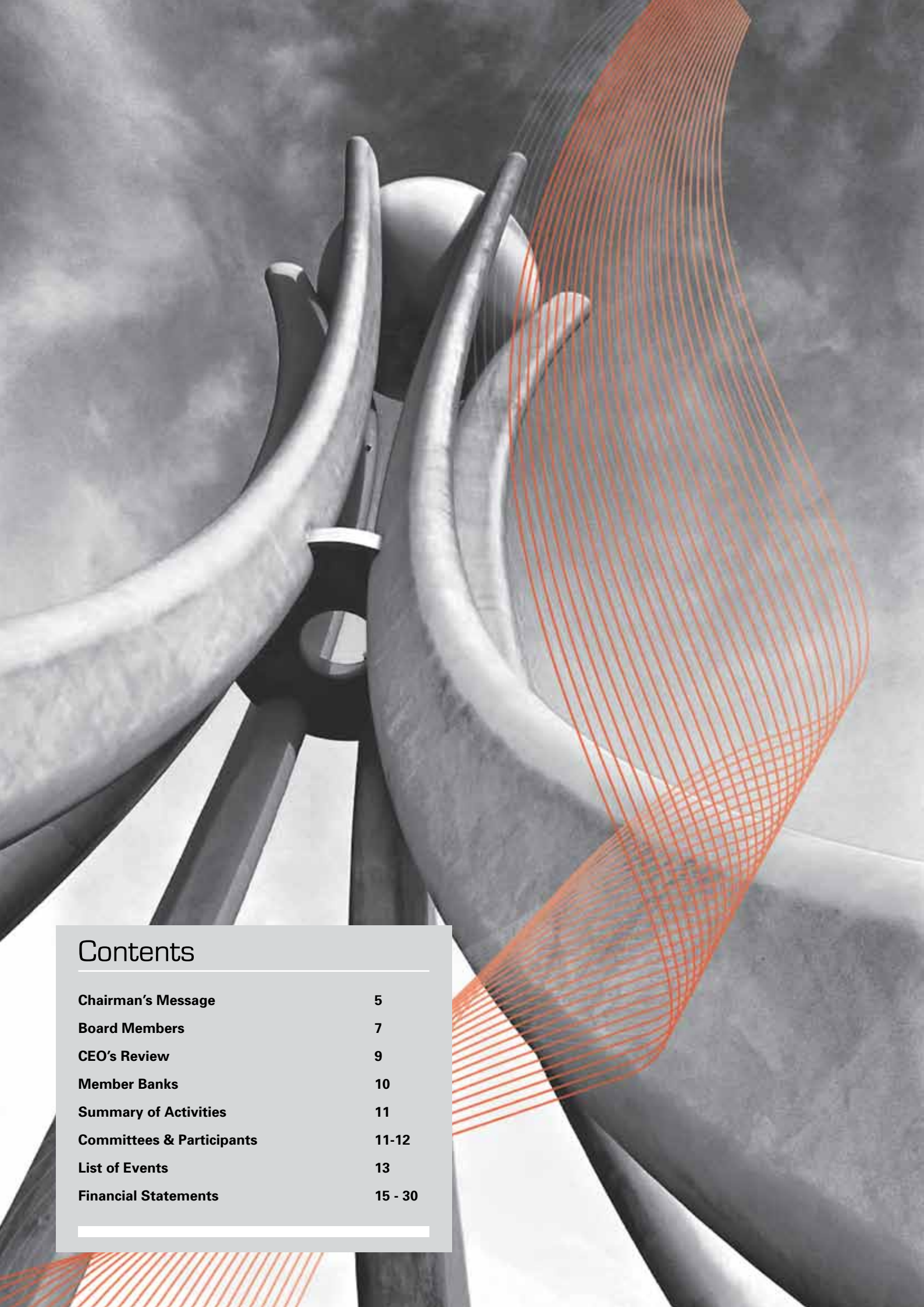


International Financial
Centre of Excellence



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**H.R.H. Shaikh Khalifa
bin Salman Al Khalifa**
The Prime Minister



**H.M. King Hamad
bin Isa Al Khalifa**
The King of
The Kingdom of Bahrain



**H.R.H. Shaikh Salman
bin Hamad Al Khalifa**
Crown Prince and
Deputy Supreme Commander

Chairman's Message



Dear Members:

As you all know 2009 will go down in history as one of the most challenging for the global economy, as well as its impact on the financial sector, since the Great Depression. That impact not only hit banks and financial institutions but also the Bahrain Association of Banks. With our members drastically reducing their support and expenditure on discretionary activities, it meant that lack of sponsorship of major events we had committed to early in the year tipped us into deficit that Robert will discuss in more detail. Fortunately, the net surplus that the Association had achieved by the end of 2008 meant that we are still in healthy financial shape.

We continued to enhance our relationship with our key business partners, the Central Bank of Bahrain and the Economic Development Board to meet the prime objective in our constitution which is to professionally represent the banking industry in Bahrain. We have been actively engaged with the Central Bank, and the Board has been having consultative meetings with the Governor and Executive Directors to share our mutual concerns on the Bahraini economy, banking sector and policy matters.

To better serve our members to show the maturity and professionalism of the Bahrain banking community, the Association continued to produce *The Gateway*, our quarterly newsletter, and launched *The Bahrain Banker*, a thought leadership publication that has received excellent reviews both locally and internationally.

We continued to pace up our activity level with BAB organising or attending 20 events during the year and issuing 86 press releases to promote Bahrain's banking sector. Some of the highlights of the year included our Annual Gala Dinner with HRH the Crown Prince, the Bahrain reception in Istanbul prior to the IMF / World Bank Meetings in October and Networking events for visiting delegations from Malaysia and Turkey.

We plan to continue to augment these improvements through 2010 among which was the recruitment of an advisor in Statutory / Regulatory matters and taking over the setting of BHIBOR so that you recognise value for your subscription fee and sponsorship of our events.

In closing, I would like to thank the Board of Trustees Mr. Abdulkarim Bucheery, Mr. Adel El-Labban, Mr. Adnan Ahmed Yousif, Mr. Mohammed Ebrahim Mohammed, Mr. Saleh Hussain and Sh. Mohammed bin Essa Al Khalifa for their advice and support.

We look forward to your contribution to the working of the Association and wish you a successful fiscal 2010.

Yours sincerely,
Mayank Malik
Chairman



Board Members



Mr. Mayank Malik
Chairman
CEO of Citibank



Mr. Saleh Hussain
Deputy Chairman
President of Saleh Hussain
Consultancy



Mr. Abdulkarim Bucheery
CEO of BBK



Mr. Adel El-Labban
CEO & Managing Director of
Ahli United Bank



Mr. Adnan Ahmed Yousif
President & CEO of Albaraka
Banking Group



**Mr. Mohammed
Ebrahim Mohammed**
CEO of Bahrain Islamic Bank



**Shaikh Mohammed
bin Essa Al-Khalifa**
Chief Executive of EDB



Dear Members;

As the Chairman stated 2009 was challenging not just for the global economy and banking sector but also for the Association

Financial highlights in 2009 were a deficit for the year of BD 38,596 that reduced the net surplus to BD 64,597 by the end of 2009. Membership revenue remained healthy; the major problem was the lack of sponsorship for two major events in 2009 that the Association had to commit to financially early in the fiscal year.

The 'Banks in Bahrain' reception in Istanbul was a big success with approximately 350 guests who stayed and networked. Financially it incurred a loss of BD 34,500 due to only six banks supporting it, even at a reduced price. The same was the case for WIBC in December with a loss of BD 23,750 where the Association attempted to launch 'The Bahrain Pavilion' to provide a venue for smaller organisations at a cost-effective price. No banks supported the Association's efforts so sponsorship of this event will not be repeated in future. In prior years these two annual events were funded by the EDB with the Association providing a support role; this year BAB bore all the expenses.

Staff costs were higher by bringing staff salaries and benefits in line with peers in Bahrain; they had remained static for many years prior to 2008. Other expenses with the exception of the event expenses vs. revenue were in line with the budget for 2009.

We retained the services of KPMG-Fakhro again to do all the accounting for the year including preparation of management reports for the quarterly board meetings to achieve our goal stated in last year's AGM of providing a solid two years of credible accounting records to the board and membership.

The financial affairs of the Association are in proper shape, and all of us value your contribution and support as we move forward.

Yours sincerely,
Robert Ainey
Chief Executive Officer

Member Banks of The Bahrain Association of Banks - 2009

Bank	Bank
ABC Islamic Bank	Habib Bank Ltd
Abu Dhabi Investment House	Housing Bank For Trade & Finance
Addax Bank	HSBC (Retail)
Ahli United Bank	HSBC (Wholesale)
Al Baraka Banking Group Bsc	ICICI Bank Ltd
Al Baraka Islamic Bank	ING Bank
Al Salam Bank	International Banking Corporation Bsc
Allied Banking Corp	Investcorp Bank
American Express Bank Ltd.	Investment Dar Bank
Arab Bank Plc (Retail)	Investors Bank Ec
Arab Bank Plc (Wholesale)	Ithmaar Bank
Arab Banking Corp	JP Morgan Chase Bank
Arab Financial Services	Khaleeji Commercial Bank
Arab Investment Co	Korea Exchange Bank
Arcapita Bank	Kuwait Finance House
Askari Bank Ltd	Kuwait Turkish Participation Bank Inc
Awal Bank	Maybank
Bahrain Development Bank	Merrill Lynch International Bank Ltd
Bahrain International Bank	Mizuho Corporate Bank Ltd.
Bahrain Islamic Bank	National Bank Of Abu Dhabi
Bahraini Saudi Bank	National Bank Of Bahrain
Bank Al Habib Limited	National Bank Of Kuwait (Wholesale)
Bank Alfalah Limited	National Bank Of Kuwait (Retail)
Bank Of Bahrain & Kuwait	National Bank Of Pakistan
Bank Of Tokyo Mitsubishi, UFJ Ltd.	National Finance House
BMB Investment Bank	Nomura Investment Banking
BMI Bank	Oasis Capital Bank
BNP Paribas (Retail)	Reef Real Estate Finance Company
BNP Paribas (Wholesale)	Robeco Institutional Asset Management
BSI	Sakana Holistic Housing Solutions
Calyon	Saudi National Commercial Bank
Capinnova Investment Bank	Securities & Investment Co
Capital Investment Holding Co	Seera Investment House
Capital Management House	Shamil Bank Of Bahrain (Retail)
Capivest	Shamil Bank Of Bahrain (Wholesale)
Citibank	Standard Chartered Bank
Deutsche Bank	State Bank Of India (Retail)
Elaf Bank	State Bank Of India (Wholesale)
Eskan Bank	Sumitomo Mitsui Banking Corp
Finansbank As	Taib Bank Bsc
First Investment Bank	UBS AG
First Leasing Bank	Unicorn Investment Bank
Future Bank	United Bank Ltd
Global Banking Corporation	United Gulf Bank Bsc Ec
Gulf Finance House Bsc	Venture Capital Bank
Gulf International Bank	Woori Bank
	Yapi Ve Kredi Bankasi
Conventional Bank (Retail)	20
Conventional Bank (Wholesale)	42
Investment Business Firm	2
Islamic Bank (Retail)	6
Islamic Bank (Wholesale)	12
Specialised: Financing Co.	3
Representative Offices (Rep)	8
Total Banks	93

Summary of issues handled on behalf of banks during 2009

- ◆ Liquidity Risk Management for Conventional Banks
- ◆ Investment Stimulus Initiatives: Consumer Lending Criteria, Loan to Deposit Ratio, Capital Adequacy Ratios, Reduction in Required Reserves
- ◆ Security Measures: EMV & CCTV
- ◆ Bank Holidays
- ◆ BHIBOR
- ◆ Payment Process Followed by the Courts in Bahrain
- ◆ Dealing with Consumers of Financial Products undergoing Financial Difficulties
- ◆ Two Top-Up Restriction on the Life of a Loan
- ◆ Pro-Rata Insurance Refund
- ◆ McLagan Compensation Survey
- ◆ Bahrain Credit Bureau
- ◆ Bahrain Chamber for Disputes Resolution

Consultation reviewed for CBB

- ◆ Cooperation & Exchange of Information with Overseas Authorities
- ◆ Capital Market Framework for Clearing, Settlement and Depository
- ◆ Prohibition of Market Abuse & Manipulation Module
- ◆ Pre-funded Deposit Protection Scheme
- ◆ Draft Corporate Governance Code for Bahrain
- ◆ Real Estate Financing & Investments by Banks

Committees & Participants

Consumer Banking Committee		
Bank	Member's Name	Title
Citibank	Ashish Bhugra	Country Business Manager
Bank Muscat International	Kumaran Pather	Head of Retail
Bank of Bahrain & Kuwait	Mohammed Zainalabedin	Retail Banking Division
Standard Chartered Bank	B. Chandrasekar	Regional Head, Consumer Banking
Future Bank	Shahram Razavi	Assistant to CEO
National Bank of Bahrain	Subhodip Ghose	Head of Marketing & Planning
HSBC Bank	Shakofa Asghar	Head of Personal Financial Services
Ahli United Bank	Abdulla Al-Raeesi	DGCEO – Retail Banking
Banking Operations Committee		
Bank	Member's Name	Title
Al Salam Bank	Ahmed Sheikh	EVP – COO
Bank Muscat International	Marco Wolters	COO
Bank of Bahrain & Kuwait	Ali Haqiqi	Operations Department
Standard Chartered Bank	Stefan Corera	CIO
Investcorp Bank	Stuart Marshall	MD, Head of IT
BNP Paribas	Fabien Ribette	Regional Head of IT
Future Bank	Abbas Fatemi	Assistant to CEO
National Bank of Bahrain	Jassim Hammadi	AGM

Professional Development Committee		
Bank	Member's Name	Title
Ahli United Bank	Neville Pearsall	Group Head HR & Development
Bank Muscat International	Mohammed Bushehri	Head of Human Capital
Bank of Bahrain & Kuwait	Ravi Mohanty	Manager, Train& Dev.
Gulf International Bank	Hassan Abdul Ghani	MD Operations & Admin
Investcorp	Mufeed Rajab	Principal, Head of Admin
BNP Paribas	Abdelhakim Doukkali	Regional HR Director
Robeco	Douglas Hansen-Luke	CEO ME
Oasis Capital Bank	Malcolm Harris	Partner – HR & TM

Statutory / Regulatory Committee		
Bank	Member's Name	Title
Gulf Banking Consultants	Saleh Hussain	Senior Consultants
Ahli United Bank	Sanjeev Baajjal	DGCEO, Finance, Operations & IT
CITIBANK	Jairaj Nalamutt	Compliance Officer
Bank Muscat Int'l	El-Tahir Nimir	Group Head of Compliance & AML
Bank of Bahrain & Kuwait	Dr. Mukund Ballal	Compliance Officer & MLRO
Gulf International Bank	Georges Djandji	Sr. VP & Head of Compliance
Investcorp Bank	Shahbaz Khan	GCC Compliance Officer
BNP Paribas	Erik Stroet	Regional COO
National Bank of Bahrain	Fatima Budhaish	Sr. Manager, Head-Credit Review
Oasis Capital Bank	Sudha Tilani	Principal Compliance & MLRO

Risk Management Committee		
Bank	Member's Name	Title
Ahli United Bank	Charles Brody	Group Head Risk
Bank Muscat Int'l	Huw Evans	Risk Director
Bank of Bahrain & Kuwait	C. V. Murthy	Risk Management Dept
Investcorp Bank	Hassan Chehime	MD, Head of Risk Management
BNP Paribas	Yves Jean Noyalet	Head of Internal Audit
Al Salam Bank	Ahmed Sheikh	EVP - COO
HSBC Bank	Arun Fernandes	Sr. Manager Credit & Risk Mgmt

Corporate Banking Committee		
Bank	Member's Name	Title
Ahli United Bank	Christopher Wilmot	Head of Treasury
Bank Muscat International	Karl Stumke	Wholesale Banking Director
Bank of Bahrain & Kuwait	Yaser Sabt	Corporate Banking Division
Standard Chartered Bank	Vivek Uberoi	Head, Orig. & Client Coverage
Investcorp Bank	Jonathan Minor	MD, Head of Treasury
BNP Paribas	Eric Jesserand	Head, Fixed Income Middle East
State Bank of India	P. K. Gupta	Regional Head & CE
HSBC Bank	Dudley Leelananda	Senior Manager

- CEO Luncheon – Speaker Shaikha Hessa - Injaz
- HR / Training Manger Luncheon
- CEO Luncheon - Speaker Ali Rahdi - LMRA
- CEO Luncheon – Speaker Saleh Hussain
- Advanced Credit Stress Seminar - Movenpick Hotel
- 9th GCC Banking Conference
- CEO Luncheon – Tamkeen (Labour Fund) – Abdullellah Al Qassimi
- The Administrative Professionals Day
- 29th Annual General Meeting
- Cards Middle East - Al Bustan Rotana -18 &19 May
- The 5th Annual World Islamic Funds & Capital Markets Conference
- Annual BAB Gala Dinner
- Bahraini Bank Reception-Swissotel – IMF, Istanbul
- World Islamic Retail Banking , Dubai
- Banking Outlook Middle East 2009, Dubai
- Malaysia - Bahraini Business Forum
- GCC Cards Summit 2009
- The World Islamic Banking Conference
- Private Banking World Middle East 2009
- AAOIFI-World Bank Annual Conference



Annual Gala Dinner - His Royal Highness with Guest Speaker



Annual Gala Dinner - Guests



Saleh Hussain speaking at GCC Cards Summit



Inward visit of Turkish Banking Delegation



CEO Luncheon - Abdullella Al-Qassimi updating Members on Tamkeen



Financial Statements





31 December 2009		
Registration number	:	36/6/M (According to the provisions of the Law of Social and Youth and Cultural Societies and Clubs, Associations carrying on Sports activities and Private Organisations promulgated by Legislative Decree no. 21 of 1989)
Board of Trustees Chairman	:	Mr. Mayank Malik
Office	:	PO Box 1034, Manama Tel: 1782 3000, Fax: 1782 0700
Principal bankers	:	Bank of Bahrain and Kuwait National Bank of Bahrain
Auditors	:	KPMG Fakhro

Financial Statements

For the year ended 31 December 2009

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Statement of comprehensive income	19
Statement of cash flows	20
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Independent Auditors' Report To The Members of The Bankers Society of Bahrain
Manama, Kingdom of Bahrain

1 February 2010

Report on the financial statements

We have audited the accompanying financial statements of The Bankers Society of Bahrain ("the Society"), which comprise the financial position as at 31 December 2009, and the statement of comprehensive income, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility of the board of trustees for the financial statements
The board of trustees of the Society is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Society as at 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Statement of Financial Position

As at 31 December 2009

		Bahraini Dinars	
	Note	2009	2008
Assets			
Furniture and equipment	5	23,978	18,209
Total non-current assets		23,978	18,209
Receivables	6	26,370	5,297
Cash and cash equivalents	7	14,249	81,505
Total current assets		40,619	86,802
Total assets		64,597	105,011
Members’ fund and liabilities			
Accumulated fund / (deficiency)	8	49,193	87,789
Provision for employees’ benefits	9	3,730	2,635
Total non-current liabilities		3,730	2,635
Accrued expenses and advances	10	11,674	14,587
Total current liabilities		11,674	14,587
Total liabilities		15,404	17,222
Total members’ fund and liabilities		64,597	105,011

Mayank Malik
Chairman

Robert Ainey
Chief Executive Officer

The Board of trustees approved the financial statements consisting of pages 18 to 30 on 1 February 2010.

Statement of Comprehensive Income

For the year ended 31 December 2009

		Bahraini Dinars	
	Note	2009	2008
Revenue			
	11	381,877	358,499
General and administrative expenses			
	12	(206,793)	(148,726)
Marketing and promotional expenses			
	13	(205,680)	(67,428)
Other expenses			
	14	(8,000)	-
Total expenses		(420,473)	(216,154)
Net (deficit)/surplus for the year		(38,596)	142,345
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(38,596)	142,345

Mayank Malik
Chairman

Robert Ainey
Chief Executive Officer

The Board of trustees approved the financial statements consisting of pages 18 to 30 on 1 February 2010.

Statement of Cash Flows
For the year ended 31 December 2009

		Bahraini Dinars	
	Note	2009	2008
Operating activities			
Receipts from subscriptions and advertising income		377,323	215,494
Payments for operating expenses and other overheads		(433,443)	(234,734)
Cash flows from operating activities			
		(56,120)	(19,240)
Investing activities			
Acquisition of furniture and equipment	5	(11,940)	(20,169)
Interest income received		804	105
Cash flows from investing activities			
		(11,136)	(20,064)
Net decrease in cash and cash equivalents			
		(67,256)	(39,304)
Cash and cash equivalents at 1 January		81,505	120,809
Cash and cash equivalents at 31 December			
	7	14,249	81,505

The Board of trustees approved the financial statements consisting of pages 18 to 30 on 1 February 2010.

Notes to the 2009 Financial Statements
For the year ended 31 December 2009

Bahraini Dinars

1 Status and Operations

The Bankers’ Society of Bahrain was established in the Kingdom of Bahrain in 1979 and re-registered on 27 January 1991 under registration no. 36/6/M according to the provisions of the Law of Social and Cultural Societies and Clubs, Associations carrying on Youth and Sports activities and Private Organisations promulgated by Legislative Decree no 21 of 1989.

The principal activity of the Society is to promote the interests of the Bahrain banking community in Bahrain and abroad.

2 Basis of Preparation

a) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards.

b) Basis of measurement

The financial statements are been drawn up from the accounting records of the Society under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all the years presented except as described in note 2 (d).

c) Functional and presentation currency

Items included in the financial statements of the Society are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The financial statements are presented in Bahraini Dinars, which is the Society’s functional and presentation currency.

d) Standards, amendments and interpretations effective on or after 1 January 2009

The following standards, amendments and interpretations, which became effective in 2009 are relevant to the Society

i) IAS 1 (revised) - Presentation of Financial Statements

Revised IAS 1- Presentation of Financial Statements (2007) became effective as of 1 January 2009. As a result, the Society presents in the Society’s accumulated fund, the net deficit for the year, whereas all other changes in society’s accumulated fund are presented in the statement of comprehensive income. Total comprehensive income may be presented in either:

- a single statement of comprehensive income, or
- in an income statement and a separate statement of comprehensive income.

The Society has opted to present the total comprehensive income in a single statement of comprehensive income.

In accordance with the transitional requirements of the Standard, the Society has provided full comparative information. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Society.

ii) Amendments to IFRS 7 - Financial instruments disclosures

The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment does not result in significant additional disclosures in the financial statements as the society does not have assets that are stated at fair value, and does not have an impact on the financial position or the comprehensive income of the Society.

Notes to the 2009 Financial Statements

For the year ended 31 December 2009

Bahraini Dinars

2 Basis of preparation - (continued)

iii) Improvements to IFRS (issued in May 2008)

Improvements to IFRS issued in May 2008 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. ‘Improvements to IFRS’ comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments effective for annual periods beginning on or after 1 January 2009 have been adopted by the Society and no material changes to accounting policies arose as a result of these amendments.

e) Standards, amendments and interpretations issued but not yet effective

The following new / amended IFRS’s and interpretations have been issued which are not yet mandatory for adoption by the Society.

(i) IFRS 9 Financial instruments part 1: Classification and measurement

IFRS 9 was issued in November 2009 and is applicable for reporting period beginning on or after 1 January 2013. This standard replaces those parts of IAS 39 relating to the classification and measurement of financial assets and the key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the society’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the society’s business model is to hold the asset to collect the contractual cash flows, and the asset’s contractual cash flows represent only payments of principal and interest (i.e. it has only ‘basic loan features’). All other debt instruments are to be measured at fair value through profit or loss.

The Society is considering the implications of the standard, its impact and the timing of its adoption.

(ii) IAS 24 Related Party Disclosures (revised 2009)

The revised standard is applicable for reporting period beginning on or after 1 January 2011. The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard is not expected to result in any change in the disclosure of the Society’s financial statements.

(iii) Amendments to IAS 7 Statement of Cash Flows

These amendments are applicable for reporting periods beginning on or after 1 January 2010 and explicitly require that only expenditures that results in the recognition of an asset can be classified as a cash flow from investing activities. Currently, this amendment will not have any impact on the presentation in the Statement of Cash Flows of the Society.

(iv) Amendments to IAS 16 Property, Plant and Equipment

These amendments are applicable for reporting periods beginning on or after 1 January 2010. These amendments replace the term “net selling price” with “fair value less costs to sell”. This amendment is not expected to result in any change in the Society’s financial position.

Notes to the 2009 Financial Statements

For the year ended 31 December 2009

Bahraini Dinars

2 Basis of preparation - (continued)

(v) Improvements to IFRS (issued in April 2009) Improvements to IFRS issued in April 2009 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. ‘Improvements to IFRS’ comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments effective for annual periods beginning on or after 1 January 2010 with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

f) Early adoption of standards

The Society did not early adopt new or amended standards in 2009.

3 Significant accounting policies

a) Foreign currency transactions

Transactions in foreign currencies are translated to Bahraini dinars at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Bahraini dinars at the foreign exchange rate ruling at that date. All foreign exchange differences arising on conversion and translation are recognised in the income statement.

b) Non-derivative financial instruments

The Society deals only in non derivative financial instruments. Non derivative financial assets and liabilities comprises of receivables, cash and cash equivalents and other payables.

(i) Receivables

Receivables comprise membership subscription and other receivables and are recorded at cost, being the fair value, less impairment allowances.

(ii) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, balances with banks and short-term bank deposits with maturities of three months or less.

(iii) Payables

Liabilities are recognised for the amounts to be paid in the future for good or services received, whether billed by the supplier or not.

(iv) Other non derivative financial instruments

Other non derivative financial instruments are measured at cost due to the short term nature of these instruments.

c) Furniture and equipment

(i) Recognition and measurement

Items of furniture and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes all costs directly attributable to bringing the assets to their present location and condition for their intended use. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount. The residual value and useful life are reviewed at each financial year end and adjusted where appropriate.

(ii) Subsequent measurement

Expenditure incurred to replace a component of an item of furniture and equipment that are accounted for separately, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of furniture and equipment. All other expenditure is recognised in the statement of comprehensive income as an expense as incurred.

Notes to the 2009 Financial Statements

For the year ended 31 December 2009

Notes to the 2009 Financial Statements

For the year ended 31 December 2009

Bahraini Dinars

3 Significant accounting policies (continued)

(iii) Depreciation

Depreciation is provided on a straight-line method at annual rates which are intended to write off the cost of the assets over their estimated useful lives of 4 years.

d) Impairment

(i) Financial assets

The financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and the loss event had a negative effect on the estimated future cash flow of that asset that can be estimated reliably. If any such evidence exists, the asset’s recoverable amount is estimated and impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount. All impairment losses are recognised in the statement of comprehensive income.

(ii) Non financial assets

The carrying amounts of the Society’s assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. All impairment losses are recognised in the statement of comprehensive income.

e) Provision

A provision is recognised in the balance sheet when the Society has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

f) Employee benefits

Pensions and other social benefits for Bahraini employees are covered by the General Organisation for Social Insurance scheme to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The entity’s contribution to this scheme, which represents a defined contribution scheme under International Accounting Standard 19 – Employee Benefits, is expensed as incurred.

Expatriate employees are entitled to leaving indemnities payable under the Bahrain Labour Law for the Private Sector of 1976, based on length of service and final remuneration. Provision for this unfunded commitment which represents a defined benefit plan under International Accounting Standard 19 – Employee Benefits, has been made by calculating the notional liability had all employees left at the balance sheet date.

g) Revenue

Membership subscriptions are accounted for on an accrual basis and subscription received in advance are included in current liabilities. Income from event sponsorship is accounted for on an accrual basis when the event is conducted. Advertising income is accounted for on an accrual basis when the magazine is published. Donations received without conditions are recognised as revenue in the period in which the donations are received.

h) Operating lease

Operating lease is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

Bahraini Dinars

4 Critical accounting estimates and judgments in Applying Accounting Policies

The preparation of financial statements in conformity with IFRS’s require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are:

(i) Impairment of receivables

The Society reviews the carrying amounts of the receivables at each reporting date to determine whether the receivables have been impaired. The society identifies the receivables, which have been impaired based on among other factors, the age of the receivables; the receivables recoverable amount is estimated based on past experience and estimated cash flows.

(ii) Useful life and residual value of furniture and equipment

The Society reviews the useful life and residual value of the furniture and equipment at each reporting date to determine whether an adjustment to the useful life and residual value is required. The useful life and residual value is estimated based on the similar assets of the industry, and future economic benefit expectations of the management.

	Bahraini Dinars	
5 Furnitures and Equipment	2009	2008
Cost		
At 1 January	59,759	39,590
Additions	11,940	20,169
Disposal	(39,590)	-
At 31 December	32,109	59,759
Depreciation		
At 1 January	41,550	39,590
Charge for the year	6,171	1,960
Disposal	(39,590)	-
At 31 December	8,131	41,550
Net carrying value at 31 December	23,978	18,209
6 Receivables	2009	2008
Membership subscription receivables less impairment allowances		
BD 6,000 (2008: BD nil)	6,650	2,900
Prepayments	9,149	2,397
Advances	10,571	-
	26,370	5,297

Notes to the 2009 Financial Statements

For the year ended 31 December 2009

	Bahraini Dinars	
7 Cash and Cash Equivalents	2009	2008
Bank balances	8,378	76,504
Short-term deposit	5,566	4,761
Cash on hand	305	240
	14,249	81,505
8 Accumulated Fund	2009	2008
At 1 January	87,789	(54,556)
Net (deficit) /surplus for the year (page 3)	(38,596)	142,345
Other comprehensive income for the year	-	-
At 31 December	49,193	87,789
9 Provision for Employees' Benefits	2009	2008
At 1 January	2,635	-
Charge for the year	2,127	2,635
Indemnities paid during the year	(1,032)	-
At 31 December	3,730	2,635
10 Accrued Expenses and Advances	2009	2008
Accrued expenses	11,674	9,587
Subscriptions received in advance	-	5,000
	11,674	14,587
11 Revenue	2009	2008
Membership subscription	277,000	272,875
Event income	65,150	65,519
Donations	20,000	20,000
Magazine advertising income	18,923	-
Other	804	105
	381,877	358,499

Notes to the 2009 Financial Statements

For the year ended 31 December 2009

	Bahraini Dinars	
12 General and Administrative Expenses	2009	2008
Staff salaries and related expenses	146,640	102,895
Professional fees	15,662	24,247
Meetings and related expenses	11,105	1,720
Office rent	7,800	3,600
Miscellaneous expenses	7,387	2,973
Depreciation	6,171	1,960
Office expenses	5,119	4,801
Utilities	5,091	5,714
Repairs and maintenance	1,818	816
	206,793	148,726
13 Marketing and Promotional Expenses	2009	2008
Functions and events	166,380	47,601
Magazine expenses	23,626	-
Advertisement	12,003	12,247
Business travel	3,671	7,580
	205,680	67,428
Functions and events expenses include two major events during the year; IMF event (BD 87,022) and World Islamic event (BD 22,650).		
14 Other Expenses		
Other expenses represent impairment allowances of overdue membership subscription, receivable as at the year end.		
15 Related Parties		
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These represent transactions with the board of Trustees and senior management of the society.		
Transactions with key management personnel		
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the society. The key management personnel are the members of the Board of Trustees and Chief Executive Officer.		
	2009	2008
Short-term benefits	53,570	38,000
16 Operating lease Commitments	2009	2008
Future minimum lease payments: Within one year	18,000	14,400
Later than one year and not later than five years	6,600	10,800
Aggregate operating lease expenditure contracted as of the balance sheet date	24,600	25,200

Notes to the 2009 Financial Statements

For the year ended 31 December 2009

Notes to the 2009 Financial Statements

For the year ended 31 December 2009

Bahraini Dinars

17 Financial Instruments and Risk Management

The table below sets out the Society’s classification of each class of financial assets and financial liabilities:

31 December 2009	Loans and receivables	Others at amortised cost	Total carrying amount
Assets			
Receivables	26,370	-	26,370
Cash and bank balances	14,249	-	14,249
	40,619	-	40,619
Liabilities			
Accrued expenses and advances	-	11,674	11,674
	-	11,674	11,674

31 December 2008	Loans and receivables	Others at amortised cost	Total carrying amount
Assets			
Cash and bank balances	81,505	-	81,505
Receivables	5,297	-	5,297
	86,802	-	86,802
Liabilities			
Accrued expenses and advances	-	14,587	14,587
	-	14,587	14,587

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

◆ Credit risk ◆ Liquidity risk ◆ Market risk

This note presents information about the Society’s exposure to each of the above risks, the Society’s objectives, policies and processes for measuring and managing risk. The note also presents certain quantitative disclosures in addition to the disclosures throughout the financial statements.

The Board of trustees has overall responsibility for the establishment and oversight of the Society’s risk management framework.

The Society’s risk management policies are established to identify and analyse the risks faced by the Society, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Society’s activities. The accounting policies for financial assets and liabilities are described in note 3.

Bahraini Dinars

17 Financial Instruments and Risk Management (continued)

a) Credit risk

Credit risk is the risk of loss to the society if a counter party to a financial instrument will fail to discharge its obligation. The Society is exposed to credit risk on its receivables and bank balances.

(i) Credit risk on receivable is minimised as these are mainly membership subscription fees receivable from the Society’s members and advances paid. Appropriate procedures for follow-up and recovery are in place to monitor credit risk.

(ii) The Society limits its exposure to credit risk on bank balances by maintaining balances with banks having high credit ratings. Given these high credit ratings, the Society does not expect any bank to fail to meet its obligations.

The maximum exposure to credit risk at the reporting date was:

	2009	2008
Subscription and sponsorship fees receivable	6,650	2,900
Advances and other receivables	10,571	-
Bank balances	13,944	81,265
	31,165	84,165

The Society is not exposed to significant credit risk based on geographic area as the Society has no exposure outside Bahrain.

(iii) Impairment losses The society establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables. The maximum credit risk exposure on financial assets is the carrying amount, which is net of specific provisions.

The ageing of the receivables at the reporting date was:

	Gross 2009	Impairment 2009	Gross 2008	Impairment 2008
Not past due	6,650	-	2,000	-
Past due and impaired	6,000	6,000	-	-
	12,650	6,000	2,000	-

b) Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Society’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Society’s reputation.

The Society does not have any significant financial liabilities other than accrued expenses and advances.

Notes to the 2009 Financial Statements

For the year ended 31 December 2009

Bahraini Dinars

17 Financial Instruments and Risk Management (continued)

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Society's income or the value of its holdings of financial instruments.

(i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The Society does not have any significant currency risk as majority of the transactions are in Bahraini dinars.

(ii) Interest rate risk

Interest rate risk is the risk that the Society's earnings will be affected as a result of fluctuations in the value of financial instruments due to changes in market interest rates.

The Society is not exposed to significant interest rate risk at the balance sheet date.

(iii) Other market price risk

Other market rate risk is the risk that the fair value or future cash flows of the financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factor specific to the individual financial instruments or its issuers, or factors affecting all similar financial instrument traded in the market.

The Society is not significantly exposed to any other market price risk as at the balance sheet date.

d) Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arm's length transaction. Differences can therefore arise between book values under the historical cost method and fair value estimates.

Underlying the definition of fair value is a presumption that a society is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The fair values of the financial assets and liabilities of the Society are not materially different from their carrying values.

18 Comparative Figures

Previous years' figures have been reclassified where necessary, to conform to the current year's presentation. Such reclassification does not affect the previously reported total assets or accumulated fund or total comprehensive income for the year.