

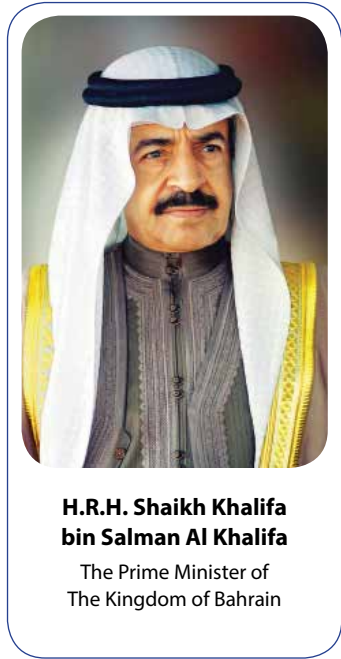


# ANNUAL REPORT 2015



الجمعية المصرفية بالبحرين  
Bahrain Association of Banks

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**H.R.H. Shaikh 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.R.H. Shaikh Salman  
bin Hamad Al Khalifa**  
The Crown Prince,  
Deputy Supreme Commander  
and First Deputy Prime Minister





As we look back on 2015 we can say that, in spite of regional concerns about liquidity and falling oil prices, Bahrain's banks have remained strong.

Bank credit continued to grow and liquidity in Bahrain's banks stayed firm. Total bank credit grew by an annual 7 percent as of the end of Q3. Credit growth was fastest in the area of personal loans which rose by an annual 14 percent in September. Personal loans accounted for 43 percent of all bank lending for the period.

Growth in bank deposits were moderate towards the end of the year. Private sector deposits, which represent the largest share of total deposits, grew by an annual 3 percent at the end of Q3. The loan-to-deposit ratio in Bahrain reached 49 percent for the same time frame.

The past year was a time for communicating with our members to seek their views on the future of

the Association and then beginning the process of implementing them and re-engineering the structure and the body of the organisation.

Going forward, we shall be concentrating on three key activities: lobbying the Government and regulators as the voice of the industry; conducting research to both support our lobbying and to encourage innovation and growth in the banking and financial sector; and holding conferences that generate real debate and produce practical change.

In order to strengthen the Association's role we shall seek, in the coming year, to bring all of Bahrain's financial institutions under one banner. We would like to see Retail Banks, Wholesale Banks, Islamic Banks, Insurance Firms, Investment Companies and other financial bodies come together under one umbrella organisation.

The Association has also evolved to play a contributing role in improving the health of the Kingdom's economy. Our endeavor is to work closely with the Government, along with our fellow institutions, the Central Bank of Bahrain and the Bahrain Economic Development Board, as we know the vital role that the country's banking and financial centre plays in the economic strength of the nation.

The Association will continue to work on its improvements throughout 2016 so that members are able to receive value for their membership and sponsorship of our events. We look forward to our members' contribution to the working of the Association and wish you all a successful 2016.

Yours sincerely,

**Abdul Razak A Hassan Al Qassim**  
Chairman



**Abdul Razak Al Qassim**  
Chairman,  
CEO & Director of NBB



**Mr Ahmed Abdulrahim**  
Deputy Chairman,  
CEO of Ithmaar Bank



**Hassan Jarrar**  
Treasurer  
CEO of Bahrain Islamic Bank



**Adnan Ahmed Yousif**  
President & CEO of  
Al Baraka Banking Group



**Adel El-Labban**  
Group CEO & Managing  
Director of Ahli United Bank



**Dr Farid A Al Mulla**  
CEO of  
Oasis Capital



**Dr Khaled Kawan**  
President and CEO of  
Arab Banking Corporation



**Khalil Nooruddin**  
Managing Partner, Capital  
Knowledge



**Talal Al-Zain**  
Regional CEO of PineBridge  
Investments

## Member Banks of The Bahrain Association of Banks - 2015

AHLI UNITED BANK	HOUSING BANK FOR TRADE & FINANCE
AL BARAKA BANKING GROUP	HSBC BANK
AL BARAKA ISLAMIC BANK	ICICI BANK
AL SALAM BANK	ING BANK
ALLIED BANKING CORPORATION	INVESTCORP BANK
AMEX (MIDDLE EAST)	INVESTMENT DAR BANK
ARAB BANK - RETAIL	ITHMAAR BANK
ARAB BANK - WHOLESALE	JP MORGAN CHASE BANK
ARAB BANKING CORPORATION	JULIUS BAER (Bahrain)
ARAB FINANCIAL SERVICES	KHALEEJI COMMERCIAL BANK
ARAB INVESTMENT COMPANY	KOREA EXCHANGE BANK
ASKARI BANK LIMITED	KUWAIT FINANCE HOUSE
BAHRAIN CREDIT	KUWAIT TURKISH PARTICIPATION BANK
BAHRAIN DEVELOPMENT BANK	MASHREQ BANK
BAHRAIN ISLAMIC BANK	MIZUHO BANK LIMITED
BANK AL FALAH LIMITED	NATIONAL BANK OF ABU DHABI
BANK ALKHAIR	NATIONAL BANK OF BAHRAIN
BANK OF BAHRAIN & KUWAIT	NATIONAL BANK OF KUWAIT
BMB INVESTMENT BANK	NATIONAL FINANCE HOUSE
BNP PARIBAS - Retail	PINEBRIDGE INVESTMENT ME
BNP PARIBAS - Wholesale	SECURITIES INVESTMENT COMPANY
CITIBANK	STANDARD CHARTERED BANK
CREDIMAX	STATE BANK OF INDIA - WHOLESALE
ESKAN BANK	SUMITOMO MITSUI BANKING CORP
FIRST ENERGY BANK	THE BANK OF TOKYO MITSUBISHI, UFJ LTD
FUTURE BANK	UBS AG
GULF FINANCE HOUSE	UNITED GULF BANK
GULF INTERNATIONAL BANK	VENTURE CAPITAL BANK
HABIB BANK LIMITED	WOORI BANK

## Bahrain Association of Banks Board received at Gudaibiya Palace

His Royal Highness the Prime Minister, Prince Khalifa bin Salman Al Khalifa, has affirmed that the Government has exerted tremendous efforts to promote the Kingdom as an international financial centre and is fully confident in the ability of Bahrain's banking leaders to preserve such a landmark achievement and build on it by developing the banking sector further.

He was quick to praise the efforts of BAB in consolidating the Kingdom's reputation and status, both regionally and internationally and for its consistent efforts to stimulate the banking sector in Bahrain. Furthermore he underlined the key role of civil society institutions, including BAB, in supporting the Kingdom's development efforts within a partnership that supports nation-building and progress.

BAB Board members', who were received by HRH the premier at the Gudaibiya Palace in April, affirmed that HRH the Premier's landmark efforts in building the banking sector have put the Kingdom on the international financial



and banking map and praised his key role in setting up a solid economic system that enables the banking and financial sector to flourish and play a pivotal regional and global role.

The Board extended sincere thanks and appreciation to HRH the Premier for his role in leading the development of the national economy adding that his unwavering support for Bahrain's financial and banking institutions has greatly contributed to enhancing its status at the local and international levels.

## The Annual General Meeting



(Left to right): Mr Hassan Jarrar, Board Member (Standard Chartered), Dr Farid Al Mulla, Deputy Chairman (Oasis Capital), Mr. Abdul Razak Al Qassim, Chairman (NBB), Mr. Khalil Nooruddin, Treasurer (Capital Knowledge).

The Bahrain Association of Banks (BAB) held its Annual General Meeting (AGM) at the Rotana Hall, Ritz-Carlton Hotel on 30 March, 2015 where Mr. Abdul Razak Al Qassim, BAB's Chairman, presented the Association's Annual Report and Audited Financial Statements for 2014 which outlined all of the Association's activities over the past year and its vision for the future.

"The year 2014 proved to be relatively better for the retail banking sector with most banks reporting good results. Furthermore, the consolidation of banks through mergers and acquisitions continued which should result in stronger and better capitalised financial institutions in the Kingdom," said Mr Al Qassim.

At the meeting members of the Association reviewed BAB's strategic plan which was initiated by both the Board and the external auditor, KPMG Fakhro. The stated aim is to enhance the role of the Association and realise the vision to enable member banks of all types to engage effectively with the relevant governmental bodies and agencies that deal with the banking sector. This has to come from the sector itself as well as organisations that represent the users of banking services. In addition BAB aims to generate research that supports innovation

and growth and to promote awareness of the importance of the financial services sector to the Bahraini economy by expanding its activities both regionally and globally in order to enhance the visibility and the contribution of this vital sector to the national economy.

Members requested that the Association should play a greater role – on behalf of the conventional and Islamic banks and others – when negotiating and coordinating with the regulatory authorities in order to alleviate the consequences of laws and regulations that are imposed on the sector which could have a negative impact on profitability and the long-term sustainability of the banking sector in the Kingdom.



## Over 500 gather for GCC banking conference



**BAB Chairman, Mr Abdul Razak Al Qassim, makes an eloquent point**

Commercial bank lending in Bahrain is expected to pick up after a slump driven by the drop in oil prices. This fall has not impacted liquidity in the banking system, Central Bank Governor HE Mr Rasheed Al-Maraj confirmed on 24 February.

He was speaking at the opening of Euromoney's two-day conference, 'The GCC Financial Forum 2015,' at the Sofitel Bahrain Zallaq hotel which attracted over

500 financial services professionals from throughout the region. The event was co-hosted by the Bahrain Economic Development Board (EDB) and supported by the Association.

BAB's Chairman and NBB CEO Mr Abdul Razak Al Qassim gave a keynote interview on the opening day during which he spoke about the role of the regulator in banking and its impact on banks' activities.

## New edition of Bahrain Banks Annual Review launched

The *Bahrain Banks Annual Review 2014* was launched on 4 February. This is the second edition of this essential reference work and is a joint venture between the Association and the Bahrain Institute of Banking and Finance (BIBF).

The publication was unveiled during a press conference at the BIBF, addressed by BAB Chief Executive Robert Ainey, BIBF's Director Solveig Nicklos, BIBF's Head of Research Deen Jayah, Economic Development Board (EDB) Chief Economist Dr Jarmo Kotilaine and the Association Editor Mr James Grant-Morris.

The review is the first study of its kind in the region, and contains a detailed analysis of Bahrain's domestic banking sector and how it compares with other countries in the GCC and the wider global banking sector, Mr Grant-Morris said. "It is based on data sourced from Bureau van Dijk, a leading global provider of company information and business intelligence solutions," he added.



## BAB helps celebrate women in banking



**BAB Editor Mr James Grant-Morris and Publisher and Head of External Affairs Mr Abdullah Wallace meet with HE Ms Hala Al Ansari, SCW Secretary General**

Speaking to BAB executives SCW Secretary General HE Ms Hala Al Ansari said the year of 'Women in the Financial and Banking Sector' marks an important opportunity to highlight the work and contribution of women across various sectors of the economy and the banking and finance industry was chosen this year due to its great importance to the economy, given its position as the largest supporting sector, and

the extraordinary accomplishments of Bahraini women in banking and finance.

"As part of our efforts to commemorate women in the sector, there is a need to develop a set of recommendations on how improvements can be made to the working environment for women and how their successes can be better highlighted in order to guarantee them equal opportunities as well as enhance the ability of the industry to attract new female talent, including recent university graduates," she added.

"We look forward to working closely with The Bahrain Association of Banks and thank BAB for its co-operation and commitment to this year's programme to honour women and enhance their role in the industry," she concluded.



## What will make the successful bank brand of tomorrow?

The London-based brand consultancy 'Industry' held a seminar together with the Association called 'What will make the successful brand of tomorrow?' London-based senior executives at Industry, Mr Sholto Lindsay-Smith, Strategy Director and Mr James Packer, Creative Director, travelled to Bahrain specifically to take part in this ground-breaking seminar, which was held at the Regency InterContinental hotel on 2 March.

The seminar demonstrated to delegates how financial organisations can build brand advantage to position themselves for future success and how consumer behaviour and digital technology are changing the financial services industry.

The seminar also provided insights into what customers in the Gulf region want from a banking brand experience, took a close look at market trends, gave fascinating case studies and demonstrated how banks can best create affinity with customers and position themselves for future success.

Mr Lindsay-Smith opened the seminar by explaining that, as the financial services sector in the GCC develops and matures, opportunities for banks to build their brands in the region have never been greater. "Recent reports show that international banks are scaling back their exposure in the region while locally-based banks are filling the gaps by expanding into new markets. At the same time banks that are

only serving their domestic customer base are struggling to stand out from their competitors as they fight for market share," he said.



Mr Packer explained that Industry had recently conducted a survey in the UAE and, in response to the question "My ideal bank is ..." the following answers topped the list: "One that solves problems quickly; One that facilitates quick and easy transactions; One that is fair and predictable in its charges; One that provides great online experience; One that gives me global, 24-hour service."

Industry is an award-winning strategic brand consultancy headquartered in London with offices in Bahrain, Qatar, Dubai and Sydney. Industry's team has worked with many of the world's leading and regional brands including HSBC, Vodafone, Nokia, Tata Steel, Al Jazeera, BBC Worldwide, Commercial Bank Qatar, QADIC, Commercial Bank Dubai, National Bank of Oman, Serco Dubai and Cluttons.

# Bahrain Association of Banks

## FINANCIAL STATEMENTS

### 31 December 2015

Chairman of the board of Trustees	:	Mr. Abdul Razak Al Qassim
Office	:	P.O. Box 1034, Telephone: 17823000 Fax: 17820700
Banker	:	Bank of Bahrain and Kuwait
Auditors	:	KPMG Fakhro

FINANCIAL STATEMENTS  
For the year ended 31 December 2015

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS  
Bahrain Association of Banks, Manama, Kingdom of Bahrain



#### Report on the financial statements

We have audited the accompanying financial statements of Bahrain Association of Banks (the "Association"), which comprise the statement of financial position as at 31 December 2015, the statements of income and expense and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### Responsibility of the board of trustees for the financial statements

The board of trustees of the Association is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies set out in note 3 to the financial statements, and for such internal control as the board of trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with the accounting policies set out in note 3 to the financial statements.

#### Other matter - restriction on use

Without modifying our opinion, we draw attention to note 2 to the financial statements, which describes the basis of preparation. The financial statements of the Association have been prepared to reflect the activities of the Association for submission to trustees and members of the Association and as a result, the financial statements and the related auditors' report may not be suitable for any other purpose.



## Statement of Financial Position

For the year ended 31 December 2015

Bahraini Dinars

	note	2015	2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Furniture and equipment	5	3,727	4,530
<b>Total non-current assets</b>		<b>3,727</b>	4,530
<b>Current assets</b>			
Membership subscriptions and other receivables	6	23,051	20,607
Cash and cash equivalents	7	251,024	189,187
<b>Total current assets</b>		<b>274,075</b>	209,794
<b>Total assets</b>		<b>277,802</b>	214,324
<b>MEMBERS' FUND AND LIABILITIES</b>			
<b>Members' fund</b>			
Accumulated funds	8	123,202	6,165
<b>Total members' fund</b>		<b>123,202</b>	<b>6,165</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provision for employees' leaving indemnities	9	11,026	38,047
<b>Total non-current liabilities</b>		<b>11,026</b>	<b>38,047</b>
<b>Current liabilities</b>			
Accrued expenses and advances	10	143,574	170,112
<b>Total current liabilities</b>		<b>143,574</b>	<b>170,112</b>
<b>Total liabilities</b>		<b>154,600</b>	<b>208,159</b>
<b>Total members' fund and liabilities</b>		<b>277,802</b>	214,324

The Board of trustees approved the financial statements consisting of pages 9 to 21 on 1 March 2016 and signed on its behalf by:

Abdul Razak Al Qassim  
Chairman

Waheed Al Qassim  
Chief Executive Officer

## Statement of Income and Expense

For the year ended 31 December 2015

Bahraini Dinars

	Note	2015	2014
<b>REVENUE</b>	11	486,318	454,536
General and administrative expenses	12	331,839	339,703
Marketing and promotional expenses	13	30,919	113,865
Impairment allowance for receivables	6	6,523	27,383
<b>Total expenses</b>		<b>369,281</b>	<b>480,951</b>
<b>Surplus / (deficit) of income over expenses for the year</b>		<b>117,037</b>	<b>(26,415)</b>

The Board of trustees approved the financial statements consisting of pages 9 to 21 on 1 March 2016 and signed on its behalf by:

Abdul Razak Al Qassim  
Chairman

Waheed Al Qassim  
Chief Executive Officer

## Statement of Cash Flows

For the year ended 31 December 2015

## Notes to the 2015 Financial Statements

For the year ended 31 December 2015

		Bahraini Dinars	
	Note	2015	2014
<b>OPERATING ACTIVITIES</b>			
Receipts from membership subscriptions and advertising income		436,806	450,844
Payments for operating expenses		(373,903)	(435,620)
<b>Net cash generated from operating activities</b>		<b>62,903</b>	<b>15,224</b>
<b>INVESTING ACTIVITIES</b>			
Payments for acquisition of furniture and equipment	5	(1,220)	(4,316)
Interest income received		154	397
<b>Net cash used in investing activities</b>		<b>(1,066)</b>	<b>(3,919)</b>
<b>Net increase in cash and cash equivalents</b>		<b>61,837</b>	<b>11,305</b>
Cash and cash equivalents at 1 January		189,187	177,882
<b>Cash and cash equivalents at 31 December</b>	<b>7</b>	<b>251,024</b>	<b>189,187</b>

The financial statements consist of pages 9 to 21.

## 1 STATUS AND OPERATIONS

Bahrain Association of Banks (the "Association"), formerly known as "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. On 26 May 2010, the Bahrain Association of Banks was registered with the Central Bank of Bahrain in accordance with the requirements of Article 179 of the Central Bank of Bahrain and Financial Institutions Law 2006.

The principal activity of the Association 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 accounting policies set out in note 3.

### b) Basis of measurement

The financial statements have been drawn up from the accounting records of the Association under the historical cost convention.

### c) Functional and presentation currency

Items included in the financial statements of the Association are measured using the currency of the primary economic environment in which the Association operates (the "functional currency"). The financial statements are presented in Bahraini Dinars ("BD"), which is the Association's functional and presentation currency. All financial information presented in Bahraini Dinars has been rounded off to the nearest Dinar.

### d) Use of estimates and judgements

The preparation of financial statements in conformity with accounting policies set out in note 3 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.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 4.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been consistently applied to all years presented.

### a) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency using the foreign exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign exchange gain and losses resulting from the settlement of such transactions and translations at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income and expense.



## Notes to the 2015 Financial Statements

For the year ended 31 December 2015

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)****b) Non-derivative financial instruments**

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

**(i) Receivables**

Membership subscription and other receivables are initially recorded at invoice amounts, which represent the fair value of services rendered. Subsequent to initial recognition, membership subscription and other receivables are recorded at cost, less impairment allowances, if any.

**(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 amortised cost.

**c) Furniture and equipment****(i) Recognition and measurement**

Furniture and equipment are carried at cost less accumulated depreciation and impairment allowances if any. Cost includes all expenditure that is directly attributable to the acquisition of the assets and bringing the assets to their present location and condition for intended use.

When parts of an item of furniture and equipment have different useful lives, they are accounted for as separate items (major components) of furniture and equipment.

When an asset is sold or otherwise retired, the cost and related accumulated depreciation are removed from the accounts and any resultant gain or loss of an item of furniture and equipment are determined by comparing the proceeds from disposal with the carrying amount of furniture and equipment, and are recognised within "other income" in the statement of income and expense.

**(ii) Subsequent measurement**

Expenditure incurred to replace a component of an item of furniture and equipment that is accounted for separately, is capitalised. Other subsequent expenditure is capitalised only when it is probable that the future economic benefits embodied with the item will flow to the Association and the cost of the items can be measured reliably. All other expenditure is recognised in the statement of income and expense as an expense when incurred.

**(iii) Depreciation**

Depreciation is recognised in the statement of income on a straight-line basis over the estimated remaining useful lives of each component of an item of furniture and equipment. The estimated useful lives are as follows:

Asset categories	Estimated useful life in years
Leasehold improvement	4
Furniture and equipment	4
Software	4

## Notes to the 2015 Financial Statements

For the year ended 31 December 2015

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)****d) Impairment****(i) Financial assets**

The financial asset 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 income and expense.

**(ii) Non-financial assets**

The carrying amounts of the Association's non-financial 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 when ever the carrying amount of an asset exceeds its estimated recoverable amount. All impairment losses are recognised in the statement of income and expense.

**e) Provision**

A provision is recognised in the statement of financial position when the Association 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**

All short-term employee benefits are recognised in the statement of income and expense on an accrual basis.

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organisation's 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, is expensed as incurred.

Expatriate employees are entitled to leaving indemnities payable under the Bahrain Labour Law for the Private Sector - Law no.(36) of 2012, based on length of service and final remuneration. Provision for this unfunded commitment which represents a defined benefit plan has been made by calculating the notional liability had all employees left at the reporting date.

**g) Revenue recognition**

Revenue comprises fair value of the consideration received or receivable for services rendered in the ordinary course of the Association's activities. The Association recognises revenue when the amount of revenue can be reliably measured, when it probable that future economic benefits will flow to the entity and when specific criteria has been met to each of the Association's activities as described below:

Income from membership subscriptions is recognised on a straight line basis over the term of the membership. Membership subscriptions billed in advance are included in current liabilities as a deferred income.

Income from event sponsorship is recognised when the service is provided.

Income from magazine advertising is recognised when the magazine is published.

Donation received without conditions are recognised as revenue in the period in which the donations are received.

## Notes to the 2015 Financial Statements

For the year ended 31 December 2015

## Notes to the 2015 Financial Statements

For the year ended 31 December 2015

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)****h) Operating lease**

Operating lease payments are recognised in the statement of income and expense on straight line basis over the lease terms.

**4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES**

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

**a) Impairment of receivables**

The Association reviews the carrying amounts of the receivables at each reporting date to determine whether the receivables have been impaired. The Association 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.

**b) Useful life and residual value of furniture and equipment**

The Association 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.

**5 FURNITURE AND EQUIPMENT**

	<b>Furniture &amp; equipment</b>	<b>Leasehold improvement</b>	<b>Software</b>	<b>2015 Total</b>	2014 Total
<b>Cost</b>					
At 1 January	37,979	3,810	3,791	45,580	41,264
Additions during the year	1,075	-	145	1,220	4,316
<b>At 31 December</b>	<b>39,054</b>	<b>3,810</b>	<b>3,936</b>	<b>46,800</b>	45,580
<b>Depreciation</b>					
At 1 January	33,523	3,810	3,717	41,050	38,833
Charge for the year	1,924	-	99	2,023	2,217
<b>At 31 December</b>	<b>35,447</b>	<b>3,810</b>	<b>3,816</b>	<b>43,073</b>	41,050
<b>Net carrying value</b>	<b>3,607</b>	<b>-</b>	<b>120</b>	<b>3,727</b>	4,530

Bahraini Dinars

<b>6 MEMBERSHIP SUBSCRIPTION AND OTHER RECEIVABLES</b>	<b>2015</b>	<b>2014</b>
Membership subscription	16,730	39,841
Less: Impairment allowance	(6,523)	(27,383)
	10,207	12,458
Prepayments	12,844	8,149
	23,051	20,607
<b>Movements on the provision for impairment</b>	<b>2015</b>	2014
At 1 January	27,383	8,635
Charge for the year	6,523	27,383
Write-off during the year	(27,383)	(8,635)
<b>At 31 December</b>	<b>6,523</b>	27,383

<b>7 CASH AND CASH EQUIVALENTS</b>	<b>2015</b>	<b>2014</b>
Bank balances	150,670	162,970
Short-term bank deposits maturing within 3 months	100,296	26,157
Cash in hand	58	60
	251,024	189,187

<b>8 ACCUMULATED FUND</b>	<b>2015</b>	<b>2014</b>
At 1 January	6,165	32,580
Surplus / (deficit) for the year (page 3)	117,037	(26,415)
<b>At 31 December</b>	<b>123,202</b>	6,165

<b>9 PROVISION FOR EMPLOYEES' LEAVING INDEMNITIES</b>	<b>2015</b>	<b>2014</b>
At 1 January	38,047	30,554
Charge for the year	5,461	10,493
Paid during the year	(32,482)	(3,000)
<b>At 31 December</b>	<b>11,026</b>	38,047



## Notes to the 2015 Financial Statements

For the year ended 31 December 2015

Bahraini Dinars

10 ACCRUED EXPENSES AND ADVANCES	2015	2014
Membership subscriptions received in advance	125,000	162,000
Accrued expenses	17,574	6,112
Provision for legal claims	1,000	2,000
	143,574	170,112

11 REVENUE	2015	2014
Membership subscription	232,500	263,000
Donations	182,260	20,000
Magazine advertising income	55,154	74,462
Income from staging events	8,250	96,620
Others	8,154	454
	486,318	454,536

12 GENERAL AND ADMINISTRATIVE EXPENSES	2015	2014
Staff salaries and related expenses	282,119	283,495
Professional fees	19,770	19,332
Office rent	14,400	14,400
Repairs and maintenance	6,606	3,765
Office and other miscellaneous expenses	2,781	3,444
Utilities	4,140	4,494
Depreciation (note 5)	2,023	2,217
Amortisation of intangible asset	-	8,556
	331,839	339,703

13 MARKETING AND PROMOTIONAL EXPENSES	2015	2014
Magazine expenses	23,409	30,602
Functions and events	1,220	76,953
Advertisement	26	926
Other expenses	6,264	5,384
	30,919	113,865

## Notes to the 2015 Financial Statements

For the year ended 31 December 2015

Bahraini Dinars

## 14 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 Association.

*Transactions with key management personnel*

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Association. The key management personnel's short-term compensation for the year was BD 64,380 (2014: BD 72,445).

## 15 LEGAL MATTER

One of the former employees of the Association had filed legal case against the Association in the Bahraini court claiming compensation for terminating his employment contract. Total claim amounts to BD 22,800 plus 9% interest and legal expenses. The case is in progress and no decision has been made by the court as of the reporting date. The Trustees believe that the Association's position is strong and no liability will arise from this claim, and accordingly no provision has been made in the financial statements.

## 16 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

31 December 2015 receivables	Loans and liabilities at	Financial amount amortised cost	Total carrying
<b>Assets</b>			
Membership subscriptions receivables (excluding prepayments and advances)	10,207	-	10,207
Cash and bank balances	251,024	-	251,024
	<b>261,231</b>	<b>-</b>	<b>261,231</b>
<b>Liabilities</b>			
Advances	-	125,000	125,000
	<b>-</b>	<b>125,000</b>	<b>125,000</b>

## Notes to the 2015 Financial Statements

For the year ended 31 December 2015

## Notes to the 2015 Financial Statements

For the year ended 31 December 2015

Bahraini Dinars

**16 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

31 December 2014	Loans and receivables amortised cost	Financial liabilities at	Total carrying amount
Assets			
Membership subscriptions receivables (excluding prepayments and advances)	12,458	-	12,458
Cash and bank balances	189,187	-	189,187
	<b>201,645</b>	<b>-</b>	<b>201,645</b>
Liabilities			
Advances	-	162,000	162,000
	<b>-</b>	<b>162,000</b>	<b>162,000</b>

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Association's exposure to each of the above risks, the Association'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 Association's risk management framework.

The Association's risk management policies are established to identify and analyse the risks faced by the Association, 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 Association's activities.

The accounting policies for financial assets and liabilities are described in note 3.

**a) Credit risk**

Credit risk is the risk that one party to the financial instrument will fail to discharge its obligation and cause the other party to incur financial loss. The Association is exposed to credit risk on its receivables and bank balances.

- Credit risk on receivables is minimised as these are mainly membership subscription fees receivable from the Association's members. Appropriate procedures for follow-up and recovery are in place to monitor credit risk.
- The Association limits its exposure to credit risk on bank balances by maintaining balances with banks having high credit ratings. Given these high credit ratings, the Association does not expect any bank to fail to meet its obligations.

**(iii) Impairment losses**

The Association establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables. The maximum credit risk exposure on receivables is the carrying amount, which is net of specific provisions.

Bahraini Dinars

**16 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

(iv) The ageing of the membership subscription receivables at the reporting date was:

	Gross 2015	Impairment 2015	Gross 2014	Impairment 2014
Neither past due nor impaired	10,207	-	-	-
Past due but not impaired	-	-	12,458	-
Past due and impaired	6,523	6,523	27,383	27,383
	<b>16,730</b>	<b>6,523</b>	<b>39,841</b>	<b>27,383</b>

Based on past experiences, management believes that no impairment allowance is necessary in respect of receivables not past due and receivables past due but not impaired.

**b) Liquidity risk**

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

The Association'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 risk-damage to the Association's reputation.

The Association does not have any significant financial liabilities other than accrued expenses.

**c) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Association'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 Association 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 Association's earnings will be affected as a result of fluctuations in the value of financial instruments due to changes in market interest rates.

The Association is not exposed to significant interest rate risk at the reporting 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 Association is not significantly exposed to any other market price risk as at the reporting date.



Bahraini Dinars

16 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

d) Fair values of financial instruments

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 in the principal or, in its absence, the most advantageous market to which the enterprise has access at that date. The fair value of a liability reflects its non-performance risk. 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 an enterprise 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 Association are not materially different from their carrying values.



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