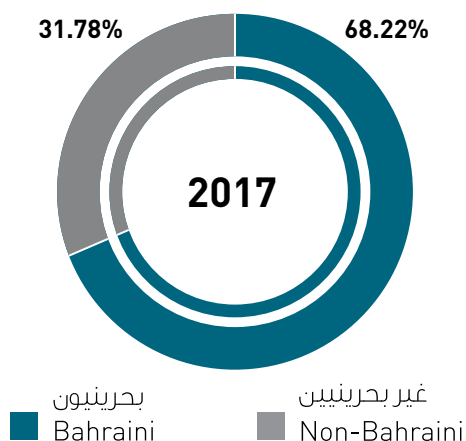
Percentage of Trading by Nationality-Volume (Buy & Sell)


	2017	2016
Bahraini	62.41%	61.55%
Non-Bahraini	37.59%	38.45%



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

	2017	2016
Bahraini	68.22%	69.69%
Non-Bahraini	31.78%	30.31%





TRADED SECURITIES AND INSTRUMENTS

TRADED SECURITIES AND INSTRUMENTS

Listed Companies on Bahrain Bourse

Commercial Banks Sector

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 Holding 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.
Investcorp Bank B.S.C.
TAIB Bank B.S.C.
United Gulf Holding Company 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

Solidarity Bahrain B.S.C.
(Formerly Al Ahlia Insurance Co. 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.
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

SICO B.S.C. (c)
(Formerly Securities & Investment Co. B.S.C. (c))
United Paper Industries B.S.C. (c)

Non-Bahraini Companies

Bank Muscat S.A.O.G.



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

Sukuk Al Musharaka (Investment DAR Sukuk Co.) - 2010*
Government Development Bond - Issue 5
Government Islamic Lease (Ijarah) Sukuk - Issue 22
Government Islamic Lease (Ijarah) Sukuk - Issue 21
Government Islamic Lease (Ijarah) Sukuk - Issue 23
Government Development Bond - Issue 9
Government Development Bond - Issue 10
Perpetual Tier "1" Convertible Capital Securities issued by BBK B.S.C.
Government Development Bond - Issue 11
Government Development Bond - Issue 12
Government Development Bond - Issue 13
Government Development Bond - Issue 14
Government Islamic Lease (Ijarah) Sukuk - Issue 24

* Matured as of 26th Oct. 2010

Listed T-Bills/Short-Term Leasing Sukuk

6 Months Treasury Bills - Issue 1658
6 Months Treasury Bills - Issue 1663
12 Months Treasury Bills - Issue 32
12 Months Treasury Bills - Issue 33
Short Term Islamic Lease (Ijarah) - Issue SL/143

Brokers & Members List

Brokerage Firms

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

Individual Brokers

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

Member Firms

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

Authorized Sponsors

Keypoint Business Services W.L.L.
KPMG Advisory W.L.L.
SICO B.S.C. (c)
BDO Consulting W.L.L.
Almoayed Chambers Consultancy Co. W.L.L.

LISTING AND ANNUAL SUBSCRIPTION FEES

Equities

Equities	Registration Fees*	Annual Subscription Fees**		Annual Central Depository Fees**
Local Equities (BSC (c) Companies)	0.1% of the company's paid-up capital, (Maximum amount of BD 15,000 and a Minimum amount of BD 5,000)	Paid-up Capital The first BD 10 Million of the company's paid-up capital <hr/> Amounts exceeding BD 10 Million up to BD 50 Million <hr/> Amounts exceeding BD 50 Million <hr/> (Maximum amount of fees for the above categories is BD 80,000 and Minimum of BD 5,000)	Fee 0.13% of Paid-up Capital <hr/> 0.07% of Paid-up Capital <hr/> 0.035% of Paid-up Capital	0.0125% of the first BD 15 million of the company's paid-up capital with a minimum of BD 1,000 0.00625% of the amount exceeding BD 15 million of the company's paid-up capital, with maximum gross fees of BD 4,000
Local Closed Companies	BD 1,000	0.025% of the company's paid-up capital (Minimum of BD 1,000 and Maximum of BD 6,000)		
Non-Bahraini Equities	0.1% of the company's paid-up capital, (maximum amount of BD 5,000 and a minimum amount of BD 2,000)	15% of the Fee applicable on Bahraini shareholding companies (Minimum of BD 2,000 and Maximum of BD 12,000)		
Preference Shares	0.5% of the par value of the outstanding shares (maximum amount of BD 5,000 and a minimum amount of BD 2,000)	BD 2,000.		

Debt Securities

Issuer Type	Registration Fees*	Annual Subscription Fees**
Government Issuer	BD 1,500	BD 2,000
Private & Non-Bahraini Issuer	0.05% of Total Value (Minimum of BD 2,000; Maximum of BD 5,000)	BD 2,000
Treasury Bills & short term Islamic Leasing Sukuk	BD 30	N/A

Funds & REITs

Fund Type	Registration Fees*	Annual Subscription Fees**
Mutual Funds	BD 300	BD 250
Real Estate Investment Trusts (REITs)	BD 2,000	BD 5,000 (for units amounting up to USD 250 Million) BD 10,000 (for units amounting above USD 250 Million)

Bahrain Investment Market

	Registration Fees*	Annual Subscription Fees**
Bahrain Investment Market (Companies)	BD 1,000	0.3% of the company's paid-up capital (Minimum of BD1,000 and Maximum of BD6,000)
Bahrain Investment Market (Sponsors)	N/A	BD 2,000

Membership

	Registration Fees*	Annual Subscription Fees**
Discount Broker	BD 1,000	BD 500
Broker	BD 1,000	BD 500
Broker-Dealer	BD 5,000	BD 1,000
External Broker	BD 5,000	BD 1,000
External Broker-Dealer	BD 5,000	BD 1,000
Authorized Trader	BD 5,000	BD 1,000

Custodianship

	Registration Fees*	Annual Subscription Fees**
Custodian Fees	BD 1,000	BD 500

Brokerage Commission

	Brokerage Commission	BHB's Commission ¹
Equities	0.275% of Transaction Value	20%
Sukuk	0.08% of Transaction Value	20%
Treasury Bills	0.01% of Transaction Value	20%

¹ BHB's Commission shall be a percentage of the prescribed brokerage commission.

* 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.

CORPORATE GOVERNANCE REPORT 2017

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 laws and resolutions 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 Industry, Commerce, and Tourism was appointed to perform the tasks of the shareholder in Bahrain Bourse Company in accordance with Decree No. (12) of 2016 issued on 16 February 2016.

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 Bourse's Board is comprised of nine directors who were appointed by Economic Development Board Resolution No. 3 of 2016 dated 27 December 2016 for a period of 3 years starting from resolution date.

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, Audit and Risk Committee, and Corporate Governance Committee.

Executive Committee

Members	Brief Terms of Reference, Tasks and Responsibilities
Ali Yousif fardan Committee Chairperson	<ul style="list-style-type: none"> The Board of Directors appoints the members of the Committee who will be at least three for a term of three years, subject to renewal in concurrence with the term of the Board of Directors. A committee chairperson is elected from among the members of the Committee at the first meeting after the appointment of its members, provided that he/ she shall be an independent director. The majority of the members shall be independent non-executive directors. The attendance of at least a majority of the members, provided that the Chairperson or Deputy Chairperson is among them, shall constitute a quorum. The Committee shall hold minimum of four meetings in a year. The Committee conducts an annual self-assessment of the performance of the Committee / members and report the findings and recommendations to the Board of Directors. This shall be carried out in accordance with the assessment process approved by the Board of Directors and its committees. <p>Summary of Responsibilities: recommend ways and means to develop Bahrain Bourse, and instruct the Executive Management to prepare the studies and reports related to the Bourse.</p>
Rana Ebrahim Faqihi Committee Deputy Chairperson	
Deena Ebrahim Al-Ansari Committee Member	

CORPORATE GOVERNANCE REPORT 2017

(continued)

Audit and Risks Committee

Members	Brief Terms of Reference, tasks and Responsibilities
Hassan Amin Jarrar Committee Chairperson	<ul style="list-style-type: none"> The Board of Directors appoints the members of the Committee who will be at least three for a term of three years, subject to renewal in concurrence with the term of the Board of Directors. A committee chairperson is elected from among the members of the Committee at the first meeting after the appointment of its members, provided that he/ she shall be an independent director. The majority of the members shall be independent directors. The attendance of at least a majority of the members, provided that the Chairperson or Deputy Chairperson is among them, shall constitute a quorum. The Committee shall hold minimum of four meetings in a year. The Committee conducts an annual self-assessment of the performance of the Committee / members and report the findings and recommendations to the Board of Directors. This shall be carried out in accordance with the assessment process approved by the Board of Directors and its committees. <p>Summary of Responsibilities: The Committee 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>
Marwan Khalid Tabbara Committee Deputy Chairperson	
Yaser Abduljalil AlSharifi Committee Member	

Nomination, Remuneration, & Corporate Governance Committee

Members	Brief Terms of Reference, tasks and Responsibilities
Abdulkarim Ahmed Bucheery Committee Chairperson	<ul style="list-style-type: none"> 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. A committee chairperson is elected from among the members of the Committee at the first meeting after the appointment of its members. The meeting attendance quorum is at least a majority of the members, provided that the Chairperson or Deputy Chairperson is among them. The Committee shall hold minimum of two meetings in a year. 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. <p>Summary of Responsibilities: the Committee nominates qualified candidates to be members in the Board of Directors, recommends the qualified candidates to fill in Executive Management to the Board, reviews the Remuneration Policy of the Board and the Executive Management, 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>
Abdulrahman Hamed AlZayani Committee Deputy Chairperson	
Ayman Tawfeeq Almoayed 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 2017, there was no remuneration to the Board of Directors. Sitting fees paid to the Board of Directors amounted to BHD 42,300.

Remuneration of Executive Management

Fixed and Variable Compensations and Remunerations

During 2017, the amount related Executive Management's basic salaries, fixed allowances, and bonuses related to year-end performance appraisals was BHD 190,373.

Evaluating the Performance of the Board of Directors and Committees

The performance of the Board and the committees is evaluated through self- assessment, or through external parties, 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.

CORPORATE GOVERNANCE REPORT 2017

(continued)

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 January 17th, 2017.

Abdulkarim Ahmed Bucheery

Chairman of the Board of Directors
(Non-Independent &
Non-Executive Director)

Chairperson of Nomination, Remuneration
& Corporate Governance Committee

Joined the Board of
on 27th December 2016

Qualifications: Bachelors of Science in Economics – Majoring in Economics from the University of Aleppo – Syria 1976.

Experience: More than 40 years in several banking fields and Islamic Banking services.

MEMBERSHIP	COMPANY NAME	COUNTRY
Chairman	Bahrain Clear	Bahrain
Deputy Chairman & Chairperson of Executive Committee	Ibdar Bank	Bahrain
Deputy Chairman & Deputy Chairperson of Executive Committee	Khaleeji Commercial Bank	Bahrain
Managing Director of Remuneration & Corporate Governance Committee	Naseej	Bahrain
Board Member	Nasser Vocational Training Centre	Bahrain
Member of Advisory Board	Arab Tourism Organization	Saudi Arabia
Honorary Chairman	Friends of Psychiatric Patients Society	Bahrain

Marwan Khalid Tabbara

Deputy Chairman of the Board of Directors (Independent & Non-Executive Director)	Deputy Chairperson of Audit & Risk Committee	Joined the Board of Directors on 6 th February 2011
<p>Qualifications: Masters of Engineering from Duke University-USA, Bachelors of Electrical Engineering from Duke University-USA, Bachelors of Economics from Duke University-USA.</p> <p>Experience: more than 4 years in the banking sector and more than 15 years in consultancy.</p>		
MEMBERSHIP	COMPANY NAME	COUNTRY
Board Member	Stratum	Bahrain
Board Member	Bahrain Development Bank	Bahrain
Board Member	Bahrain Flour Mills	Bahrain
Board Member	Park Place	Bahrain
Board Member	Viacloud	Bahrain
Board Member	Mint Trading Partners	Bahrain

Hassan Amin Jarrar

Member of the Board of Directors (Independent & Non-Executive Director)	Chairperson of Audit & Risk Committee	Joined the Board of Directors on 27 th December 2016
<p>Qualifications: Bachelors of Science in Business Administration – Finance from University of California – The United States of America</p> <p>Experience: more than 28 years in banking sector.</p>		
MEMBERSHIP	COMPANY NAME	COUNTRY
Independent & Non-Executive Member / Chairperson of Audit & Internal Control Committee	Tamkeen	Bahrain
Board Member	Bahrain Association of Banks	Bahrain
Chairman	Liquidity Management Centre	Bahrain

CORPORATE GOVERNANCE REPORT 2017

(continued)

Ali Yousif Fardan

Member of the Board of Directors (Non-Independent & Non-Executive Director)

Chairperson of Executive Committee

Joined the Board of Directors on 27th December 2016

Qualifications: Diploma in Executive Management from University of Bahrain and a graduate of York St John University in the United Kingdom.

Experience: More than 37 years in several banking fields.

MEMBERSHIP

COMPANY NAME

COUNTRY

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

Rana Ebrahim Faqihi

Member of the Board of Directors (Independent & Non-Executive Director)

Deputy Chairperson of Executive Committee

Joined the Board of Directors on 6th February 2011

Qualifications: Masters of International Business Management - UK

Experience: Around 15 years in the government and economic sectors.

MEMBERSHIP

COMPANY NAME

COUNTRY

Board Member

Eskan Bank

Bahrain

Aymen Tawfeeq Almoayed

Member of the Board of Directors (Non-Independent & Non-Executive Director)

Member of the Executive, Nomination & Remuneration Committee

Joined the Board of Directors on 27th March 2014

Qualifications: Masters in Business Administration from University of Cambridge – UK, Bachelors in Law from University of Kent - UK.

Experience: 15 years as a lawyer, arbitrator, and strategic adviser.

MEMBERSHIP

COMPANY NAME

COUNTRY

Available upon request

Deena Ebrahim Al-Ansari

Member of the Board of Directors (Independent & Non-Executive Director)	Member of the Executive Committee	Joined the Board of Directors on 27 th December 2016
Qualifications: Masters in Business Administration from University of Glamorgan – UK and Bachelors in Commerce from Concordia University - Canada. Experience: Around 8 years in banking sector and 10 years in business sector.		
MEMBERSHIP	COMPANY NAME	COUNTRY
Deputy Chairman	Al Ansari Lights and Design Co. W.L.L.	Bahrain
Deputy Chairman	Alansari Modern Lights Co. W.L.L.	Bahrain
Board Member	DK Al Ansari Enterprise W.L.L.	Bahrain
Board Member	Goldbx Global Holding W.L.L.	Bahrain
Board Member	The Beautyco	Bahrain
Board Member	The Mobile Spa W.L.L.	Bahrain
Board Member	The Beauty Co General Trading	United Arab Emirates
Board Member	Modern Beauty Trading	Saudi Arabia

Abdulrahman Hamed AlZayani

Member of the Board of Directors (Independent & Non-Executive Director)	Deputy Chairperson of Nomination, Remuneration, & Corporate Governance	Joined the Board of Directors on 27 th December 2016
Qualifications: Masters in International Commercial Law from University of Westminster – UK, and Bachelors in Marketing from Suffolk University - US. Experience: More than 15 years in business and investment sectors.		
MEMBERSHIP	COMPANY NAME	COUNTRY
Managing Director	Al Zayani Investments B.S.C. ©	Bahrain
Managing Director	Zayani Properties	Bahrain
Board Member	Euro Motors	Bahrain
Board Member	Zayani Motors	Bahrain
Board Member	Zayani Leasing	Bahrain
Board Member	Zayani Industries	Bahrain
Managing Director	Blueknight International Limited	Luxembourg
Managing Director	Immobilier Des Poissoniers SA	Luxembourg
Managing Director	Kreiller S.A.R.L	Luxembourg
Managing Director	Riverton Capital Holding S.A.	United Kingdom
Board Member	Norfolk International Limited	United Kingdom
Board Member	Muna International Limited	United Kingdom
Board Member	Linlake Investments Limited	United Kingdom
Board Member	Greennight International Limited	United Kingdom
Board Member	Caldelwood International Limited	United Kingdom
Board Member	Manannan International Limited	United Kingdom
Board Member	Lakenight International Limited	United Kingdom
Board Member	Burlyfields International Limited	United Kingdom
Board Member	Caldelwood West 12th Inc.	United Kingdom
Board Member	Acerowood International Limited	United Kingdom
Board Member	Bridcastle International Limited	United Kingdom

CORPORATE GOVERNANCE REPORT 2017

(continued)

Yaser Abduljalil AlSharifi

Member of the Board of Directors (Independent & Non-Executive Director)	Member of the Audit & Risks Committee	Joined the Board of Directors on 27 th December 2016
Qualifications: Certified Public Accountant (CPA), holder of Bachelors Degree in Business Administration from University of Massachusetts – US, and Diploma in Accounting from University of Bahrain. Experience: more than 22 years in the fields of auditing and investment.		
MEMBERSHIP	COMPANY NAME	COUNTRY
Board Member	Al Rajhi Holdings W.L.L.	Bahrain
Board Member	Bahrain Clear	Bahrain
Board Member	Bahrain Car Parks Company	Bahrain
Board Member	Bahrain Real Estate Investment (Edamah)	Bahrain
Board Member	Butcher Pearl Property Limited	Virgin Islands - UK
Board Member	Ruboo Al Hafer W.L.L.	Bahrain
Board Member	KSK Holdings Company W.L.L.	Bahrain

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.

During the year of 2017, the Board held five meetings and one additional meeting was held by independent Board members, while for the Board Committees, seven meetings were held by Executive, Nomination, and Remuneration, seven meetings were held by Audit and Risks Committee, and three meetings were held by Corporate Governance Committee. 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		1/2017	2/2017	3/2017	4/2017	5/2017
		17 Jan. 2017	22 Feb. 2017	15 June 2017	9 Oct. 2017	14 Dec. 2017
Abdulkarim Ahmed Bucheery	Chairman of the Board	✓	✓	✓	✓	✓
Marwan Khalid Tabbara	Deputy Chairman of the Board	✓	✓	✓	✓	✓
Aymen Tawfeeq Almoayed	Board Member	--	✓	✓	✓	✓
Hassan Amin Jarrar	Board Member	✓	✓	✓	✓	--
Yaser Abduljalil AlSharifi	Board Member	--	✓	✓	✓	✓
Rana Ebrahim Faqihi	Board Member	✓	✓	✓	✓	✓
Deena Ebrahim Al-Ansari	Board Member	✓	✓	✓	✓	✓
Ali Yousif Fardan	Board Member	✓	✓	✓	✓	✓
Abdulrahman Hamed AlZayani	Board Member	✓	✓	✓	✓	✓

Meetings of the Executive Committee

Members of the Executive Committee		1/2017	2/2017	3/2017	4/2017
		13 Feb. 2017	29 May 2017	14 Sept. 2017	3 Dec. 2017
Ali Yousif Fardan	Committee Chairperson	✓	✓	✓	✓
Rana Ebrahim Faqihi	Committee Deputy Chairperson	✓	✓	✓	✓
Deena Ebrahim Al-Ansari	Committee Member	✓	✓	✓	✓

Meetings of the Audit & Risks Committee

Members of the Audit & Risks Committee		52 (1/2017)	53 (2/2017)	54 (3/2017)	55 (4/2017)	56 (5/2017)
		14 Feb. 2017	15 May 2017	3 Aug 2017	13 Nov. 2017	10 Dec. 2017
Hassan Amin Jarrar	Committee Chairperson	✓	✓	✓	✓	✓
Marwan Khalid Tabbara	Committee Deputy Chairperson	✓	✓	✓*	✓	✓
Yaser Abduljalil AlSharifi	Committee Member	✓	✓	✓*	✓	✓

* Participated through the phone.

Meetings of Nomination, Remuneration, and Corporate Governance Committee

Members of the Nomination, Remuneration, and Corporate Governance Committee		(1/2017)	(2/2017)	(3/2017)	(4/2017)
		21 Feb 2017	13 June 2017	27 Sep 2017	12 Dec. 2017
Abdulkarim Ahmed Bucheery	Committee Chairperson	✓	✓	✓	✓
Abdulrahman Hamed AlZayani	Committee Deputy Chairperson	✓	✓	✓	✓
Aymen Tawfeeq Almoayed	Committee Member	✓	✓	✓	✓*

* Participated through the phone.

CORPORATE GOVERNANCE REPORT 2017

(continued)

Auditors

His Excellency Minister of Industry, Commerce, and Tourism, the Shareholder of Bahrain Bourse, has appointed Deloitte & Touche as external auditors for the year 2017.

Bahrain Bourse Corporate Governance - “Comply or Explain” Principle

List of Partially-Implemented and Unimplemented Corporate Governance Principles

#	Principle	Explanation
1.	At least annually, the board shall conduct an evaluation of its performance and the performance of each committee and each individual director.	It has been one year since the appointment of the current Board of Directors and the evaluation will be conducted.

A blue-toned photograph of a person's hand operating a computer mouse. The hand is wearing a dark suit sleeve and a white cuff. The mouse is on a desk next to a keyboard. In the background, a computer monitor and office equipment are visible in a dimly lit environment. The text "FINANCIAL STATEMENTS" is overlaid in large, white, sans-serif capital letters at the bottom of the image.

FINANCIAL STATEMENTS

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بورصة البحرين
BAHRAIN BOURSE



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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Bahrain Bourse B.S.C. (c) (the "Bourse") and its subsidiary (collectively, referred to as the "Group") which comprise of consolidated statement of financial position as at December 31, 2017, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the Annual Report, which is expected to be made available to us after the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

(continued)

Responsibilities of the Board of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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 internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

INDEPENDENT AUDITOR'S REPORT

(continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

- We have obtained all the information that we considered necessary for the purpose of our audit;
- The Bourse has maintained proper accounting records and the consolidated financial statements and the financial information included in the Board of Directors' report are in agreement therewith;
- Nothing has come to our attention which causes us to believe that the Bourse has breached any of the applicable provisions of the Bahrain Commercial Companies Law, the CBB and Financial Institution Law, the CBB Rule Book (Volume 6) and CBB directives or of its Memorandum and Articles of Association which would materially affect its activities or its consolidated financial position as at 31 December 2017; and
- Satisfactory explanations and information have been provided to us by the Board of Directors in response to all our requests.

DELOITTE & TOUCHE – MIDDLE EAST

Partner Registration No. 184

Manama, Kingdom of Bahrain
March 8, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

	Notes	2017 BD	2016 BD
ASSETS			
Non-current assets:			
Furniture and equipment	5	1,726,728	3,002,593
Investment held to maturity	10	1,000,000	1,000,000
Total non-current assets		2,726,728	4,002,593
Current assets:			
Accounts receivable	6	158,991	113,367
Prepayments and other receivables	7	165,992	124,132
Cash and bank balances	8	3,250,858	3,400,625
Total current assets		3,575,841	3,638,124
Total assets		6,302,569	7,640,717
EQUITY AND LIABILITIES			
Equity:			
Share capital	11	2,000,000	2,000,000
General reserve	12	2,000,000	2,000,000
Statutory reserve	13	401,075	401,075
Retained earnings		1,307,006	2,812,508
Total equity		5,708,081	7,213,583
LIABILITIES:			
Non-current liability:			
Provision for employees' end-of-service benefits	14	25,102	19,979

The attached notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

(continued)

		2017	2016
	Notes	BD	BD
CURRENT LIABILITIES:			
Accounts payable		90,136	45,105
Accruals and other liabilities	15	347,632	359,722
Deferred revenue	16	131,618	2,328
Total current liabilities		569,386	407,155
Total liabilities		594,488	427,134
TOTAL EQUITY AND LIABILITIES			
		6,302,569	7,640,717
Off balance sheet accounts:			
Guarantee deposits in custody	23	1,384,297	1,383,415

The consolidated financial statements on page 4 to 28 were approved by the Board of Directors on February 27, 2018 and signed on its behalf by:

Mr. Abdulkarim Ahmed Bucheery

Chairman

Mr. Marwan Khalid Tabbara

Vice Chairman

Shaikh Khalifa Bin Ebrahim Al Khalifa

Chief Executive Officer

The attached notes form an integral part of these financial statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2017

	Notes	2017 BD	2016 BD
INCOME			
Subscription fees		1,629,048	1,629,043
Commission	17	330,048	319,331
Registration fees		21,230	10,500
Financial support from the Government of Bahrain	9	500,000	500,000
Interest income		131,759	124,475
Other income	18	427,395	334,072
Total income		3,039,480	2,917,421
EXPENSE			
Salaries and staff costs		1,615,617	1,636,557
General and administrative expenses	19	1,569,634	1,495,256
Board of directors sitting fees		42,300	42,100
Depreciation	5	590,486	614,930
Loss on retirement of fixed assets	5.1	726,945	-
(Reversal) / provision for impairment of receivables	6	-	(23,827)
Total expenses		4,544,982	3,765,016
Loss for the year		(1,505,502)	(847,595)
Total comprehensive loss for the year		(1,505,502)	(847,595)

The consolidated financial statements on page 4 to 28 were approved by the Board of Directors on February 27, 2018 and signed on its behalf by:

Mr. Abdulkarim Ahmed Bucheery

Chairman

Mr. Marwan Khalid Tabbara

Vice Chairman

Shaikh Khalifa Bin Ebrahim 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, 2017

	<i>Share Capital BD</i>	<i>General Reserve BD</i>	<i>Statutory Reserve BD</i>	<i>Retained Earnings BD</i>	<i>Total BD</i>
Balance at January 1, 2016	2,000,000	2,000,000	401,075	3,660,103	8,061,178
Total comprehensive loss for the year	-	-	-	(847,595)	(847,595)
Balance at December 31, 2016	2,000,000	2,000,000	401,075	2,812,508	7,213,583
Total comprehensive loss for the year	-	-	-	(1,505,502)	(1,505,502)
Balance at December 31, 2017	2,000,000	2,000,000	401,075	1,307,006	5,708,081

The attached notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

	2017 BD	2016 BD
OPERATING ACTIVITIES		
Subscription fees received	1,622,088	1,649,725
Commission and other income received	869,299	503,309
Payments for salaries and staff costs	(1,621,539)	(1,580,372)
Payment for general and administrative expenses	(1,562,043)	(1,480,133)
Payment of Board of Directors sitting fees	(55,501)	-
Net cash flows used in operating activities	(747,696)	(907,471)
INVESTING ACTIVITIES		
Purchases of furniture and equipment	(41,566)	(31,589)
Purchase of investment	-	(1,000,000)
Net movement in fixed deposits with banks	309,781	1,036,059
Interest received	139,495	120,376
Net cash flows from investing activities	407,710	124,846
FINANCING ACTIVITY		
Financial support from the Government of Bahrain	500,000	500,000
Net cash flows from financing activities	500,000	500,000
Net increase/ (decrease) in cash and cash equivalents	160,014	(282,625)
Cash and cash equivalents at the beginning of the year	1,548,671	1,831,296
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note 8)	1,708,685	1,548,671

For the purpose of preparing the statement of cash flows, cash and cash equivalents consists of cash on hand, current accounts and deposits in banks with original maturities of three months or less.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

1 GENERAL INFORMATION:

Incorporation

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 December 13, 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 by the Central Bank of Bahrain ("CBB") and accordingly is subject to the regulations and supervision of the CBB.

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.

During October 2016, the Bourse established a new wholly-owned closed shareholding company in the Kingdom of Bahrain under the commercial name of Bahrain Clear B.S.C. (c) (the "Subsidiary") and CR number 105050-1. Bahrain Clear B.S.C. (c) is mainly intended to carry clearing and settlement activities. The Subsidiary commenced its operations during July 17, 2017. These financial statements incorporate the financial statements of the Bourse and its subsidiary, collectively referred to as the Group.

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

2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2017, have been adopted in these consolidated financial statements.

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 12;
- Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealised losses; and
- Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(continued)

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

2.2 New and revised IFRS in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective for annual periods beginning on or after January 1, 2017:

- IFRS 9 Financial Instruments (effective date 1 January 2018)

IFRS 9 'Financial Instruments' replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after January 1, 2018. IFRS 9 impacts the classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting. The primary impact on the Group relates to the provisioning for future credit losses on its financial assets and the requirement of certain additional disclosures.

- Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9.
- Amendments to IFRS 7 Financial Instruments: Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.
- IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2018)

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on January 1, 2018 with early adoption permitted. IFRS 15 defines principles for recognizing revenue arising from contracts with customers and establishes a five-step model for that. Under IFRS 15 revenue will be recognized as goods and services are transferred, to the extent that the transferor anticipates entitlement to consideration in exchange for those goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(continued)

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

2.2 New and revised IFRS in issue but not yet effective (Continued)

- IFRS 16 Leases (effective date 1 January 2019)
IFRS 16 Leases specifies how an IFRS reporter will recognise, measure, present and disclose leases.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective date 1 January 2018)
The interpretation addresses foreign currency transactions or parts of transactions in certain circumstances.
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 (effective date 1 January 2018)
IFRS 1 - deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant.

Management anticipates that these new standards, interpretations and amendments will be adopted by the Group in future years as applicable and management expects that the application of these Standards other than IFRS 9 will not have a significant impact on the amounts and disclosures in the consolidated financial statements.

The Group will adopt IFRS 9 from the effective date of January 1, 2018; apply it retrospectively and recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings as of January 1, 2018.

The Group is continuing to analyse the impact of the changes and currently does not consider it likely to have a major impact on its adoption. This assessment is based on currently available information and is subject to changes that may arise when the Group presents its interim consolidated financial statements for the quarter ended March 31, 2018 that includes the effects of its application from the effective date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(continued)

3 SIGNIFICANT ACCOUNTING POLICIES:

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the applicable requirements of the Bahrain Commercial Companies Law 2001 and The Central Bank of Bahrain ("CBB") and Financial Institute Law and The CBB Rule Book (Volume 6).

Basis of Preparation

The consolidated financial statements are prepared under the historical cost convention.

The consolidated financial statements are presented in the Bahraini Dinar ("BD"), being the functional currency of the Group.

Basis of Consolidation

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Bourse and to the non-controlling interests' even if this result in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

As stated in Note 1, the Group invested in the Subsidiary from inception at cost and therefore no goodwill arose.

The significant accounting policies adopted are as follows:

3.1 Furniture and Equipment

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

The cost of furniture and equipment is depreciated by equal annual instalments over the estimated useful lives of the assets are as follows:

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

3.1 Furniture and Equipment (continued)

Gains or losses arising on the disposal or retirement of an item of furniture and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and are recognised in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(continued)

3 SIGNIFICANT ACCOUNTING POLICIES: (Continued)

3.2 Impairment of Tangible Assets

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

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

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

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

3.3 Financial Assets

The Group classifies its financial assets as 'held to maturity' investments and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.3.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the consolidated statement of financial position date. These are classified as non-current assets. The Group's loans and receivables comprise of 'accounts receivables' and 'cash and bank balances' in the consolidated statement of financial position.

3.3.2 Held to maturity investments

The group classifies investments as held-to-maturity if:

1. they are non-derivative financial assets
2. they are quoted in an active market
3. they have fixed or determinable payments and fixed maturities
4. the group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets. The Group's held to maturity investments comprise of 'Investment held to maturity' in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(continued)

3 SIGNIFICANT ACCOUNTING POLICIES: (Continued)

3.3.3 Impairment of financial assets

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

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

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

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the asset's recoverable amount.

3.3.4 Derecognition of financial assets

The Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

3.4 Cash and bank balances

Cash and bank balances include cash in hand, deposits held at call with banks and fixed term deposits.

3.5 Account receivables

Account receivables are amounts due from customers for rendering services rendered in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Account receivables are initially recognised at fair value and subsequently measured at their anticipated realisable values. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amount previously written off are credited against bad debt expense in the consolidated statement of profit or loss and comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(continued)

3 SIGNIFICANT ACCOUNTING POLICIES: (Continued)

3.6 Financial Liabilities and Equity Instruments

Classification as debt or equity

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

3.6.1 Financial liabilities

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

3.6.2 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the sum of the consideration paid and payable is recognised in profit or loss.

3.7 Offsetting Financial Assets and Financial Liabilities

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

3.8 Provision for Employees' End-of-Service Benefits

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

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

3.9 Provisions

Provisions are recognised when the Group 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(continued)

3 SIGNIFICANT ACCOUNTING POLICIES: (Continued)

3.10 Revenue Recognition

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

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 liabilities when received and recognised as revenues over the period of display agreed on.

Interest income is recognised when accrued on effective yield method.

3.11 Operating Leases

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

Group as a lessee

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

3.12 Foreign currencies

Transactions in foreign currencies are recognised in Bahraini Dinars at the rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to consolidated statement of profit or loss.

3.13 Contingent Assets and Liabilities

Contingent liabilities are not recognised in the consolidated 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 consolidated financial statements but disclosed when an inflow of economic benefits is probable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(continued)

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying accounting policies

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

4.2 Key sources of estimation uncertainty

4.2.1 Impairment of receivables

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

4.2.2 Useful life of furniture and equipment

The Group's management determines the useful lives of property, plant and equipment. The depreciation charge for the year will change significantly if the actual life is different from the estimated useful life of the asset.

The review carried out by management in the current year did not indicate necessity for changes in the useful lives of the property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(continued)

5 FURNITURE AND EQUIPMENT: (Continued)

	<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>
Cost:						
Balance at January 1, 2016	3,129,654	1,568,005	2,900,626	17,435	-	7,615,720
Additions	-	11,982	23,095	-	23,256	58,333
Transfers	-	-	23,256	-	(23,256)	-
Write off	-	(13,228)	-	-	-	(13,228)
Balance at December 31, 2016	3,129,654	1,566,759	2,946,977	17,435	-	7,660,825
Additions	3,991	9,998	27,577	-	-	41,566
Write off	(1,338,938)	(62,056)	(795,831)	-	-	(2,196,825)
Balance at December 31, 2017	1,794,707	1,514,701	2,178,723	17,435	-	5,505,566
Accumulated Depreciation						
Balance at January 1, 2016	1,077,386	954,170	2,010,540	14,434	-	4,056,530
Charge of the year	208,642	142,826	261,462	2,000	-	614,930
Write off	-	(13,228)	-	-	-	(13,228)
Balance at December 31, 2016	1,286,028	1,083,768	2,272,002	16,434	-	4,658,232
Charge of the year	183,758	143,427	262,301	1,000	-	590,486
Write off	(615,339)	(60,086)	(794,455)	-	-	(1,469,880)
Balance at December 31, 2017	854,447	1,167,109	1,739,848	17,434	-	3,778,837
Carrying Amounts:						
Balance at December 31, 2017	940,260	347,592	438,875	1	-	1,726,728
Balance at December 31, 2016	1,843,626	482,991	674,975	1,001	-	3,002,593

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(continued)

5 FURNITURE AND EQUIPMENT: (Continued)

5.1 Assets written off during 2017 mainly consist of furniture, fixtures and equipment that have arisen from the abandonment of a portion of the Group leased premises. The loss on retirement of fixed assets are as follows:

	2017 BD	2016 BD
Total cost of retired assets written off	2,196,826	-
Total accumulated depreciation of retired assets written off	(1,469,880)	-
	<u>726,945</u>	<u>-</u>

6 ACCOUNTS RECEIVABLE:

	2017 BD	2016 BD
Subscription and registration fees receivable	427,609	399,419
Commissions receivable	21,554	22,872
Service fees receivable	5,582	6,700
Advertisement fee receivable	83,970	64,375
Other	3,639	3,364
	<u>542,354</u>	<u>496,730</u>
Provision for doubtful debts	(383,363)	(383,363)
	<u>158,991</u>	<u>113,367</u>

As at December 31, 2017 accounts receivable include impaired balances amounting to BD383,363 (2016: 383,363) fully provided for.

The movement in the provision for doubtful debts is as follow:

	2017 BD	2016 BD
Balance beginning of year	383,363	409,358
Charge for the year	-	12,910
Write-back	-	(36,737)
Adjustment	-	(2,168)
	<u>383,363</u>	<u>383,363</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(continued)

6 ACCOUNTS RECEIVABLE: (Continued)

Aging of net receivables is as follows:

	2017 BD	2016 BD
Less than one year	93,748	63,665
More than one year	65,243	49,702
Balance end of year	158,991	113,367

7 PREPAYMENTS AND OTHER RECEIVABLE:

	2017 BD	2016 BD
Prepaid expenses	143,780	94,184
Accrued interest receivable	22,212	29,948
	165,992	124,132

8. CASH AND BANK BALANCES:

	2017 BD	2016 BD
Cash on hand	873	701
Current accounts with banks	974,853	36,018
Call accounts with banks	496,176	489,659
Term deposits (original maturities of 3 months or less)	236,783	1,022,293
Cash and cash equivalents	1,708,685	1,548,671
Term deposits (original maturities of more than 3 months)	1,542,173	1,851,954
	3,250,858	3,400,625

The original maturity of term deposits varies between 30 to 365 days and earn interest at rates ranging between 1.95% and 3.9% (December 31, 2016: between 1.25% and 3.9%) per annum. All bank accounts and term deposits are denominated in Bahrain Dinars. All bank balances are held with locally incorporated banks.

Current accounts with banks are non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(continued)

9 TRANSACTIONS WITH RELATED PARTIES:

Transactions with related parties included in the consolidated statement of profit or loss and other comprehensive income are as follows:

During the year ended December 31, 2017, the Group received financial support from the Government of Bahrain amounting BD 500,000 (December 31, 2016: BD 500,000) to finance the Group's financial commitments for the year.

Transactions with key management personnel:

Key management personnel are those having the authority and responsibility of planning and directing the Group's operations. Key management personnel include board members, chief executive officer and operation executive director. There were no trading transactions between the key management personnel and the Group during the period. The salaries and allowances paid to key management personnel during the period are as follows:

	2017 BD	2016 BD
Salaries	190,373	149,582
Board of directors sitting fees	42,300	42,100
Fees relating to Bahrain Clear B.S.C. (c)	12,400	-
	<u>245,073</u>	<u>191,682</u>

During 2006, the Government of Bahrain has transferred its ownership in certain companies listed on the Bahrain Group 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 Group. The Group claimed BD 418,500 from the Ministry of Finance which was fully recovered in 2013 and 2014. A further amount of BD 418,500 is receivable from BMHC. Being a contingent asset, the Group has not recognised any income in this respect.

10. INVESTMENT HELD TO MATURITY:

During 2016, the Group subscribed to a Government Development Bond (Issue 11) amounting to BD 1 million. The bond has a 5 year maturity with an interest rate of 5.875% per annum.

11. SHARE CAPITAL:

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

12. GENERAL RESERVE:

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

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13. STATUTORY RESERVE:

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

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

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

	2017 BD	2016 BD
Balance at beginning of year	19,979	25,221
Charge for the year	5,123	5,232
Settlements made during the year	-	(10,474)
Balance at end of year	25,102	19,979

15. ACCRUALS AND OTHER LIABILITIES:

	2017 BD	2016 BD
Accrued staff costs	69,855	136,031
Leave and air tickets payable	96,599	75,239
Service fee	149,683	73,812
Accrued Board of Directors sitting fees	-	42,100
Sundry	31,495	32,540
	347,632	359,722

16. DEFERRED REVENUE:

	2017 BD	2016 BD
Printing and advertising	131,618	2,328
	131,618	2,328

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(continued)

17 COMMISSION:

	2017 BD	2016 BD
Regular commission	239,268	134,310
Commission on exempted transactions and special dealings	90,780	185,021
	330,048	319,331

18 OTHER INCOME:

	2017 BD	2016 BD
Trading data income	139,816	79,778
Reversal of prior year accrual	-	75,322
Display board income	15,459	48,556
Deposit and central depository income	160,488	47,236
Outdoor ticker	25,264	32,625
Remote trading income	21,300	22,950
Investor guide income	25,459	13,000
Other revenues	33,759	7,655
Office service income	5,850	6,950
	427,395	334,072

19 GENERAL AND ADMINISTRATIVE EXPENSES:

	2017 BD	2016 BD
Rent	609,676	678,783
Services	650,592	627,454
Consultations and audit fees	166,944	82,389
Conferences and subscriptions	46,620	56,691
Consumables	41,394	33,527
Other	54,408	16,412
	1,569,634	1,495,256

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(continued)

20 COMMITMENTS:

Operating lease commitments

Leased Premises

The operating lease relates to the rent of the Group's premises for a period of 5 years. The Group doesn't have the option to purchase the leased property at the expiry of the lease period. The lease term expires on September 30, 2022. Also, the operating lease relates to the operating lease of the office in Amwaj Island, for the business continuity centre for a period of one year and the contract expires on October 24, 2018.

Payments recognised as an expense

	2017 BD	2016 BD
Minimum lease payments	<u>104,284</u>	<u>670,027</u>

Non-cancellable operating lease commitments

	2017 BD	2016 BD
Not later than 1 year	404,655	504,931
1 to 5 years	<u>1,355,166</u>	<u>-</u>
	<u>1,759,821</u>	<u>504,931</u>

Other commitments

	2017 BD	2016 BD
Other commitments	<u>275,210</u>	<u>449,776</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(continued)

21 FINANCIAL INSTRUMENTS:

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Group include cash, bank balances, investment held to maturity and accounts and other receivables.

Financial liabilities of the Group include payables and accrued liabilities.

	2017 BD	2016 BD
Financial assets:		
Amortised cost	4,432,061	4,543,940
Financial liabilities:		
Amortised cost	437,768	404,827

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. The Group's activities expose it primarily to the financial risk in changes in foreign exchange rates and interest rates.

Foreign currency risk

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

There are no foreign currencies denominated monetary assets and liabilities as at the reporting dates. Accordingly, the Group is not exposed to any foreign currency risk.

Interest rate risk

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

The Group's interest bearing assets consist of term deposits with banks and investment in bond at fixed interest rate. Accordingly, the Group is not exposed to any interest rate risk.

The Group does not have interest bearing liabilities as at the reporting dates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(continued)

21 FINANCIAL INSTRUMENTS: (Continued)

Credit risk

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

Ongoing credit evaluation is performed on the financial condition of trade receivables. The credit risk on liquid funds is limited because the counterparties are banks with good financial standing.

The carrying amount of financial assets recorded in the consolidated financial statements represents the Group's maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting commitments associated with financial liabilities.

The Group manages the maturities of the Group's assets and liabilities in way to be able to maintain adequate liquidity.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest (if applicable) and principal cash flows.

	1-3 months	3 months to 1 year	More than 1 year	Total (BD)
2017				
Accounts payable and accruals	399,471	24,810	13,487	437,768
2016				
Accounts payable and accruals	362,727	42,100	-	404,827

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(continued)

21 FINANCIAL INSTRUMENTS: (Continued)

Liquidity risk (Continued)

The table below summarises the maturity of the Group's financial assets at 31 December 2017 and 2016 based on contractual undiscounted obligation:

	<i>Less than 3 months BD</i>	<i>3-12 months BD</i>	<i>More than 1 to 5 years BD</i>	<i>Total BD</i>
2017				
Accounts Receivable	1,471,902	158,991	(-)	1,630,893
Cash and bank balances	1,708,685	1,542,173	(-)	3,250,858
Investment held to maturity	-	-	1,000,000	1,000,000
	<u>3,180,587</u>	<u>1,701,164</u>	<u>1,000,000</u>	<u>5,881,751</u>
2016				
Accounts Receivable	526,378	113,367	(-)	639,745
Cash and bank balances	1,548,671	1,851,954	(-)	3,400,625
Investment held to maturity	-	-	1,000,000	1,000,000
	<u>2,075,049</u>	<u>1,965,321</u>	<u>1,000,000</u>	<u>5,040,370</u>

22 FAIR VALUE MEASUREMENT:

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. Consequently, differences may arise between the carrying values and the fair value estimates.

There are no financial assets and liabilities measured at fair value at the reporting dates.

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to their short term nature.

23 OFF BALANCE SHEET ACCOUNTS

Off balance sheet accounts includes:

	<i>2017 BD</i>	<i>2016 BD</i>
Guarantee deposits in custody from financial intermediaries	<u>1,348,297</u>	<u>1,383,415</u>