



Annual Report 2018



An Oasis of Investment Opportunities

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**

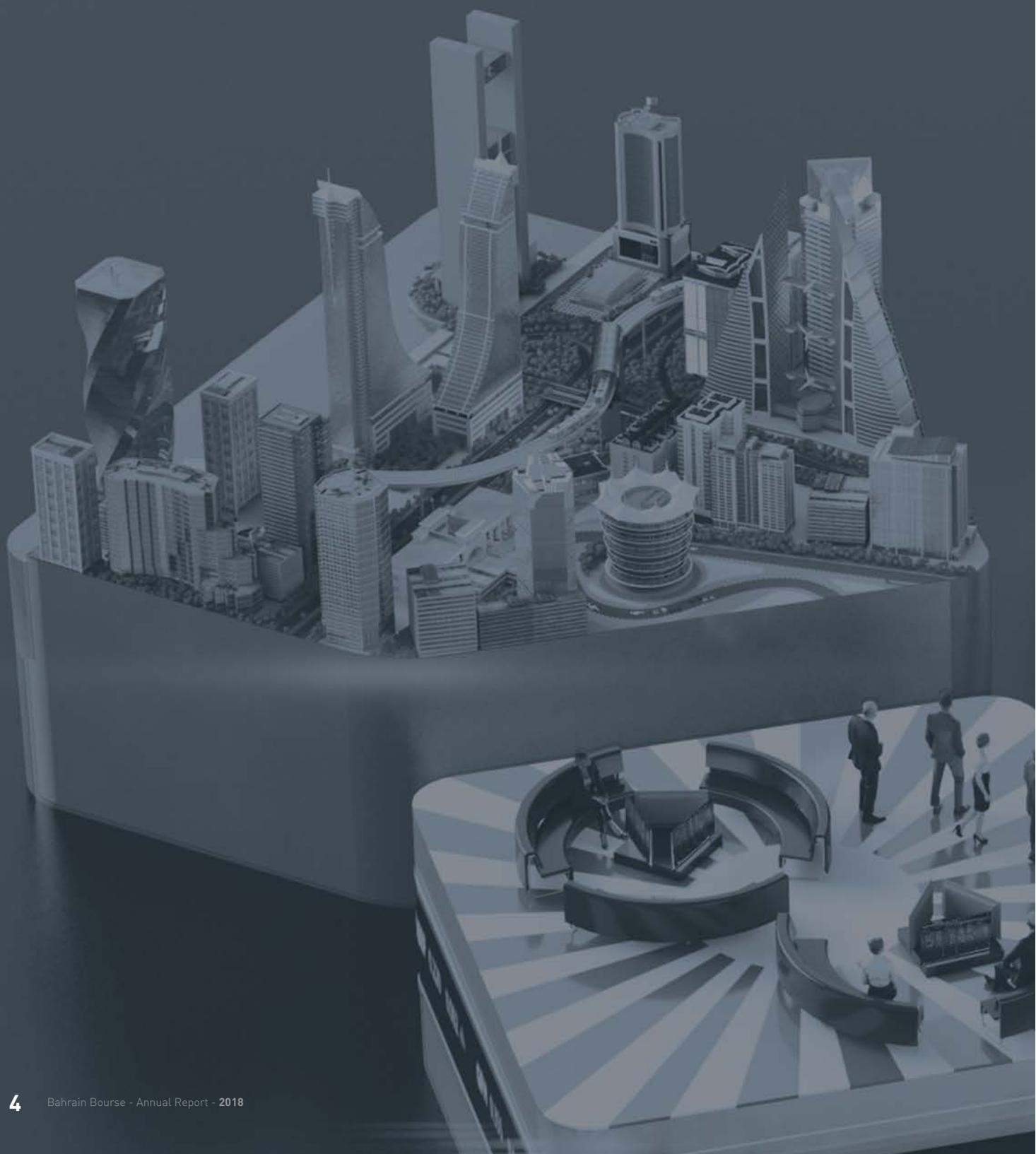
The King of the
Kingdom of Bahrain



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

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

TABLE OF CONTENTS



CONTENTS

VISION, MISSION & CORE VALUES	06
KEY PERFORMANCE INDICATORS	08
KEY ACHIEVEMENTS	09
CHAIRMAN'S STATEMENT	10
CEO'S STATEMENT	12
BOARD OF DIRECTORS	14
MANAGEMENT TEAM	16
WORLD STOCK MARKETS PERFORMANCE DURING 2018	19
KEY STATISTICAL DATA 2017 - 2018	26
TRADED SECURITIES & INSTRUMENTS	33
LISTED COMPANIES	34
LISTED MUTUAL FUNDS	35
LISTED BONDS & SUKUK	35
LISTED T-BILLS	35
LISTED REIT	35
BROKERS & MEMBERS	35
AUTHORIZED SPONSORS	35
BAHRAIN BOURSE FEES & COMMISSIONS	36
BAHRAIN CLEAR FEES	40
CORPORATE GOVERNANCE REPORT 2018	45
FINANCIAL STATEMENTS	59



VISION, MISSION & CORE VALUES

AUB 0.570 0.005 ▲ BATELCO 0.246 ◆ 0.000



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
efficient 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 323,832,788
(53% YoY Increase)



Transactions

19,225



Volume

BD 1,441,081,638
(28% YoY Increase)



Market Capitalization

BD 8,198,530,436
(0.64% YoY Increase)



Bahrain All Share Index

1,337.26
(0.42% YoY Increase)



No. of Licensed Brokers

11



No. of Investors

42,998
(17% YoY Increase)

KEY ACHIEVEMENTS

Listings



Listing of APMT Terminals Bahrain

Services



Inauguration of eIPO Platform

Corporate Social Responsibility



Launch of 1st Year Edition of the Smart Investor Program



21st Edition of the TradeQuest Program

CHAIRMAN'S STATEMENT



Abdulkarim Ahmed Bucheery
Chairman



The year 2018 marks an important chapter in the history of Bahrain Bourse as we rolled out an electronic subscription platform for IPOs (eIPO), which marks a pivotal milestone in terms of digital transformation.



Throughout 2018, Bahrain Bourse (BHB) and its fully-owned subsidiary, Bahrain Clear, continued to embrace technological and operational changes to strengthen its foundation, develop new products and services for investors, and position Bahrain Bourse for future growth. The year 2018 marks an important chapter in the history of Bahrain Bourse as we rolled out an electronic subscription platform for IPOs (eIPO), which marks a pivotal milestone

in terms of digital transformation. This has laid a solid foundation for our vision of becoming a regional multi-asset class marketplace leader and created a platform to take our core business to new heights fueled with new impetus and expand our investor base.

Bahrain Bourse has worked closely with regulators to improve the robustness and resilience of our market, integrate contemporary technologies, and adopt new regulations, as we have sought our stakeholder's feedback on the proposed draft Listing Rules. The draft Listing Rules have been introduced as part of BHB's efforts to implement a Self-Regulatory Organization (SRO) model.

On the trading front, the statistics have been in line with expectations in terms of trading values and volumes despite global market downturns, with trading volume showing an increase representing 28% YoY, and trading value showing an increase of 53% YoY, with daily average trading value at BD1.3 million. The Bourse's focus remains on enhancing profitability and sustainable growth in order to create maximum value for our shareholder.

On 9th December 2018, Bahrain Bourse welcomed the listing of APM Terminals Bahrain ('APMT'). The listing of APMT on Bahrain Bourse marks an important milestone towards achieving our strategic objectives in terms of attracting new issuers from fast growth economic sectors and expanding the Bourse's investor base. APMT became the first IPO issuer listed on BHB to utilize Bahrain Clear's newly developed eIPO platform. The IPO was met with strong retail & institutional demand resulting in an oversubscribed offer with funded applications of 5.4 multiples. Over the past year, BHB has listed a growing number of debt products with 15 bonds/sukuk listed as of 31st December 2018 at a total value of US\$7.34 billion.

Encouraging the adoption of best practice standards is an important part of BHB's role as a responsible marketplace. Hence, in 2018, BHB signed an MOU with Middle East Investor Relations Association ('MEIRA') to encourage and assist listed companies in adopting best practices in Investor Relations in order to meet the growing expectations of the international investment community.

Bahrain Bourse aims to maintain an ongoing dialogue with its market participants, a key feature determining the success of our market. With that in mind, we have created an open platform for discussion with CEOs of listed companies through our regular 'CEO Luncheon' in order to adapt to changing market conditions and help us meet various expectations of listed companies as well market participants.

BHB executive management sees its role in the regional and international arena as conducive to promoting the Kingdom's capital market. Regionally, BHB has continued to cooperate closely with GCC-based stock exchanges & clearing houses to further advance the capital markets and enhance connectivity. This has been evident with the signing of Cooperation Agreement with Muscat Clearing & Depository to facilitate investor access in both markets.

In order to create awareness and boost financial literacy, we have partnered in recent years with the BIBF to educate investors through the Investment Academy. Our long-term objective through these seminars is to enhance penetration of retail investors in the market. Furthermore, our launch of the 'Smart Investor' program, in collaboration with Injaz Bahrain, has been successful with more than 5500 students benefitting from the program.

Looking into Bahrain Bourse's financial performance in 2018, BHB's gross revenue increased from BD3,039,480 to BD3,062,139 reporting an increase of 0.75%. Bahrain Bourse reported a deficit of BD393,081 in 2018 compared to BD1,505,502 in 2017. In addition, Bahrain Bourse reported positive earnings before interest, taxation, depreciation, and amortisation (EBITDA) of BD128,448 in 2018.

Bahrain Bourse's journey will continue in accordance to the pre-set five-year strategic roadmap (2016-2020). In 2019, BHB aims to focus on sustainable development based on innovation and technology to meet the growing issuer & investor needs and to enhance efficiency of all our work aspects with a long-term vision focused on the creation of a strong and diversified marketplace by 2020 with active participation from its stakeholders.

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.

On behalf of the Board of Directors, I would like to express our gratitude to our issuers, investors, and members, and stakeholders for their continued support & confidence as we look forward to another year of key milestones achieved in the coming year. I would also like to thank all of our employees for continuous commitment, strong teamwork, and valuable contributions. Looking ahead, we will continue work towards a seamless & efficient marketplace for all our stakeholders.

Abdulkarim Ahmed Bucheery

Chairman

CEO'S STATEMENT



Khalifa Bin Ebrahim Al Khalifa
Chief Executive Officer

The year 2018 was a challenging year for the global stock markets, where the performance of the markets recorded the sharpest declines since the World Financial Crisis in 2008 due to various economic and political factors. Similarly, the majority of the GCC financial markets' and Bourses' performance decreased with an evident decrease in the oil prices. Despite that, Bahrain Bourse closed the year with a slightly positive performance with Bahrain All Share Index closing at 1,337.26 points in Dec. 2018 to report an increase of 0.42% compared to its closing in 2017, while Bahrain Islamic Index closed at 823.10 points, decreasing by 24% compared to its closing in December 2017. Trading volume stood at 1.441 billion shares representing 28% YoY increase, and trading value for the year stood at BD 323 million representing 53% YoY increase, with an average daily trading value of BD1.31 million. The number of transactions conducted stood at 19,225 transactions executed in 2018.

During the year, our main strategic focus remained on cultivating opportunities aimed at facilitating issuer and investor access. In summary, our strategic objectives remain the same – to provide a unique suite of listing, trading, and settlement & depository services to all stakeholders through an efficient capital markets platform and facilitate innovative capital raising opportunities.

This year marked the listing of APM Terminals Bahrain ('APMT'), a key player in Bahrain's logistics and supply chain

industry, following a successful overall oversubscription resulted from funded applications of 5.4 X the offer size. The IPO was supported by the newly developed eIPO platform, an online subscription platform launched by Bahrain Clear in conjunction with the Initial Public Offering (IPO) of APM Terminals Bahrain, the solution provides users with a seamless and convenient mechanism for completion of online IPO subscription applications. The eIPO platform proved its success to comprise 55% of total subscription applications and 90% of the volume of APM Terminals Bahrain IPO. The listing of the APMT 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.

On the fixed income side, the number of listed bonds/sukuk as of 31st December 2018 reached 15 issues with a total value of US\$7.34 billion, and 6 T-Bill issues with a total value of BD 535 million.

On the regulatory front, Bahrain Bourse announced the completion of its public consultation on the 'Listing Rules' in the first half of 2018, with positive feedback received from various market stakeholders & participants prior to the implementation of the new Listing Rules, which aims to adopt best in class market & regulatory best practices.

On the investment awareness and corporate social responsibility level, 2018 marked the 20th anniversary of the TradeQuest Program, whereon the annual ceremony was held under the patronage of the Minister of Industry, Commerce, & Tourism and in the presence of the Governor of the Central Bank of Bahrain H.E. Rasheed Al Maraj and the Chairman of Bahrain Bourse Mr. Abdulkarim Bucheery to honor sponsoring institutions and participating students across the three categories of the program (Gov. Schools, Private Schools, and Universities). The ceremony was attended by more than 600 attendees, and a total of BD 30,000 cash rewards to the top finalists was awarded.

Bahrain Bourse continued its efforts to raise financial literacy awareness among various age groups, and this year it has complemented its awareness programs by targeting the elementary students through the launch of the Smart Investor Program in collaboration with INJAZ Bahrain for the academic year 2018-2019. The program aims to equip students with smart financial planning tools. On the first year of its launch, the Smart Investor Program has been implemented across 61 schools and targeted more than 5,200 students within Grade 4 elementary level.

Further, as part of Bahrain Bourse's continuous efforts to strengthen its ties with listed companies, a number

of events/workshops were organized to update listed companies of new developments within Bahrain Bourse. The events included CEO Roundtable which aims to offer a platform for open discussion & cooperation between the exchange and the listed companies. An Investor Relations Awareness seminar was also conducted in collaboration with Middle East Investor Relations Association (MEIRA) to promote the development of the Investor Relations (IR) function and corporate governance best practices across listed companies. In addition, Bahrain Clear held its first awareness session targeted towards issues to debrief attendees on the various value offerings of Bahrain Clear covering both pre-IPO and post trade services currently offered to issuers.

In line with BHB's strategic objective of 'Enhancing Market Literacy & Investor Protection', Bahrain Bourse launched the myShare' card in collaboration with Al Salam Bank-Bahrain, as part of its strategy to provide investors and listed companies with quality services and efficient solutions. The solution aims to efficiently manage cash dividend distributions on behalf of listed companies. This pioneering service goes in line with Bahrain Clear's (a fully-owned subsidiary of Bahrain Bourse) efforts to enhance post-trade services to better meet investors' & issuers needs alike.

Furthermore, Bahrain Bourse has been proactive in cultivating innovative advances with the launch of BHB's mobile application, which allows investors to have access to real-time market data via smart devices enabling informed investment decisions and with the ultimate goal of enhanced market penetration of retail investors and boost market liquidity over time.

Throughout the past 12 months, the Bourse expanded its Bahrain Trade network of participating banks and financial institutions to include two additional participants, bringing the total number of participating banks to three including Khaleeji Commercial Bank, BBK and NBB. Bahrain Bourse also expanded its Bahrain Trade Service Providers base through partnering with SICO to provide SICO LIVE online trading solution, enabling clients of retail banks to trade on the Bourse via Bahrain Trade platform.

Bahrain Bourse continued its support to growth companies by widening the number of advisory service firms available and welcoming onboard two additional companies as Authorized Sponsors in the Bahrain Investment Market (Almoayed Chambers and Grant Thornton Abdulaal) in order to assist companies in listing by ensuring all pre-

listing requirements and post-listing documentation and disclosures are continuously met.

As for the financial performance of Bahrain Bourse in 2018, operational efficiency remains key in today's market conditions. BHB reported a slight increase in its gross revenue by 0.75% from BD3,062,139 in 2018 compared to BD3,039,480 in 2017, while the total expenses during the year decreased by 24%, from BD4,544,982 in 2017 in comparison to 3,455,220 in 2018. BHB recorded a deficit of BD393,081 in 2018 as compared to BD1,505,502 in 2017. In addition, Bahrain Bourse reported positive earnings before interest, taxation, depreciation, and amortisation (EBITDA) of BD128,448 in 2018 compared to BD915,016 EBITDA loss in 2017.

BHB's total assets decreased to BD5,692,150 compared to BD6,302,569 in 2017, while the total liabilities in 2018 were BD492,538 against BD594,488 in 2017. Shareholders' equity also decreased from BD5,708,081 as of 31st December 2017 to BD5,199,612 as of 31st December 2018.

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 capital markets 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



Abdulkarim Ahmed Bucheery ✓
Chairman
Independent & Non-Executive Director
Joined the Board of Directors
on 27th December 2016



Marwan Khalid Tabbara #
Vice Chairman
Independent & Non-Executive Director
Joined the Board of Directors
on 6th February 2011



Rana Ebrahim Faqih *
Board Member
Non-Independent & Non-Executive Director
Joined the Board of Directors
on 6th February 2011



Aymen Tawfeeq Almoayed ✓
Board Member
Independent & Non-Executive Director
until 3rd December 2018,
Non-Independent & Non-Executive Director
from 4th December 2018 onwards.
Joined the Board of Directors
on 27th March 2014



Ali Yousif Fardan *
Board Member
 Independent & Non-Executive Director
 Joined the Board of Directors
 on 27th December 2016



Hassan Amin Jarrar #
Board Member
 Independent & Non-Executive Director
 Joined the Board of Directors
 on 27th December 2016



Yaser Abduljalil Alsharifi #
Board Member
 Independent & Non-Executive Director
 Joined the Board of Directors
 on 27th December 2016



Deena Ebrahim Al-Ansari *
Board Member
 Independent & Non-Executive Director
 Joined the Board of Directors
 on 27th December 2016



Abdulrahman Hamid Al-Zayani ✓
Board Member
 Independent & Non-Executive Director
 Joined the Board of Directors
 on 27th December 2016

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

MANAGEMENT TEAM



Khalifa Bin Ebrahim Al Khalifa
Chief Executive Officer (Bahrain Bourse)
Vice Chairman & Managing Director (Bahrain Clear)



Narjes Farookh Jamal
Chief Operating Officer



Mohammed Khalid Hamed
Chief Audit Executive



Abdulla Jaffar Abdin
Senior Director of
Operations (Bahrain Clear)



Abdulrahman Abdulla Al-Shafei
Senior Director of Risk Management
& Compliance



Hani Husain Al Mandeel
Senior Director of External Relations



Marwa Faisal Al-Maskati
Director of Marketing & Business Development



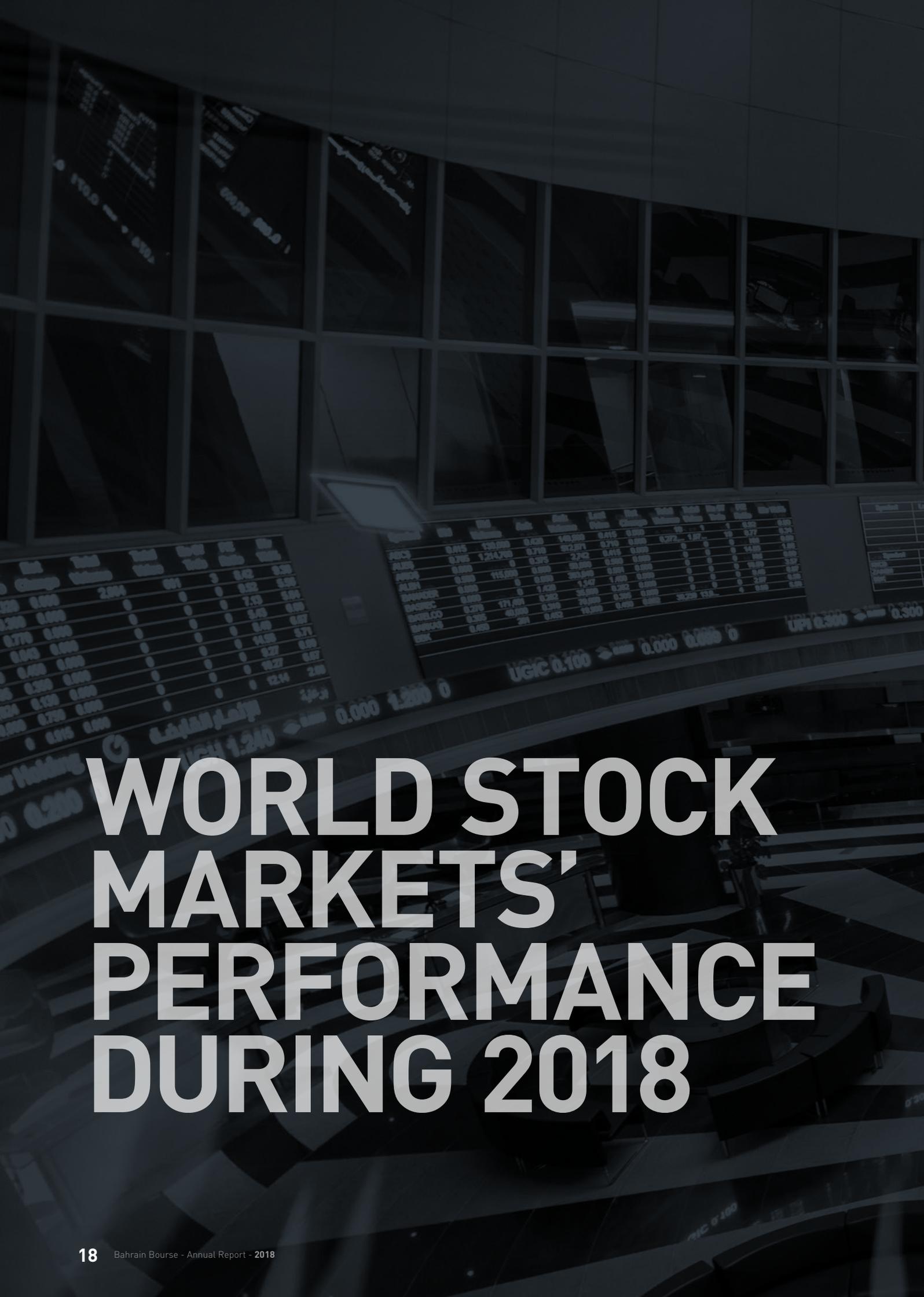
Shaikha Sameer AlZayani
Director of Listing & Disclosure



Hamad Abulfath Hasan
Director of Administration Affairs & HR



Abdulla Mohamed Janahi
Director of Trading Operations



WORLD STOCK MARKETS' PERFORMANCE DURING 2018



TOP GAMERS

Price	Change	% Change	Symbol	Market	Change	% Change
1.00	0.00	0.00	ALAM	0.00	0.00	0.00
1.00	0.00	0.00	ALAM	0.00	0.00	0.00
1.00	0.00	0.00	ALAM	0.00	0.00	0.00

Market Summary

Trades	0
Volume	0
Turnover	0
Time	0

MARKET SUMMARY

INDEX	1000.00
Change	0.00
%Change	0.00

Market Status

Market	Open
Time	09:18:53

MARKET SUMMARY

INDEX	1000.00
Change	0.00
%Change	0.00

Market Status

Market	Open
Time	09:18:53

MARKET SUMMARY

No.	Time	Symbol	Price	Volume	Market	Time	Symbol	Price
01	11:00:00	BKDC	0.200	24	00	11:00:00	BKDC	0.200
02	11:00:00	BKDC	0.200	1000	00	11:00:00	BKDC	0.200
03	11:00:00	BKDC	0.200	4000	00	11:00:00	BKDC	0.200
04	11:00:00	BKDC	0.200	1000	00	11:00:00	BKDC	0.200
05	11:00:00	BKDC	0.200	1000	00	11:00:00	BKDC	0.200
06	11:00:00	BKDC	0.200	1000	00	11:00:00	BKDC	0.200
07	11:00:00	BKDC	0.200	1000	00	11:00:00	BKDC	0.200
08	11:00:00	BKDC	0.200	1000	00	11:00:00	BKDC	0.200
09	11:00:00	BKDC	0.200	1000	00	11:00:00	BKDC	0.200
10	11:00:00	BKDC	0.200	1000	00	11:00:00	BKDC	0.200

2.000 0 ZAMBH 0.074 0.071 0.000 00,000 0.200 0 INVCORP 8.000 8.400 0.700 0

WORLD STOCK MARKETS' PERFORMANCE DURING 2018

The majority of global financial markets experienced a slowdown in 2018, in which the GDP growth rate of the global economy had a steady growth of 3.7% during 2018, while the inflation rate worldwide amounted to 3.8% compared to 3.2% in 2017. In addition, the US economy posted a 2.9% growth in 2018 compared to a growth of 2.2% in 2017. The interest rate of the Federal Reserve Bank rose from 1.50% in 2017 to 2.50% at the end of 2018.

Moreover, the economies of the European Union posted a 1.9% growth in 2018 against 2.3% in 2017, and the European Central Bank maintained an interest rate of 0.00% in 2018. The Bank of England also increased its interest rate to 0.75% in 2018 against a rate of 0.50% in 2017.

The Real GDP Growth at Constant Prices %

Country	2018	2017
United States	2.9	2.2
United Kingdom	1.4	1.7
Germany	1.9	2.5
France	1.5	2.3
Japan	1.1	1.7
China	6.6	6.9

In Asia, China's economic growth reached 6.6% in 2018 compared to 6.9% in 2017. Similarly, the Japanese economy posted a growth of 1.1% in 2018 as the Bank of Japan maintained its interest rate at -0.1%. On the other hand, the Middle East and North Africa (MENA) economy witnessed a growth of 2.0% in 2018 compared to 1.8% in 2017.

With regards to oil prices, Brent price decreased at the end of the year by US\$16.56 per barrel to close at US\$50.52 compared to US\$67.08 at the beginning of the year, posting a decline of 24.69%. Oman's oil price also decreased by US\$11.16 per barrel to close at US\$53.17, and posted a 17.35% decrease during the same period.

Regarding currency prices, the Euro decreased against the U.S. Dollar by 4.39%, and the Sterling Pound decreased by 5.59% against the U.S. Dollar compared to the beginning of the year. In addition, the Yen decreased by 2.76% during the same period.

With regards to the price of metals, the price of gold decreased by 1.51% to reach US\$1282.73 per ounce posting a decline of US\$19.72 per ounce in comparison to its price at the beginning of last year. The price of silver also decreased during the same period by 8.62%.

On the financial markets front, the American S&P500 index posted a decline of 6.24%, followed by the Nikkei Japanese index declining by 12.08%, the German DAX by 18.26%, the French CAC40 by 10.95%, and the British FTSE100 index by 12.48%, while the Shanghai Chinese index decreased by 24.59%.

Performance of International Financial Markets

Market	2018	2017	Growth (%)
US (S&P500)	2,506.85	2,673.61	(6.24%)
Japan (NIKKEI225)	20,014.77	22,764.94	(12.08%)
Germany (DAX)	10,558.96	12,917.64	(18.26%)
France (CAC40)	4,730.69	5,312.56	(10.95%)
UK (FTSE100)	6,728.13	7,687.77	(12.48%)
China (SHANGHAI)	2,493.90	3,307.17	(24.59%)

The Arabian Market

The real GDP of the Middle East and North Africa region increased by 2.0% in 2018 against 1.8% in 2017 according to the International Monetary Fund (IMF). With regards to the real GDP of the Arabian Economies, Egypt, Morocco and Bahrain reported the highest growth rates of 5.3%, 3.2%, and 3.2% respectively.

WORLD STOCK MARKETS' PERFORMANCE DURING 2018 (continued)

The Real GDP Growth at Constant Prices (%)

Country	2018	2017
Jordan	2.3	2.0
Morocco	3.2	4.1
Egypt	5.3	4.2
Lebanon	1	1.5
GCC Countries		
Qatar	2.7	1.6
Kuwait	2.3	[3.3]
Saudi Arabia	2.2	[0.9]
Oman	1.9	[0.9]
UAE	2.9	0.8
Bahrain	3.2	3.8

With regards to the performance of Arab financial markets, most markets reported a decline in their performance during 2018.

Arab Stock Markets Performance

Market Indices (Point)

Markets (Points)	2018	2017	Annual Performance [%]
Egypt	13,035.77	15,019.14	[13.21%]
Morocco	11,364.31	12,338.82	[8.27%]
Lebanon	976.75	1,148.57	[14.96%]
Jordan	1,908.81	2,126.78	[10.25%]
GCC Countries			
Dubai	2,529.75	3,370.07	[24.93%]
Muscat	4,323.74	5,099.28	[15.21%]
Abu Dhabi	4,915.07	4,398.44	11.75%
Saudi Arabia	7,826.73	7,226.32	8.31%
Kuwait	5,267.00	6,408.01	[17.81%]
Bahrain	1,337.26	1,331.71	0.42%
Qatar	10,299.01	8,523.38	20.80%

The Local Market

The GDP growth of Kingdom of Bahrain was 3.2% in 2018 compared to 3.8% in 2017, while the inflation rate reached 3.0% in 2018 compared to 1.4% in 2017.

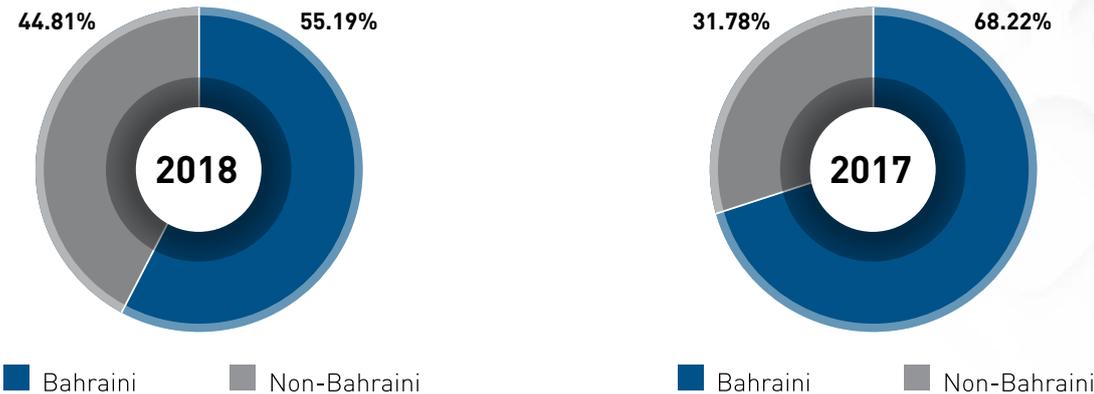
Bahrain All Share Index increased by 0.42% to close at 1,337.26 points at the end of 2018 thereby ending the year up by 5.55 points. As for the shares prices at the end of the year, the prices of 9 companies increased, while the share prices of 7 companies remained unchanged, and the share prices of 27 companies decreased. The trading activity witnessed an increase in the value of shares traded by 53.23% compared to 2017. The number of transactions increased by 27.55% compared to last year, while the volume of shares traded decreased by 1.11%.

The Commercial Banks Sector comprised 52.04% of the total trading value followed by the Investment Sector comprising 30.54%, Services Sector 9.04%, Industrial Sector 5.92%, Insurance Sector 0.44%, and the Hotels & Tourism Sector 0.23%. Ahli United Bank came on top of the most active companies in terms of the value of shares traded, in which the trading value was BD124.52 million capturing around 38.45% of the total trading value at the Bourse, followed by United Gulf Holding Company B.S.C (UGH) comprising 12.64%, GFH Financial Group 11.70%, Aluminum Bahrain B.S.C (ALBH) 5.91%, and Bahrain Telecommunications Company (BATELCO) 5.51%.

As for the volume of shares traded, the Commercial Banks Sector represented 57.24% of total trading volume followed by the Investment Sector with 29.70%, Services Sector 8.25%, Industrial Sector 2.15%, Insurance Sector 0.67% and Hotels & Tourism Sector 0.12%. Ahli United Bank came first among the most active companies in terms of the volume of shares traded with 491.01 million shares traded, comprising 34.07% of the total shares traded at the Bourse, followed by GFH Financial Group 18.99%, Al Salam Bank - Bahrain 9.59%, Ithmaar Holding B.S.C 8.57% and Bahrain Telecommunication Company (BATELCO) 5.55%.

Trading by nationality figures show that Bahrainis comprised 55.19% of the total value of shares traded, while other nationalities comprised 44.81% of the total value of shares. The year 2018 ended with a total of 44 listed companies (including 1 in the IPO market), 17 mutual funds, 15 Bonds/Sukuks, and 42 Treasury Bills and Short Term Islamic Ijarah Sukuk listed during the year.

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



WORLD STOCK MARKETS' PERFORMANCE DURING 2018 (continued)

Market Capitalization

The market capitalization of Bahraini public shareholding companies listed on Bahrain Bourse increased to BD8.20 billion compared to BD8.15 billion at the beginning of the year, posting a growth of 0.64%. The Commercial Banks Sector accounted for 48.09% of the total market capitalization, followed by the Investment Sector with 25.62%, Services Sector 11.59%, Industrial Sector 10.59%, Insurance Sector 1.91%, and Hotels & Tourism Sector 1.83%. On the other hand, the Services Sector reported a growth in the market capitalization of 12.76% compared to the beginning of the year. The market capitalization of the Commercial Banks Sector was also up by 0.10%, the Insurance Sector and Investment Sector decreased by 0.34% and 1.14% respectively whereas the Hotels & Tourism and Industrial market capitalization declined by 8.93% and 2.60% respectively.

Market Capitalization Among Sectors (Million Dinars)

Sector	2018	2017	Change (%)	Relative Weight (%)
Commercial Banks	3,942.9	3,938.94	0.1	48.09
Investment	2,100.7	2,124.86	(1.1)	25.62
Services	979.9	869.03	12.8	11.59
Industrial	868.6	891.79	(2.6)	10.59
Hotels & Tourism	149.8	164.46	(8.9)	1.83
Insurance	156.7	157.25	(0.3)	1.91
Total Market	8,198.5	8,146.33	0.64	100.00

Financial Indicators

The financial indicators among sectors varied. The table below presents the growth of financial indicators at the end of 2018 compared to 2017.

Financial Indicators

Sector	P/E (X)		Div. Yield (%)		P/BV (X)	
	2018	2017	2018	2017	2018	2017
Commercial Banks	10.02	10.84	5.68	4.94	1.19	1.24
Investment	8.27	5.63	4.41	3.84	0.61	0.72
Insurance	20.06	14.16	3.26	5.33	0.72	0.76
Services	12.44	10.39	7.43	8.16	0.98	0.88
Industrial	8.80	17.81	4.33	3.43	0.80	0.87
Hotels & Tourism	9.66	7.68	5.52	3.93	0.71	0.79
Total Market	9.69	9.42	5.37	4.82	0.88	0.95

Bahrain Clear

The total number of Bahraini public shareholding shares deposited at Bahrain Clear reached 33,677 billion shares as of 31, December 2018 comprising 99.98% of the total fully issued and paid shares compared to 32,691 billion shares at the beginning of the year posting a growth of 3.02%.

The market capitalization of Bahraini public shareholding shares deposited at Bahrain Clear reached BD8,267 billion at 31, December 2018 compared to BD8,142 billion at the beginning of the year recording an increase of 1.54%.

The number of nationalities registered at Bahrain Clear reached 100 nationalities, while the number of investors holding shares in Bahraini public shareholding companies reached 42,998 investors by 31 December, 2018 compared to 36,779 investors at the beginning of the year, posting a growth of 16.91%.

KEY STATISTICAL DATA 2017-2018

KEY STATISTICAL DATA 2017-2018

COMPARISON OF TRADING ACTIVITY

	2018	2017	Change	Change %
Total Market Capitalization (BD)	8,198,530,435	8,146,333,645	52,196,790	0.64
Value of Shares (BD)	323,832,788	211,338,670	112,494,118	53.23
Volume of Shares	1,441,081,638	1,129,826,742	311,254,896	27.55
No. of Transactions	19,225	19,440	(215)	(1.11)
Total Trading Days	246	246	0	0
Daily Average Value of Shares (BD)	1,316,393	859,100	457,293	53.23
Daily Average Volume of Shares	5,858,055	4,592,792	1,265,264	27.55
Daily Average No. of Transactions	78	79	(1)	(1)

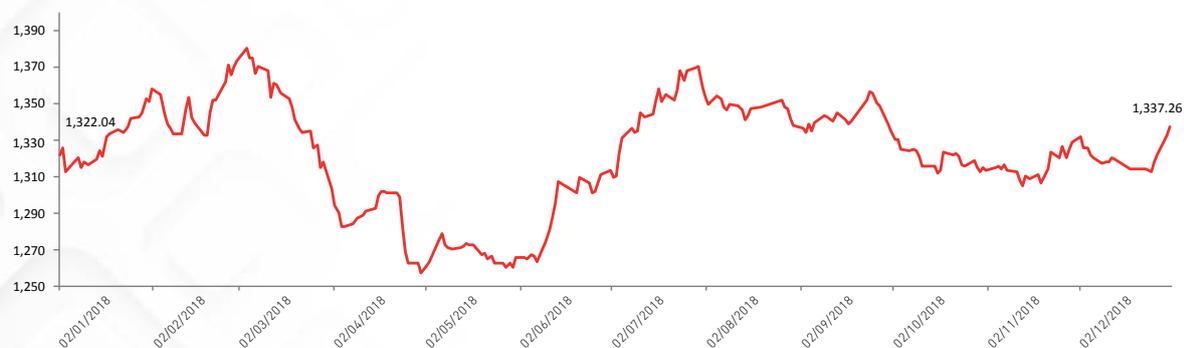
BAHRAIN BOURSE INDICES PERFORMANCE

Bahrain All Share Index	2018	2017	Change (points)	Change (%)
Year End	1,337.26	1,331.71	5.55	0.42
High	1,380.22	1,382.71	(2.49)	(0.18)
Low	1,257.88	1,206.40	51.48	4.27

Bahrain Islamic Index	2018	2017	Change (points)	Change (%)
Year End	823.10	1,089.28	(266.18)	(24.44)
High	1,139.60	1,120.72	18.88	1.68
Low	786.60	886.61	(100.01)	(11.28)

KEY STATISTICAL DATA 2017-2018 (continued)

BAHRAIN ALL SHARE INDEX DURING 2017 (POINTS)



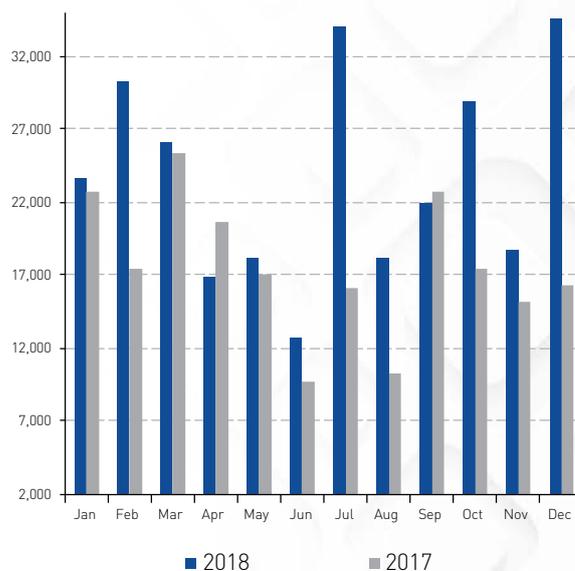
Sectorial Indices	2018	2017	Change (%)
Bahrain All Share Index			
Commercial Banks	2,769.81	2,772.59	(0.10)
Investment	669.88	680.22	(1.52)
Insurance	1,619.89	1,645.81	(1.57)
Services	1,216.27	1,078.63	12.76
Industrial	960.84	986.54	(2.61)
Hotels & Tourism	2,677.69	2,940.32	(8.93)
No. of Listed Companies		2018	2017
Public	41	40	
Closed	2	2	
Non-Bahraini	1	1	
Total	44	43	
No. of Listed T-bills		2018	2017
	42	33	
No. of Listed Bonds & Sukuk		2018	2017
Bonds	10	8	
Sukuk	5	5	
No. of Listed Mutual Funds		2018	2017
	17	19	
No. of Listed Real Estate Investment Trust		2018	2017
	1	1	

EQUITY TRADING ACTIVITY

Value (BD 000)	2018	2017	Change (%)
Jan	23,679	22,755	4.06
Feb	30,351	17,491	73.52
Mar	26,111	25,420	2.72
Apr	16,863	20,725	(18.63)
May	18,231	17,057	6.88
Jun	12,642	9,714	30.14
Jul	34,001	16,145	110.60
Aug	18,167	10,309	76.24
Sep	22,073	22,716	(2.83)
Oct	28,894	17,463	65.46
Nov	18,707	15,227	22.85
Dec	74,113	16,317	354.21
Market	323,833	211,339	53.23

Volume (000 Shares)	2018	2017	Change (%)
Jan	156,264	135,629	15.21
Feb	177,334	85,923	106.39
Mar	101,922	96,129	6.03
Apr	86,583	141,012	(38.60)
May	106,050	71,248	48.85
Jun	56,213	40,109	40.15
Jul	149,685	87,297	71.47
Aug	82,801	47,951	72.68
Sep	115,187	164,565	(30.01)
Oct	126,565	78,583	61.06
Nov	85,401	81,455	4.84
Dec	197,078	99,924	97.23
Market	1,441,082	1,129,827	27.55

Total Value of Shares Traded

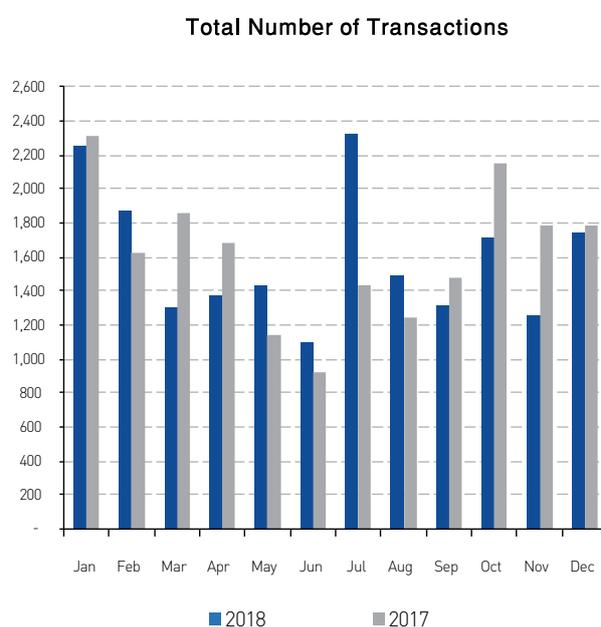


Total Volume of Shares Traded

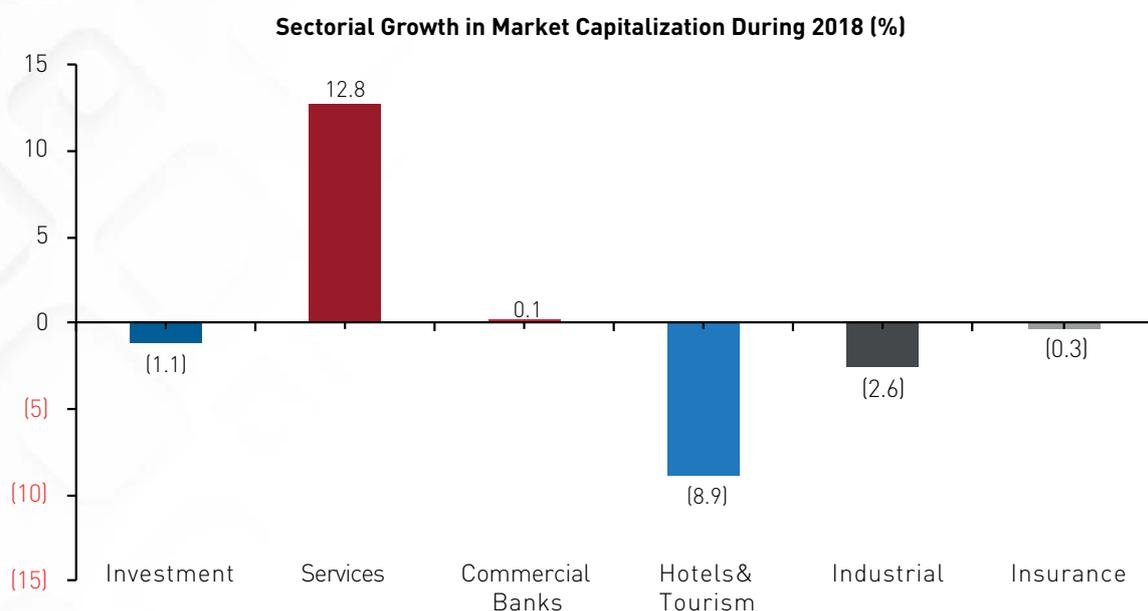


KEY STATISTICAL DATA 2017-2018 (continued)

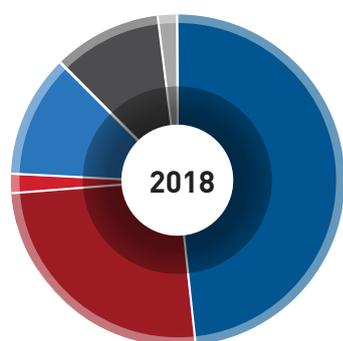
No. of Transactions	2018	2017	Change (%)
Jan	2,261	2,314	(2.29)
Feb	1,877	1,621	15.79
Mar	1,303	1,865	(30.13)
Apr	1,384	1,684	(17.81)
May	1,430	1,146	24.78
Jun	1,104	926	6.07
Jul	2,329	1,437	62.07
Aug	1,488	1,250	19.04
Sep	1,320	1,481	(10.87)
Oct	1,720	2,146	(19.85)
Nov	1,265	1,784	(29.09)
Dec	1,744	1,786	(2.35)
Market	19,225	19,440	(1.11)



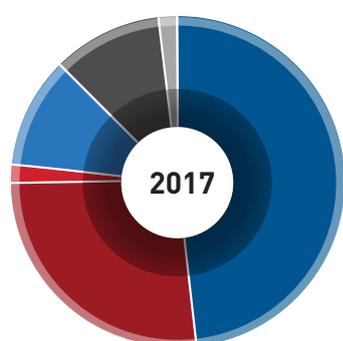
Market Cap (BD million)	2018	2017	Change (%)
Commercial Banks	3,942.9	3,938.9	0.1
Investment	2,100.7	2,124.9	(1.1)
Insurance	156.7	157.3	(0.3)
Services	979.9	869.0	12.8
Industrial	868.6	891.8	(2.6)
Hotels & Tourism	149.8	164.5	(8.9)
Market	8,198.5	8,146.3	0.6



The Breakdown of Market Capitalization by Sectors



- 48.1% - Commercial Banks
- 25.6% - Investment
- 1.9% - Insurance
- 12.0% - Services
- 10.6% - Industrial
- 1.8% - Hotels & Tourism



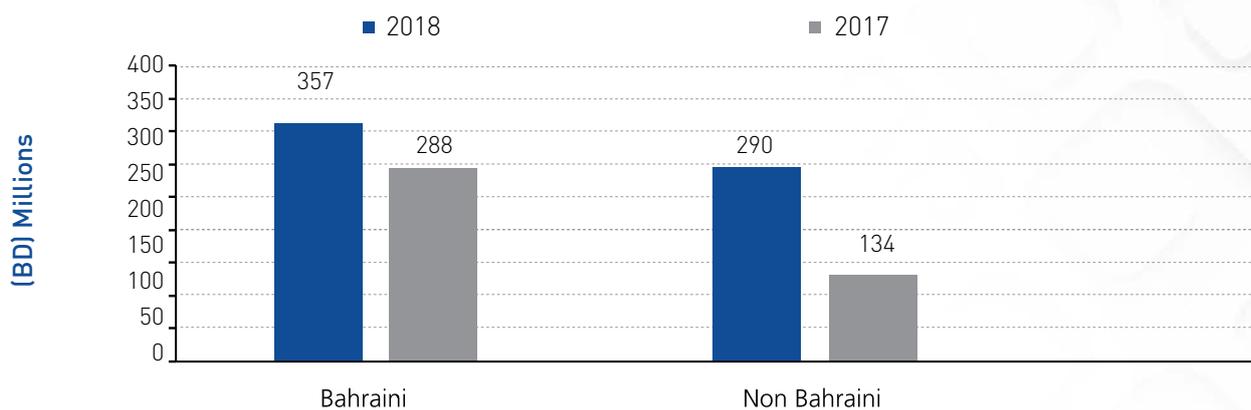
- 48.4% - Commercial Banks
- 26.1% - Investment
- 1.9% - Insurance
- 10.7% - Services
- 10.9% - Industrial
- 2.0% - Hotels & Tourism

TRADING BY NATIONALITY

Volume	2018	2017	Change (%)
Bahraini	1,720,507,117	1,410,294,733	22.00
Non-Bahraini	1,161,656,159	849,358,751	36.77
Total	2,882,163,276	2,259,653,484	27.55

Value	2018	2017	Change (%)
Bahraini	357,427,248	288,357,205	23.95
Non-Bahraini	290,238,328	134,320,135	116.08
Total	647,665,576	422,677,340	53.23

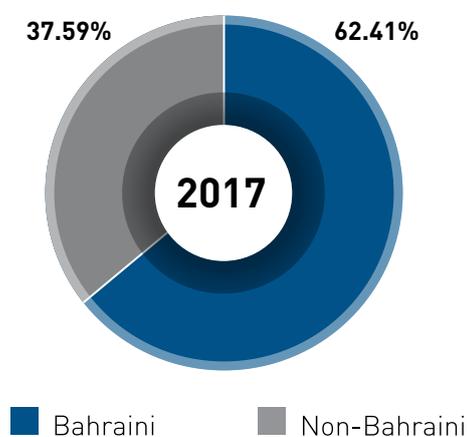
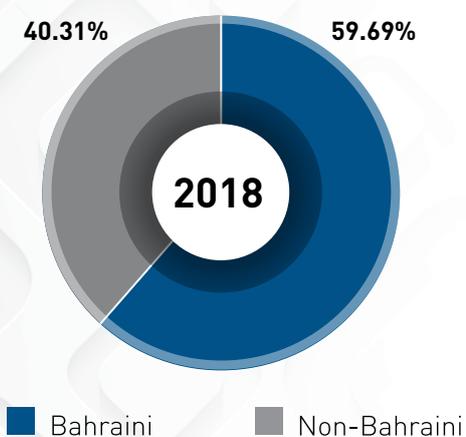
Trading by Nationalities (Value - BD)



KEY STATISTICAL DATA 2017-2018 [continued]

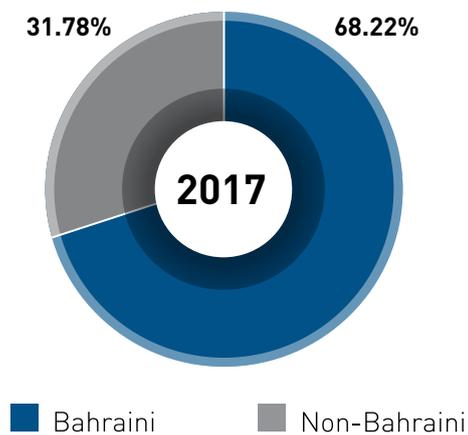
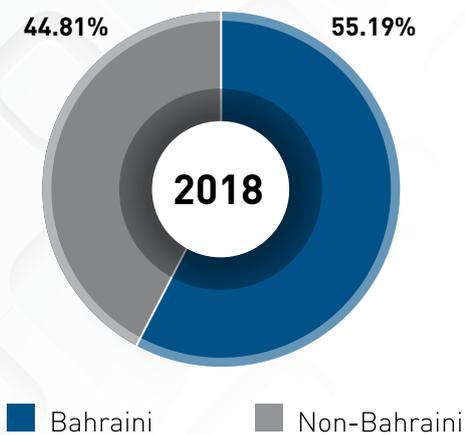
Percentage of Trading by Nationality-Volume (Buy & Sell)

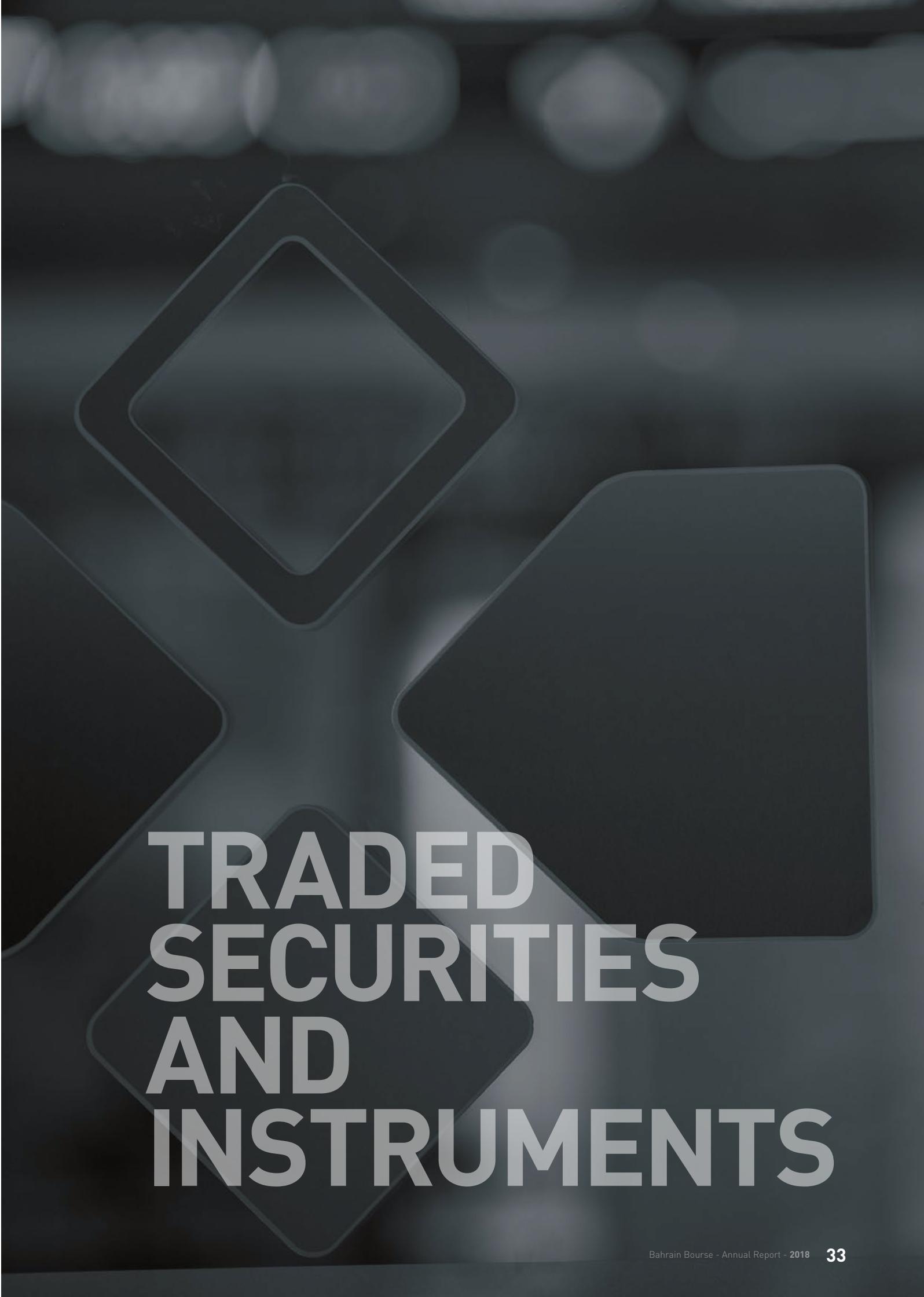
	2018	2017
Bahraini	59.69%	62.41%
Non-Bahraini	40.31%	37.59%



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

	2018	2017
Bahraini	55.19%	68.22%
Non-Bahraini	44.81%	31.78%





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 Parks 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.
APM Terminals Bahrain B.S.C.

[in the IPO Market up to 9th June 2019]

Insurance Sector

Solidarity Bahrain 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)
United Paper Industries B.S.C. (c)

Non-Bahraini Companies

Bank Muscat S.A.O.G.

Listed Mutual Funds

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
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

BBK B.S.C. Perpetual Tier "1" Convertible
Capital Securities
Government Development Bond - Issue 5
Government Development Bond - Issue 9
Government Development Bond - Issue 11
Government Development Bond - Issue 12
Government Development Bond - Issue 13
Government Development Bond - Issue 14
Government Development Bond - Issue 15
Government Development Bond - Issue 16
Government Development Bond - Issue 17
Government Islamic Lease (Ijarah) Sukuk - Issue 22
Government Islamic Lease (Ijarah) Sukuk - Issue 23
Government Islamic Lease (Ijarah) Sukuk - Issue 24
Government Islamic Lease (Ijarah) Sukuk - Issue 25
Sukuk Al Musharaka (Investment DAR Sukuk Co.) - 2010*

* Matured as of 26th Oct. 2010

Listed T-Bills

12 Months Treasury Bills - Issue 41
12 Months Treasury Bills - Issue 42
12 Months Treasury Bills - Issue 43
12 Months Treasury Bills - Issue 44
12 Months Treasury Bills - Issue 45
6 Months Treasury Bills - Issue 1715

Listed REIT

Eskan Bank Realty Income Trust

Brokers & Members

Brokerage Firms

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

Individual Brokers

Abdulla J. Zain Al-Abedeem Office
Nasser Abbas Hasan Khisro Office

Member Firms

SICO Funds Services Company B.S.C.
Gulf Custody Company B.S.C. (c)
HSBC Bank Middle East Limited Bahrain
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.
Grant Thornton Advisory W.L.L.

BAHRAIN BOURSE FEES & COMMISSIONS

1. APPLICANTS and ISSUERS LISTING FEES

1.1 Equity Securities ¹

Equities	Registration Fees	Annual Subscription Fees	
Local Equities (Public Shareholding Companies)	0.1% of the company's paid-up capital (Minimum of BD 5,000 and Maximum of BD 15,000)	Paid-up Capital	Fee
		The first BD 10 Million of the company's paid-up capital	0.13% of Paid-up Capital
		Amounts exceeding BD 10 Million up to BD 50 Million	0.07% of Paid-up Capital
		Amounts exceeding BD 50 Million	0.035% of Paid-up Capital
(Minimum of BD 5,000 and Maximum of BD 80,000)			
Local Closed Shareholding 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 (Minimum of BD 2,000 and Maximum of BD 5,000)	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 (Minimum of BD 2,000 and Maximum of BD 5,000)	BD 2,000	

1.2 Debt Securities

Issuer Type	Registration Fees	Annual Subscription Fees
Government	BD 1,500	BD 2,000
Private & Non-Bahraini	0.05% of Total Value (Minimum of BD 2,000; Maximum of BD 5,000)	BD 2,000
Treasury Bills & Short-term Islamic Lease (Ijara) Sukuk	BD 30 payable upon listing (one-off payment)	

1.3 Investment Funds & Real Estate Investment Trusts (REITs)

Fund Type	Registration Fees	Annual Subscription Fees
Mutual Funds	BD 300	BD 250
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)

¹ The registration and annual subscription fees for shareholding companies whose securities are accepted for trading on Bahrain Bourse is calculated based on the company's total paid up capital, which includes ordinary shares and preference shares.

1.4 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)	Not Applicable	BD 2,000

1.5 Issuer Services

	Fees	Frequency
Change of Company Name or Trading Symbol (or both) ²	BD 500	Applicable per Request
Proof of Listing Letter	BD 10	Applicable per Request

1.6 Corporate Actions

	Fees	Frequency
Capital Change	BD 0.500/shareholder; min BD 300 and max BD 5,000	Applicable per Request
Company Merge/ Takeover/Acquisition/ Share Swap	BD 0.500/shareholder; min BD 300 and max BD 5,000	Applicable per Request
Stock Splits	BD 0.500/shareholder; min BD 300 and max BD 5,000	Applicable per Request
Bonus Shares	BD 0.500/shareholder; min BD 300 and max BD 5,000	Applicable per Request
Other (e.g. rights issue)	BD 0.500/shareholder; min BD 300 and max BD 5,000	Applicable per Request
Delisting Processing Fee ³	BD 100/per request	Applicable per Request

2. MEMBERSHIP FEES

2.1 Membership Admission & Annual Subscription

Type of Membership	Registration Fees ⁴	Annual Subscription Fees ⁵
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

² Only applicable in the event of elective change of name/symbol

³ Fees shall not be applicable in the event of maturity of security

⁴ Applicable upon Admission

⁵ Applicable per Annum

BAHRAIN BOURSE FEES & COMMISSIONS (continued)

2.2 Member Services

	Fees	Frequency
Leasing Broker Offices ⁶	BD 200/office/month inclusive of services	Applicable per Request
Trading Floor Service Fee	BD 50/month	Applicable per Month
Online Trading Fee	BD 100/month	Applicable per Month
Remote Trading Workstation Service Fee	BD 150/request	Applicable per Month
Broker Digital Advertising on BHB Trading Floor	BD 10/business day/message capped at BD 150/month	Applicable per Request
Temporary Office Use in BHB (Depending on availability)	BD 50/office/day	Applicable per Request
Test Environment for Brokerage Companies (System & Connectivity)	BD 25/day	Applicable per Request
Brokerage Companies Merger	BD 500 from each party	Applicable per Request
Brokerage Company - Change of Name Request ⁷	BD 200 for each application	Applicable per Request

2.3 Electronic Connection with Trading System

	Fees	Frequency
Initial setup per PC (one-off payment)	BD 200/PC	Applicable per PC
Online User FIX Setup (one-off payment)	BD 1,000/setup	Applicable per Setup
Trading System User Access	BD 50/user/month	Applicable per User per Month
Password Reset	BD 5/request	Applicable per Request
Connectivity Cost per Workstation ⁸	BD 50/connection/month	Applicable per Connection per Month

2.4 Brokerage Commission

	Brokerage Commission ⁹	BHB's Commission ¹⁰	Frequency
Equities	0.275% of Transaction Value	20%	Applicable per Transaction (Buy & Sell)
Fixed Income (Bonds & Sukuk)	0.08% of Transaction Value	20%	
Treasury Bills	0.01% of Transaction Value	20%	
REITs	0.275% of Transaction Value	20%	
Bahrain Trade Platform	0.20% of Transaction Value	20%	

⁶ Includes 1 Trading User Access for free & 1 Clearing, Settlement, Central Depository & Registry System User Access for free from Bahrain Clear. Trading Floor Service Fee to be waived in the event of Leasing Broker Offices

⁷ This fee is not applicable in the event of a merger

⁸ In the event that Members have both Trading & Clearing, Settlement, Central Depository & registry System on the same PC, only one connectivity cost shall apply

⁹ Minimum Commissions of BD 3

¹⁰ BHB's Commission shall be a percentage of the prescribed brokerage commission

2.5 Issued Reports

	Fees	Frequency
Issued Reports (soft or hard copy)	BD 1 /page capped at BD50/report	Applicable per Request

3. INFORMATION PRODUCTS FEES

3.1 Information Products Fees ¹¹

	Real-time Information	Delayed Information	Frequency
Market Coverage	BD 6,000	BD 3,600	Applicable per Annum
Information Vending Enterprise License, Limited Business Use	BD 10,000	N/A	
Information Vending Enterprise License, Unlimited Business Use	BD 18,000	N/A	
Information Vending Enterprise License, Unlimited Use	BD 20,000	N/A	
Trading Enterprise License (Members of Bahrain Bourse only)	BD 10,000	N/A	
Subscriber Enterprise License (Subscribers under direct Agreement with BHB)	BD 4,000	N/A	
Historic Information, End of Day database, Delayed Data	N/A	BD 4,000	
Corporate Actions	N/A	BD 2,000	
Issuer information	N/A	BD 1,000	
Website Ticker	N/A	BD 2,000	

3.2 Individual Access

	Fees	Frequency
Market Coverage Private Use	BD 5/user	Applicable per Month
Market Coverage Business Use	BD 10/user	Applicable per Month

3.3 Connection Administration

	Fees	Frequency
First Connection to BHB's Primary Data Centre	BD 3,500	Applicable per Annum
Each Additional Connection to BHB's Primary Data Centre	BD 2,500	
First Connection to BHB's Disaster Recovery Data Centre	BD 1,000	
Each additional connection to BHB's Disaster Recovery Data Center	BD 800	

¹¹ All Information Products are subject to a separate Information License Agreement

BAHRAIN CLEAR FEES

1. ISSUER FEES

1.1 Issuer Services

	Fees	Frequency									
IPO Services ¹	0.02% of the amount being raised capped at BD5,000	Applicable per Request									
Issuing ISIN code for Non-listed Instruments	BD20	Applicable per Request									
Annual Central Depository Fees	<table border="1"> <thead> <tr> <th>Paid-up Capital</th> <th>Fee</th> <th>Min/Max Amount</th> </tr> </thead> <tbody> <tr> <td>Up to BD15 Million</td> <td>0.0125% of Paid-up Capital</td> <td>Minimum of BD1,000</td> </tr> <tr> <td>Amounts exceeding BD 15 Million</td> <td>0.00625% of Paid-up Capital</td> <td>Maximum of BD4,000</td> </tr> </tbody> </table>	Paid-up Capital	Fee	Min/Max Amount	Up to BD15 Million	0.0125% of Paid-up Capital	Minimum of BD1,000	Amounts exceeding BD 15 Million	0.00625% of Paid-up Capital	Maximum of BD4,000	Applicable per annum
	Paid-up Capital	Fee	Min/Max Amount								
	Up to BD15 Million	0.0125% of Paid-up Capital	Minimum of BD1,000								
Amounts exceeding BD 15 Million	0.00625% of Paid-up Capital	Maximum of BD4,000									
Management of Shareholders' Register	BD 0.500/shareholder (Minimum of BD2,000; Maximum of BD10,000)	Applicable per Annum									
Issuance of Statements of Shareholder Register	BD 0.200/shareholder (Minimum of BD50 for CDs, Minimum of BD100 for Hard Copies)	Applicable per Request									

1.2 Issued Reports

	Fees	Frequency
Detailed Reports Requests (soft or hard copy)	BD 1/page capped at BD 50/report	Applicable per Request

1.3 AGM Services

	Fees	Frequency
<i>a</i> AGM Management - 1st Meeting		
i. Company Shareholders less than 500	BD 300	Applicable per Request
ii. Company Shareholders -501-1,000	BD 500	Applicable per Request
iii. Company Shareholders 1,001-2,000	BD 750	Applicable per Request
iv. Company Shareholders 2,001-3,000	BD 1,000	Applicable per Request
v. Company Shareholders 3,001-5,000	BD 1,500	Applicable per Request
vi. Company Shareholders 5,001-10,000	BD 2,000	Applicable per Request
iv. Company Shareholders more than 10,000	BD 2,500	Applicable per Request
<i>b</i> AGM Management - 2nd Meeting (if 1st meeting is adjourned due to insufficient quorum)	BD 500	Applicable per Request
<i>c</i> AGM Management - 3rd Meeting (if 2nd meeting is adjourned due to insufficient quorum)	BD 300	Applicable per Request

¹ Inclusive of Temporary Office for Receiving Bank for 10 Business Days

1.4 Corporate Actions

	Fees	Frequency
Dividend Distribution Service ²	BD 0.500/shareholder (Minimum of BD 300 and Maximum of BD5,000)	Applicable per Request

2. CUSTODIAN FEES

2.1 Custodian Requests: Transfer of Securities

	Fees	Frequency
Transfer of securities to custody account or vice versa without change in beneficiary owner	BD 5 for each company	Applicable per Request

2.2 Electronic Connection with Equator System

	Fees	Frequency
Initial setup per PC (one-off payment)	BD 200/PC	Applicable per PC
Equator User Access	BD 50/user/month	Applicable per User per Month
Password Reset	BD 5/request	Applicable per Request
Connectivity Cost per Workstation	BD 50/connection/month	Applicable per Connection per Month

2.3 Custody Subscriptions

	Fees	Frequency
Annual Custody Subscription Fees	Average portfolio value for the previous year X 0.0025% (Minimum of BD 5,000)	Applicable per Annum
Custody Admission Fees	BD 1,000	Applicable upon Admission

2.4 Custodian (DVP) Late Confirmation Penalty (After T+2)

	Fees	Frequency
If the rejection reversal request (for Sale) or transfer request (for Buy) is executed by BHB on (T+3)	BD 50 or 0.05% of trade value whichever is the higher	Applicable per Occurrence
If the rejection reversal request (for Sale) or transfer request (for Buy) is executed by BHB on (T+4)	BD 250 or 0.05% of trade value whichever is the higher	Applicable per Occurrence
If the rejection reversal request (for Sale) or transfer request (for Buy) is executed by BHB beyond (T+4)	BD 500	Applicable per Occurrence

² In the event of both Bonus and Cash dividend distribution, the higher fees shall apply

BAHRAIN CLEAR FEES (continued)

3. MEMBER FEES

3.1 Electronic Connection with Equator System

	Fees	Frequency
Initial setup per PC (one-off payment)	BD 200/PC	Applicable per PC
Equator User Access	BD 50/user/month	Applicable per User per Month
Password Reset	BD 5/request	Applicable per Request
Connectivity Cost per Workstation ³	BD 50/connection/month	Applicable per Connection per Month

3.2 Issued Reports

	Fees	Frequency
Member Related Issued Reports (soft or hard)	BD 1 /page capped at BD50/report	Applicable per request

4. INVESTOR FEES

4.1 Investor Services

	Fees	Frequency
Opening of Investor Account (NIN) - Individuals	BD 4	Payable Once
Opening of Investor Account (NIN) – Companies	BD 9	Payable Once
Account Opening	BD 1	Payable Once
Transfer of Securities ⁴	BD 1	Applicable per Company
Transfer of Dual Listed Companies Shares From BHB (through Bahrain Clear)	BD 10	Applicable per Transaction
Withdrawal of Securities	BD 10	Applicable per Company
To Whom It May Concern Letter	BD 10	Applicable per Request
Lost Certificate Request	BD 25/company	Applicable per Request
Exempt Case No. 4 (Inheritance or Will) Securities Transfer	BD 5 Payable by each party for each listed company transfer	Applicable per Company
Exempt Cases No. 1 to 3 (IPO, Dealings in Bahraini Companies Outside Bahrain, Transfer of Securities between Spouses) Securities Transfer	20% of the Broker's Commission of the Transferred Securities Market Value payable by each party (Transferor & Transferee) with a Minimum of BD 10	Applicable per Company
Securities Account Statement – Hard Copy	BD 2 per statement (maximum two pages) BD 1 per each additional page	Applicable per Statement

³ In the event that Members have both Trading & Equator system on the same PC, only one connectivity cost shall apply.

⁴ Excludes exempt cases

4.2 Securities Freeze, Pledge, & Release

	Fees	Frequency
Pledge Registration	0.075% of the market value using previous day closing price with a minimum of BD 50	Payable per Company
Freeze & Pledge Release	BD 20/company	Applicable per Request
Additional Pledge Confirmation Letter ⁵	BD 10/request	Applicable per Request
Securities Freeze ⁶	BD 10/company	Applicable per Request

5. FINES

5.1 Brokerage Administrative Fines

	Settlement Default Amount	Fee	Frequency
Fines imposed on settlement beyond T+2	BD 1 - 200,000	BD 1,000	Applicable per Occurrence
	BD 200,001 - 400,000	BD 2,000	Applicable per Occurrence
	BD 400,001 - 600,000	BD 3,000	Applicable per Occurrence
	BD 600,001 - 800,000	BD 4,000	Applicable per Occurrence
	BD 800,001 & Above	BD 5,000	Applicable per Occurrence

⁵ This fee will be imposed on the Financial Institution (Pledgee) not the investor

⁶ Imposed on the Expert being appointed by Court Order. If no Expert is appointed, this fee is not applicable





CORPORATE GOVERNANCE REPORT 2018

CORPORATE GOVERNANCE REPORT 2018

Approved in Board of Directors Meeting (1/2019) dated 19th March 2019

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, Commerce, and Tourism 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 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 strengthening 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 Executive Regulations of Bahrain Commercial Companies Law.

The authorized capital of the company is BD10,000,000/- (Bahraini 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. Determining 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 includes 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 Committee, Audit and Risks Committee, and Nomination, Remuneration, and Corporate Governance Committee.

Executive Committee

Members	Brief Terms of Reference, Tasks and Responsibilities
<p>Ali Yousif Fardan Committee Chairperson</p>	<ul style="list-style-type: none"> The Board of Directors appoints the members of the Committee who will be at least three for a term of three years, subject to renewal in concurrence with the terms of the Board of Directors.
<p>Rana Ebrahim Faqihi Committee Deputy Chairperson</p>	<ul style="list-style-type: none"> Committee chairperson and deputy chairperson are 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.
<p>Deena Ebrahim Al-Ansari Committee Member</p>	<ul style="list-style-type: none"> The attendance of at least half 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, instruct the Executive Management to prepare the studies and reports related to the Bourse, in addition to performing the roles and responsibilities stipulated in the Executive Committee Charter approved by the Board of Directors.</p>

Audit and Risks Committee

Members	Brief Terms of Reference, Tasks and Responsibilities
<p>Hassan Amin Jarrar Committee Chairperson</p>	<ul style="list-style-type: none"> The Board of Directors appoints the members of the Committee who will be at least three for a term of three years, subject to renewal in concurrence with the term of the Board of Directors. Committee chairperson and deputy chairperson are 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 half 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, reviews risk management policies and strategy, in addition to performing the roles and responsibilities stipulated in the Audit & Risks Committee Charter approved by the Board of Directors.</p>
<p>Marwan Khalid Tabbara Committee Deputy Chairperson</p>	
<p>Yaser Abduljalil AlSharifi Committee Member</p>	

Nomination, Remuneration, & Corporate Governance Committee

Members	Brief Terms of Reference, Tasks and Responsibilities
<p>Abdulkarim Ahmed Bucheery Committee Chairperson</p>	<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. Committee chairperson and deputy chairperson are elected from among the members of the Committee at the first meeting after the appointment of its members. The attendance of at least half the members, provided that the Chairperson or Deputy Chairperson is among them, shall constitute a quorum. 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, reviews the instructions issued by the regulatory authorities regarding corporate governance, in addition to performing the roles and responsibilities stipulated in the Nomination, Remuneration, and Corporate Governance Committee Charter approved by the Board of Directors.</p>
<p>Abdulrahman Hamed AlZayani Committee Deputy Chairperson</p>	
<p>Ayman Tawfeeq Almoayed Committee Member</p>	

Directors' Remuneration

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

Board of Directors remuneration for the year 2018 is subject to Bahrain Bourse Shareholder's approval. Sitting fees paid to the Board of Directors amounted to BHD 34,600.

Remuneration of Executive Management

Fixed and Variable Compensations and Remunerations

During 2018, the amount related to Executive Management's basic salaries, fixed allowances, and bonuses related to year-end performance appraisals was BHD 197,692.

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.

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 (Independent & Non-Executive Director)	Chairperson of Nomination, Remuneration & Corporate Governance Committee	Joined the Board of Directors on 27 th December 2016
Qualifications: Bachelors of Science in Economics – Majoring in Economics from the University of Aleppo – Syria 1976.		
Experience: More than 41 years in several banking fields and Islamic Banking services.		
MEMBERSHIP	COMPANY NAME	COUNTRY
Chairman	Bahrain Clear	Bahrain
Vice Chairman & Chairperson of Executive Committee	Ibdar Bank	Bahrain
Acting Chief Executive Officer	Ibdar Bank	Bahrain
Vice Chairman & Chairperson of Executive 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
Board Member	Bahrain Banks Advisory Board	Bahrain
Board Member	Waqf Fund	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 16 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

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 2018 (continued)

Ali Yousif Fardan

Member of the Board of Directors (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 38 years in several banking fields.

MEMBERSHIP

COMPANY NAME

COUNTRY

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

Rana Ebrahim Faqih

Member of the Board of Directors (Non-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 16 years in the government and economic sectors.

MEMBERSHIP

COMPANY NAME

COUNTRY

Board Member

Eskan Bank

Bahrain

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 27th December 2016

Qualifications: Masters in International Commercial Law from University of Westminster – UK, and Bachelors in Marketing from Suffolk University - US.

Experience: More than 16 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

Immobilliers Des Poissoniers SA

Luxembourg

Managing Director

Kreiller S.A.R.L

Luxembourg

Managing Director

Riverton Capital Holding S.A.

United Kingdom

Board Member

Nortolk International Limited

United Kingdom

Board Member

Muna International Limited

United Kingdom

MEMBERSHIP	COMPANY NAME	COUNTRY
Board Member	Linlake Investments Limited	United Kingdom
Board Member	Greenight 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

Aymen Tawfeeq Almoayed

Member of the Board of Directors (Independent & Non-Executive Director until 3rd December 2018, Non-Independent & Non-Executive Director from 4 th December 2018 onwards.)	Member of Nomination, Remuneration & Corporate Governance Committee	Joined the Board of Directors on 27 th March 2014
<p>Qualifications: Masters in Business Administration from University of Cambridge – UK, Bachelors in Law from University of Kent - UK.</p> <p>Experience: 16 years as a lawyer, arbitrator, and strategic adviser.</p>		
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
<p>Qualifications: Masters in Business Administration from University of Glamorgan – UK and Bachelors in Commerce from Concordia University - Canada.</p> <p>Experience: Around 8 years in banking sector and 11 years in business sector.</p>		
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

CORPORATE GOVERNANCE REPORT 2018 (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
<p>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.</p> <p>Experience: More than 23 years in the fields of auditing and investment.</p>		
MEMBERSHIP	COMPANY NAME	COUNTRY
Member of the Executive Board	Bahrain Fintech Bay	Bahrain
Board Member	Bahrain Clear	Bahrain
Board Member	Bahrain Car Parks Company	Bahrain
Board Member	Bahrain Real Estate Investment (Edamah)	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 2018, the Board held four meetings, while five meetings were held by Executive Committee, four meetings were held by Audit & Risks Committee, and four meetings were held by Nomination, Remuneration, and 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		(1/2018)	(2/2018)	(3/2018)	(4/2018)
		27 February 2018	28 June 2018	8 October 2018	13 December 2018
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	✓	--	✓*	✓

* Participated through the phone.

Meetings of the Executive Committee

Members of the Executive Committee		(1/2018)	(2/2018)	(3/2018)	(4/2018)	(5/2018)
		19 February 2018	18 March 2018	26 June 2018	30 September 2018	3 December 2018
Ali Yousif Fardan	Committee Chairperson	✓	✓	✓	✓	✓
Rana Ebrahim Faqihi	Committee Deputy Chairperson	✓	✓	✓	✓	✓*
Deena Ebrahim Al-Ansari	Committee Member	✓	✓*	✓*	✓	✓

* Participated through the phone.

Meetings of the Audit & Risks Committee

Members of the Audit & Risks Committee		57 (1/2018)	58 (2/2018)	59 (3/2018)	60 (4/2018)
		14 February 2018	14 May 2018	8 August 2018	11 November 2018
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		(1/2018)	(2/2018)	(3/2018)	(4/2018)
		25 February 2018	12 June 2018	27 September 2018	6 December 2018
Abdulkarim Ahmed Bucheery	Committee Chairperson	✓	✓	✓	✓
Abdulrahman Hamed ALZayani	Committee Deputy Chairperson	✓	✓	✓	✓*
Aymen Tawfeeq Almoayed	Committee Member	--	✓	--	✓

* Participated through the phone.

Auditors

His Excellency Minister of Industry, Commerce, and Tourism, the Shareholder of Bahrain Bourse, has appointed Deloitte & Touche as external auditors for the year 2018.

Bahrain Bourse Corporate Governance - “Comply or Explain” Principle

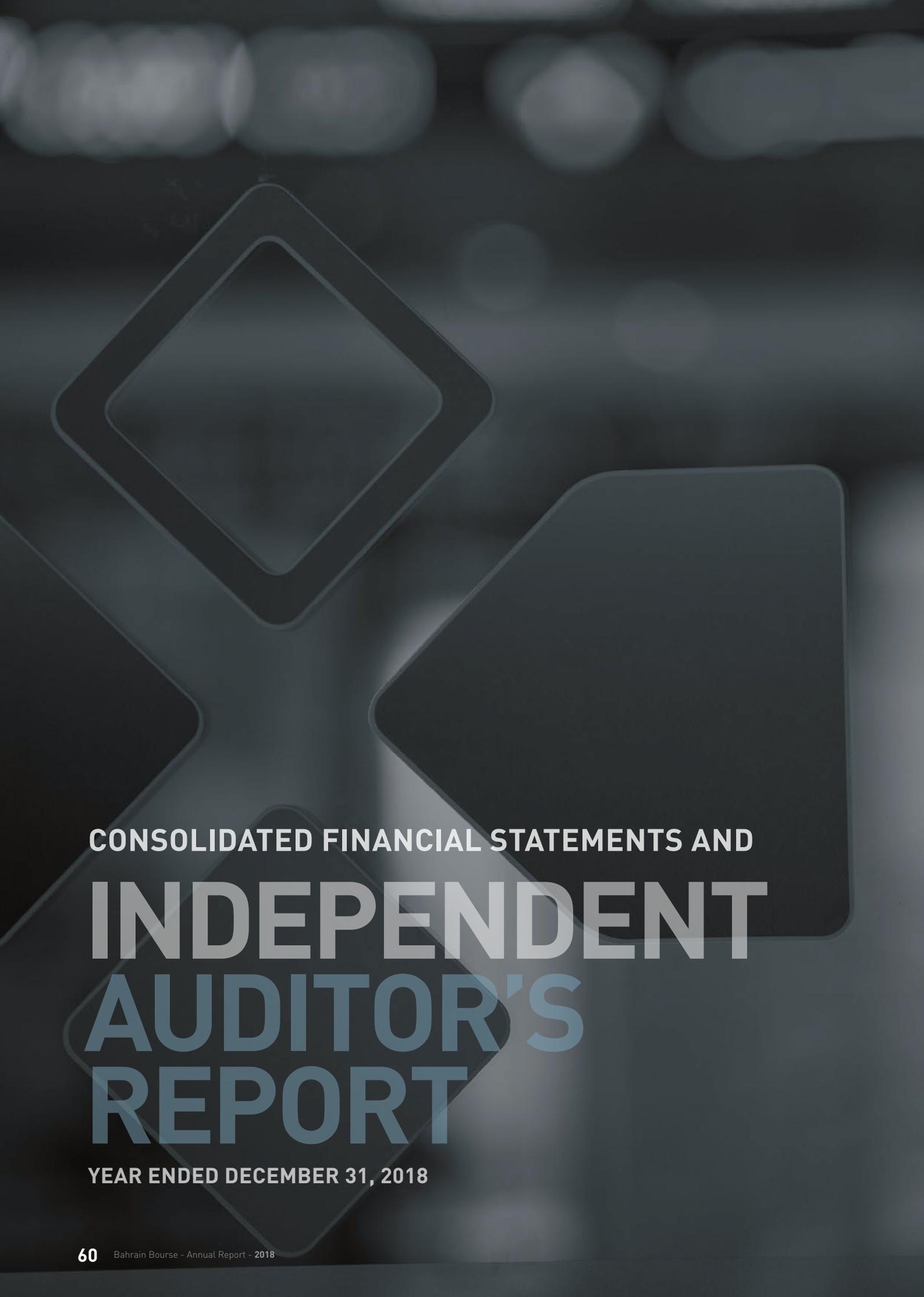
List of Partially-Implemented and Unimplemented Corporate Governance Principles

#	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.	The Board of Directors started the self-evaluation process for the Board, committees, and members.

CONTENTS

INDEPENDENT AUDITOR'S REPORT	60
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	64
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	66
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	67
CONSOLIDATED STATEMENT OF CASH FLOWS	68
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	69

CONTENTS OF FINANCIAL STATEMENTS



**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT
AUDITOR'S
REPORT**

YEAR ENDED DECEMBER 31, 2018

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, 2018, 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, 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 management and those charged with governance 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.

Those charged with governance are responsible for overseeing the Bourse financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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 Management;
- Conclude on the appropriateness of the Management's 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

INDEPENDENT AUDITOR'S REPORT (continued)

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
- 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 legal and regulatory requirements

As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain 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 of 2001 (and subsequent amendments), the Central Bank of Bahrain and Financial Institution Law No. 64 of 2006 (as amended), the Central Bank of Bahrain Rule Book (Volume 6) and the Central Bank of Bahrain's directives and regulations (as contained in Volume 6 of the Central Bank of Bahrain Rulebook) or of its Memorandum and Articles of Association which would materially affect its activities or its consolidated financial position as at December 31, 2018; 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 24, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	<i>Note</i>	<i>2018</i> <i>BD</i>	<i>2017</i> <i>BD</i>
ASSETS			
Non-current assets			
Furniture and equipment	5	1,277,423	1,726,728
Investment in financial assets	6	1,000,000	-
Investment held to maturity	6	-	1,000,000
Total non-current assets		2,277,423	2,726,728
Current assets			
Trade receivables	7	83,482	158,991
Prepayments and other receivables	8	186,345	165,992
Cash and bank balances	9	3,144,900	3,250,858
Total current assets		3,414,727	3,575,841
Total assets		5,692,150	6,302,569
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		798,537	1,307,006
Total equity		5,199,612	5,708,081
LIABILITIES			
Non-current liability			
Provision for employees' end-of-service benefits	14	4,943	25,102

The attached notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at December 31, 2018

	<i>Note</i>	<i>2018</i> <i>BD</i>	<i>2017</i> <i>BD</i>
Current liabilities			
Trade payables		29,873	90,136
Accruals and other liabilities	15	362,756	347,632
Contract liabilities	16	94,966	131,618
Total current liabilities		487,595	569,386
Total liabilities		492,538	594,488
Total equity and liabilities		5,692,150	6,302,569
Off-balance sheet account			
Guarantee deposits in custody	23	1,366,953	1,384,297

The consolidated financial statements on page 65 to 92 were approved by the Board of Directors on March 19, 2019 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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2018

	<i>Note</i>	<i>2018</i> <i>BD</i>	<i>2017</i> <i>BD</i>
INCOME			
Subscription fees		1,659,420	1,629,048
Commission	17	459,520	330,048
Registration fees		16,260	21,230
Financial support from the Government of Bahrain	10	250,000	500,000
Interest income		140,645	131,759
Other income	18	536,294	427,395
Total income		3,062,139	3,039,480
EXPENSE			
Salaries and staff costs		1,643,326	1,615,617
General and administrative expenses	19	1,285,614	1,557,234
Board of Directors sitting fees	10	47,000	54,700
Depreciation	5	521,530	590,486
Loss on retirement of fixed assets	5	-	726,945
Impairment losses and gains on trade receivables	7	(41,720)	-
Impairment losses and gains on other financial assets	9	(530)	-
Total expense		3,455,220	4,544,982
Loss for the year		(393,081)	(1,505,502)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(393,081)	(1,505,502)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2018

	<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, 2017	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
Transition adjustments on adoption of IFRS 9 (Note 2.1 (a))	-	-	-	(115,388)	(115,388)
Balance at January 1, 2018	2,000,000	2,000,000	401,075	1,191,618	5,592,693
Total comprehensive loss for the year	-	-	-	(393,081)	(393,081)
Balance at December 31, 2018	2,000,000	2,000,000	401,075	798,537	5,199,612

The attached notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	<i>Note</i>	<i>2018 BD</i>	<i>2017 BD</i>
OPERATING ACTIVITIES			
Subscription fees received		1,727,840	1,622,088
Commission and other income received		959,353	869,299
Payments for salaries and staff costs		(1,702,201)	(1,621,539)
Payment for general and administrative expenses		(1,290,676)	(1,562,043)
Payment for Board of Directors sitting fees		(47,000)	(55,501)
Net cash flows used in operating activities		(352,684)	(747,696)
INVESTING ACTIVITIES			
Purchases of furniture and equipment	5	(72,225)	(41,566)
Net movement in fixed deposits with banks		(532,598)	309,781
Interest received		118,931	139,495
Net cash flows (used in) / generated from investing activities		(485,892)	407,710
FINANCING ACTIVITY			
Financial support received from the Government of Bahrain	10	250,000	500,000
Net cash flows generated from financing activity		250,000	500,000
Net (decrease) / increase in cash and cash equivalents		(588,576)	160,014
Cash and cash equivalents, beginning of year		1,708,685	1,548,671
Cash and cash equivalents, end of year	9	1,120,109	1,708,685

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

1. GENERAL INFORMATION:

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, Commerce and Tourism 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. The Subsidiary commenced its operations on July 17, 2017, being engaged to carry clearing and settlement activities. 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 STANDARDS (IFRSs)

2.1 New and revised IFRS Standards that are effective for the current year

Impact of application of IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) with a date of initial application of January 1, 2018. The Group has also applied the consequential amendments to other IFRS Standards that are effective for an annual period that begins on, or after January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As permitted by IFRS 9, the Bourse elected not to restate comparative periods, and accordingly has recognized the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings at January 1, 2018.

Additionally, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018.

IFRS 9 introduces new requirements for:

- 1) The classification and measurement of financial assets and liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (IFRSs): (continued)

Classification and measurement of financial assets and liabilities

The Group's accounting policies for the classification and measurement of financial assets and liabilities under IFRS 9 are detailed in Note 3.

The Group's financial assets consist of:

- Cash and cash equivalents and trade receivables, classified as 'loans and receivables' under IAS 39 and that were measured at amortized cost. These continue to be measured at amortized cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.
- Investment in bond, classified as 'held-to-maturity' under IAS 39 and that was measured at amortized cost. This continue to be measured at amortized cost under IFRS 9 as it is held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The adoption of IFRS 9 did not result in any change in the classification or measurement of financial asset as explained above.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward looking 'Expected Credit Loss' (ECL) model. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The Group recognizes ECL for cash at banks and investments in debt securities (except for Bahrain Sovereign debt) using the general approach, and uses the simplified approach for trade receivables and contract assets as required by IFRS 9.

The Group's accounting policies for the impairment of financial assets are detailed in Note 3.

General Hedge Accounting

The Group does not use hedge accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (IFRSs): (continued)

Below is the impact on applying IFRS 9, on the Group's financial assets:

a) Net impact on opening retained earnings as at January 1, 2018:

	<i>Retained earnings</i> <i>BD</i>
Closing retained earnings, December 31, 2017	1,307,006
Adjustments from adoption of IFRS 9:	
Reclassification and re-measurement of financial instruments	-
ECL recognition on cash at banks	(50,510)
ECL recognition on investment in government bond	-
ECL recognition on trade receivables	(64,878)
Opening retained earnings, January 1, 2018 post IFRS 9 restatement	<u>1,191,618</u>

b) Net impact on balances as at December 31, 2018:

	<i>As reported</i>	<i>ECL under IFRS 9</i>	<i>Without adoption of IFRS 9</i>
	BD	BD	BD
Non-current assets			
Furniture and equipment	1,277,423	-	1,277,423
Investment in financial assets	1,000,000	-	1,000,000
Total non-current assets	<u>2,277,423</u>	<u>-</u>	<u>2,277,423</u>
Current assets			
Trade receivables	83,482	26,826	110,308
Prepayments and other receivables	186,345	-	186,345
Cash and bank balances	3,144,900	49,980	3,194,880
Total current assets	<u>3,414,727</u>	<u>76,806</u>	<u>3,491,533</u>
Total assets	<u>5,692,150</u>	<u>76,806</u>	<u>5,768,956</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (IFRSs): (continued)

b) Net impact on balances as at December 31, 2018: (continued)

	<i>As reported</i>	<i>ECL under IFRS 9</i>	<i>Without adoption of IFRS 9</i>
	BD	BD	BD
Non-current liabilities		-	
Provision for employees' end of service benefits	4,943	-	4,943
Total non-current liabilities	4,943	-	4,943
Current liabilities			
Trade payables	29,873	-	29,873
Accruals and other liabilities	362,756	-	362,756
Contract liabilities	94,966	-	94,966
Total current liabilities	487,595	-	487,595
Equity			
Share capital	2,000,000	-	2,000,000
General reserve	2,000,000	-	2,000,000
Statutory reserve	401,075	-	401,075
Brought forward retained earnings	1,191,618	115,388	1,307,006
Loss for the current year	(393,081)	(38,582)	(431,663)
Total equity	5,199,612	76,806	5,276,418
Total liabilities and equity	5,692,150	76,806	5,768,956

Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on, or after January 1, 2018. IFRS 15 introduces a 5-step approach to revenue recognition. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods and services to customer in an amount that reflects the consideration to which entity expects to be entitled in exchange of those goods and services. Under IFRS 15, an entity recognizes revenue when or as the performance obligation is satisfied.

The Group's accounting policies for its revenue streams are detailed in Note 3.

The adoption of IFRS 15 did not have any material impact on the disclosures or on the amounts reported in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (IFRSs): (continued)

Other new and revised Standards applied with no material impact on the financial statements

In the current year the Group has applied the following IFRS Standards and interpretations that are effective for an annual period that begins on or after January 1, 2018. Their adoption did not have any material impact on the disclosures or on the amounts reported in the financial statements:

- Amendments to IFRS 2 Share-based Payment, classification and measurement of Share-based Payment Transactions.
- Amendments to IAS 40 Investment Property: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.
- Amendments to IAS 28 Investments in Associates and Joint Ventures included in the Annual Improvements to IFRS Standards 2014–2016 Cycle (Measuring an associate or joint venture at fair value).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

The Interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

2.2 New and revised standards issued but not yet effective

At the date of authorization of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 16	Leases
IFRS 17	Insurance Contracts
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to IFRS Standards 2015-2017 Cycle	Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
Amendments to IAS 19 Employee Benefits	Plan Amendment, Curtailment or Settlement
IFRS 10 Consolidated Financial Statements and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRIC 23	Uncertainty over Income Tax Treatments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (IFRSs): (continued)

The Board of Directors do not expect that the adoption of the above Standards will have a material impact on the Group's financial statements in future periods, except as noted below:

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 Leases with an effective date of annual periods beginning on or after January 1, 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 Leases. Lessees will recognize a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortized over the length of the lease and the financial liability measured at amortized cost. Lessor accounting remains substantially the same as in IAS 17.

The Group intends to adopt the standard using the cumulative effect approach, which means that the Group will recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. The Group is continuing to analyze the impact of the changes which will be disclosed in the first interim consolidated financial information as of March 31, 2019 that includes the effects of the application from the effective date.

3. SIGNIFICANT ACCOUNTING POLICIES:

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the applicable requirements of the Bahrain Commercial Companies Law of 2001 (and subsequent amendments), the Central Bank of Bahrain and Financial Institution Law No. 64 of 2006 (as amended), the Central Bank of Bahrain Rule Book (Volume 6) and the Central Bank of Bahrain's directives and regulations (as contained in Volume 6 of the Central Bank of Bahrain Rulebook).

The consolidated financial statements are prepared under the historical cost convention and presented in the Bahraini Dinar ("BD"), being the functional currency of the Group.

Basis of consolidation

The consolidated financial statements incorporate the financial statement of the Bourse and the entity controlled by the Bourse (its subsidiary made up to December 31 each year). Control is achieved when the Bourse has the power over the investee; 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 subsidiaries 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Furniture and equipment

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent expenditure is capitalised only when it is probably that the future economic benefits associated with the expenditure will flow to the Group. 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

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.

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.

Financial instruments

Financial assets and financial liabilities are recognized in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial assets (policy effective January 1, 2018)

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of financial assets.

Classification of financial assets

Financial assets are classified as follows:

- Financial assets at amortized cost
- Financial assets at Fair Value Through Other Comprehensive Income (FVOCI)
- Financial asset at Fair Value Through Profit or Loss (FVTPL)

The classification and measurement category of financial assets, except for equity instruments and derivatives, are assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment:

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

Contractual cash flow characteristics test:

The Group assesses whether the financial instruments' cash flows represent Solely for Payments of Principal and Interest (the 'SPPI'). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. The Group reclassifies a financial asset only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Financial assets at amortized cost

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The Group's cash and bank balances, trade receivables and debt instruments are classified as financial assets at amortized cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial assets at FVOCI

A debt instrument is measured at FVOCI if it satisfies the SPPI test and is held within a business model whose objective is to hold assets to collect contractual cash flows and to sell. These assets are subsequently measured at fair value, with change in fair value recognized in Other Comprehensive Income (OCI). Interest income is calculated using the effective interest method. Foreign exchange gains/losses and impairment are recognized in profit or loss. On de-recognition, gains and losses accumulated in OCI are reclassified to the statement of profit or loss.

For an equity instrument; upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis. Gains and losses on these equity instruments are never recycled to the statement of profit or loss. Dividends are recognized in profit or loss when the right to receive has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses may be reclassified from fair value reserve to retained earnings in the statement of changes in equity.

Financial assets at FVTPL

Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. This also includes equity instruments held-for-trading and are recorded and measured in the statement of financial position at fair value. Changes in fair values and dividend income are recorded in statement of profit or loss according to the terms of the contract, or when the right to receive has been established.

A loss allowance for expected credit losses (ECL) is recognized on investments in debt instruments (except for Bahrain Sovereign Debt) that are measured at amortized cost or at FVOCI, trade receivables, deposits with banks, contract assets and financial guarantee contracts, as applicable. The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realized and the time value of money.

The Group incorporates forward-looking information based on expected changes in macro-economic factors in assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

Impairment of trade receivables, contract assets and lease receivables

The Group always recognizes lifetime ECL for these categories of financial assets using the simplified approach.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Impairment of other financial assets

The Group recognizes expected credit loss (ECL) for cash at banks using the general approach.

Under this approach the Group applies three-stage approach to measuring ECL. Assets migrate through the three stages based on the change in credit quality since initial recognition. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognized based on the probability of default (PD) of the counter party occurring over the life of the asset. All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognized based on the PD of the customer within next 12 months. Financial assets are assessed as credit impaired when there is a detrimental impact on the estimated future cash flows of the financial asset.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument at the reporting date with the risk of default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort.

The Group considers a financial asset to have a low credit risk when the asset has external credit rating of 'investment grade' and there is no past due amounts.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset, have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the borrower;
- A breach of contract, such as default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter into bankruptcy or other financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

Impairment of financial assets (policy prior to January 1, 2018)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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-organization.

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

De-recognition of financial assets

The Group derecognizes 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 recognizes 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 recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

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

Financial liabilities

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated at FVTPL are subsequently measured at amortised cost using the effective interest method.

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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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.

Revenue recognition (IFRS 15)

The Group's main revenue streams consist of annual subscription fees, transaction fees and other service revenues.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a service to a customers.

Revenue from annual subscription fees is recognized over time as the services are provided. The amounts to be collected from subscribers at December 31 are recognized as trade receivable.

Revenue related to transaction-based fees is recognized as revenue at the point in time when the transaction takes place.

Revenue from the electronic display screen advertising, is recognized overtime as the service is provided. The Group recognizes a contract liability when the customer performs first by prepaying the performance obligation, until such time the service is provided by the Group.

The adoption of IFRS 15 did not impact the timing or amount of the group's revenue streams and the related assets and liabilities.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Foreign currencies

Transactions made in currencies other than the Group's functional currency (foreign currencies) are recognised in functional currency 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 in the profit or loss.

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.

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 Measurement of the expected credit loss allowance

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group's management uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Refer to accounting policy above and Note 7.

4.2.2 Useful life of furniture and equipment

The Group's management determines the useful lives of furniture 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2018

5. FURNITURE AND EQUIPMENT: (Continued)

	<i>Fixtures BD</i>	<i>Furniture and Equipment BD</i>	<i>Computers BD</i>	<i>Vehicles BD</i>	<i>Total BD</i>
Cost:					
Balance, January 1, 2017	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, December 31, 2017	1,794,707	1,514,701	2,178,723	17,435	5,505,566
Additions	330	8,782	63,113	-	72,225
Balance, December 31, 2018	1,795,037	1,523,483	2,241,836	17,435	5,577,791
Accumulated Depreciation					
Balance, January 1, 2017	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, December 31, 2017	854,447	1,167,109	1,739,848	17,434	3,778,838
Charge of the year	119,821	142,102	259,607	-	521,530
Balance, December 31, 2018	974,268	1,309,211	1,999,455	17,434	4,300,368
Carrying Amounts:					
December 31, 2018	820,769	214,272	242,381	1	1,277,423
December 31, 2017	940,260	347,592	438,875	1	1,726,728

Assets written off during 2017 mainly consist of fixtures, furniture and equipment which resulted from the abandonment of a portion of the Group leased premises. The loss on retirement of fixed assets during 2017 amounted to BD 726,945.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2018

6. INVESTMENT IN FINANCIAL ASSET

During 2016, the Group invested in 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 and is carried at amortised cost. Considering that Bahrain Sovereign Debt is eligible for zero risk weighting, the Group does not recognise a loss allowance on government debt instruments.

7. TRADE RECEIVABLES

	<i>2018</i> <i>BD</i>	<i>2017</i> <i>BD</i>
Subscription and registration fees receivable	375,449	427,609
Commissions receivable	3,614	21,554
Service fees receivable	5,700	5,582
Advertisement fee receivable	90,934	83,970
Other	14,306	3,639
	<u>490,003</u>	<u>542,354</u>
Loss allowance	(406,521)	(383,363)
	<u>83,482</u>	<u>158,991</u>

The Group always measures the allowance for trade receivables at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables is estimated using a provision matrix by reference to past default experience and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

A trade receivable is written-off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The following table details the risk profile of trade receivables based on the Group's provision risk matrix. As the Group's historical credit loss experience does not show significantly different loss patterns from different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer bases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2018

7. TRADE RECEIVABLES (continued)

Aging brackets	December 31, 2018			January 1, 2018 (Restated)		
	Estimated total gross carrying amount at default	Expected credit loss rate	Lifetime ECL	Estimated total gross carrying amount at default	Expected credit loss rate	Lifetime ECL
	BD	%	BD	BD	%	BD
<u>Not credit-impaired:</u>						
< 30 days	54,492	11.23%	6,119	16,525	11.23%	1,855
31 – 60 days	18,809	21.34%	4,014	6,018	21.34%	1,284
61 – 90 days	4,400	29.24%	1,287	17,132	29.24%	5,010
91 – 180 days	3,994	47.25%	1,887	36,675	47.25%	17,329
181 – 365 days	20,748	47.25%	9,803	26,791	47.25%	12,659
> 365 days	7,865	47.25%	3,716	56,594	47.25%	26,741
Total not credit-impaired	110,308		26,826	159,735		64,878
<u>Credit-impaired:</u>						
< 1 year	-	100%	-	-	100%	-
> 1 year	379,695	100%	379,695	383,363	100%	383,363
Total credit-impaired	379,695		379,695	383,363		383,363
	490,003		406,521	543,098		448,241

The following table shows the movement in lifetime ECL that has been recognized for trade receivables in accordance with the simplified approach set out in IFRS 9:

	Not credit-impaired			
	Credit-impaired	Collectively assessed	Individually assessed	Total
	BD	BD	BD	BD
Balance, January 1, 2018 under IAS 39	383,363	-	-	383,363
Adjustment upon application of IFRS 9	-	64,878	-	64,878
Balance, January 1, 2018 under IFRS 9	383,363	64,878	-	448,241
Net decrease in loss allowance	-	(38,052)	-	(41,720)
Recovery during the year	(3,668)	-	-	-
Transfer to / from credit impaired	-	-	-	-
Amounts written-off	-	-	-	-
Balance, December 31, 2018 under IFRS 9	379,695	26,826	-	406,521

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2018

8. PREPAYMENTS AND OTHER RECEIVABLES

	<i>2018</i> <i>BD</i>	<i>2017</i> <i>BD</i>
Prepaid expenses	137,116	143,780
Fiduciary asset	5,303	-
Accrued interest receivable	43,926	22,212
	<u>186,345</u>	<u>165,992</u>

9. CASH AND BANK BALANCES

	<i>2018</i> <i>BD</i>	<i>2017</i> <i>BD</i>
Cash on hand	916	873
Current accounts with banks	188,360	974,853
Call accounts with banks	308,552	496,176
Term deposits (original maturities of 3 months or less)	622,281	236,783
Cash and cash equivalents	1,120,109	1,708,685
Term deposits (original maturities of more than 3 months)	2,074,771	1,542,173
	3,194,880	3,250,858
Loss allowance	(49,980)	-
	<u>3,144,900</u>	<u>3,250,858</u>

Cash and cash equivalents include cash in hand, current accounts, call accounts and term deposits with original maturities of 3 months or less.

The original maturity of term deposits varies between 30 to 365 days and earn interest at rates ranging between 2.75% and 3.95% (December 31, 2017: between 1.95% 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.

The movement of the loss allowance on cash at bank balances is as follows:

	<i>2018</i> <i>BD</i>	<i>2017</i> <i>BD</i>
Balance beginning of year – calculated under IAS 39	-	-
Adjustment upon adoption of IFRS 9	50,510	-
Balance, beginning of year – calculated under IFRS 9	50,510	-
Net decrease in loss allowance during the year	(530)	-
Balance end of year	<u>49,980</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2018

10. 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, 2018, the Group received financial support from the Government of Bahrain amounting BD 250,000 (December 31, 2017: 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:

	2018 BD	2017 BD
Salaries	222,244	190,373
Board of Directors sitting fees relating to Bahrain Bourse	34,600	42,300
Board of Directors sitting fees relating to Bahrain Clear	12,400	12,400
	<u>269,244</u>	<u>245,073</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.

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 CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2018

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.

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

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

	<i>2018</i> <i>BD</i>	<i>2017</i> <i>BD</i>
Balance, beginning of year	25,102	19,979
Charge for the year	7,045	5,123
Settlements during the year	(27,204)	-
Balance, end of year	<u>4,943</u>	<u>25,102</u>

15. ACCRUALS AND OTHER LIABILITIES

	<i>2018</i> <i>BD</i>	<i>2017</i> <i>BD</i>
Accrued staff costs	7,073	69,855
Leave and air tickets payable	120,665	96,599
Service fee	189,980	149,683
Fiduciary liability	5,303	-
Sundry and other payables	39,735	31,495
	<u>362,756</u>	<u>347,632</u>

16. CONTRACT LIABILITIES

	<i>2018</i> <i>BD</i>	<i>2017</i> <i>BD</i>
Advertising and others	<u>94,966</u>	<u>131,618</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2018

17. COMMISSION

Commission fee is recognised at the point in time, and consists of the following:

	<i>2018</i> <i>BD</i>	<i>2017</i> <i>BD</i>
Regular commission	335,831	239,268
Commission on exempted transactions and special dealings	123,689	90,780
	<u>459,520</u>	<u>330,048</u>

18. OTHER INCOME

	Revenue Recognition	<i>2018</i> <i>BD</i>	<i>2017</i> <i>BD</i>
Trading data income and trade quest income	Point in time	182,016	139,816
Display board income	Over time	2,000	-
Outdoor ticker	Over time	9,941	9,805
Advertising package	Over time	63,489	59,553
Deposit and central depository income	Point in time	135,019	160,488
Remote trading income	Point in time	21,600	21,300
Investor guide income	Point in time	9,500	10,000
Other revenues	Point in time	106,678	20,583
Office service income	Point in time	6,051	5,850
		<u>536,294</u>	<u>427,395</u>

19. GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2018</i> <i>BD</i>	<i>2017</i> <i>BD</i>
Rent	420,230	609,676
Services	742,207	650,592
Consultations and audit fees	24,126	166,944
Conferences and subscriptions	52,254	46,620
Consumables	30,897	41,394
Other	15,900	42,008
	<u>1,285,614</u>	<u>1,557,234</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2018

20. COMMITMENTS

Operating lease commitments

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

	<i>2018</i> <i>BD</i>	<i>2017</i> <i>BD</i>
Minimum lease payments	105,545	104,284

Non-cancellable operating lease commitments

	<i>2018</i> <i>BD</i>	<i>2017</i> <i>BD</i>
Not later than 1 year	414,695	404,655
1 to 5 years	1,078,660	1,355,166
	1,493,355	1,759,821

Other commitments

	<i>2018</i> <i>BD</i>	<i>2017</i> <i>BD</i>
Other commitments	102,104	275,210

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2018

21. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The Group's financial assets and financial liabilities are categorised at amortised cost. There were no financial instruments measured at FVTPL or FVOCI.

	2018 <i>BD</i>	2017 <i>BD</i>
Financial assets:		
Investment in financial assets	1,000,000	-
Investment held to maturity	-	1,000,000
Trade receivables	83,482	158,991
Other receivables	49,229	22,212
Cash and bank balances	3,144,900	3,250,858
	<u>4,277,611</u>	<u>4,432,061</u>
Financial liabilities:		
Trade payables	29,873	90,136
Accruals and other liabilities	362,756	347,632
	<u>392,629</u>	<u>437,768</u>

The Group's use of financial instruments exposes it to a variety of financial risks such as market risk (such as foreign exchange risk, interest rate risk, and equity price risk), credit risk and liquidity risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels. The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework.

There has been no change to the Group's exposure to the above financial risks or the manner in which it manages and measures the risk.

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 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 significant interest rate risk.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2018

21. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (continued)

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at December 31, 2018, the Group maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, arises from the carrying amount of the financial assets as stated in the statement of financial position.

The Group's liquid funds are deposited with banks and financial institutions that are rated the equivalent of investment grade.

The Group has an investment in Bahrain Government Bond eligible for zero risk weighting. The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before December 31, 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the unemployment rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Note 7 provides further details on the loss rate applied as well as the loss allowances on trade receivables.

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	BD	BD	BD
2018				
Trade payables and accruals	160,205	213,843	18,581	392,629
2017				
Trade payables and accruals	280,001	133,138	24,630	437,768

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2018

21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

The table below summarises the maturity of the Group's financial assets at 31 December 2018 and 2017 based on contractual undiscounted obligation:

	1 – 3 Months BD	3 Months to 1 year BD	More than 1 year BD	Total BD
2018				
Trade receivables	66,304	17,178	-	83,482
Cash and bank balances	1,120,109	2,024,791	-	3,144,900
Investment held at amortised cost	-	-	1,000,000	1,000,000
Other assets	49,229	-	-	49,229
	<u>1,235,642</u>	<u>2,041,969</u>	<u>1,000,000</u>	<u>4,277,611</u>
2017				
Trade receivables	39,425	54,323	65,243	158,991
Cash and bank balances	1,708,685	1,542,173	-	3,250,858
Investment held at amortised cost	-	-	1,000,000	1,000,000
Other assets	22,212	-	-	22,212
	<u>1,770,322</u>	<u>1,596,496</u>	<u>1,065,243</u>	<u>4,432,061</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 ACCOUNT

Off-balance sheet account includes:

	2018 BD	2017 BD
Guarantee deposits in custody from financial intermediaries	<u>1,366,953</u>	<u>1,348,297</u>

