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سوق البحرين للأوراق المالية
Bahrain Stock Exchange

annual report 2006



**H.H Shaikh Khalifa
Bin Salman Al Khalifa**
The Prime Minister



**H.M Shaikh Hamad
Bin Isa Al Khalifa**
The King of Bahrain



**H.H Shaikh Salman
Bin Hamad Al Khalifa**
Crown Prince and
Commander-in-Chief of the
Bahrain Defence force

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Bahrain Stock Exchange

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Chairman's Statement



2006 was a difficult year for most regional stock markets, as the excesses of previous years were followed by sharp falls, in some cases reaching 50%. These corrections were inevitable, but a positive development in as much as they placed these markets on more sustainable valuation levels.

Bahrain's experience, in the meantime, continued to reflect its relatively greater longevity and maturity. Having previously escaped the exuberant excesses of some of its younger regional neighbors, it also escaped the sharp corrections which followed. In 2006, the Bahrain All Share Index managed to end the year with a 1% gain, a reasonable performance given the backwash from major falls elsewhere.

Leaving the market context to one side, 2006 was also a year of progress in terms of developing the infrastructure underpinning the BSE. The most significant development was the passage of the Central Bank and Financial Institution Law, which came into effect in September last year.

This law provides a new legal and regulatory foundation stone for Bahrain's capital markets. It enshrines in formal terms the separation of the BSE's regulatory and business functions, a separation which was initiated back in 2002. The BSE will be focusing exclusively on its business role of providing a listing and trading platform, whilst the regulation of the Exchange now firmly rests with the Central Bank. The new law also provides new statutory offences of market abuse and insider dealing, powers which will be fully used to ensure clean and thus attractive markets to investors and issuers alike.

The Board's decision to relocate the BSE to new premises at the recently opened Bahrain Financial Harbour promises also to be a significant milestone. This move, it is believed, will provide modern infrastructure and a prominent location for the Exchange, supporting its efforts to further develop and expand its operations.

With a new law now passed and new premises in hand, the focus going forward will be shifting to implementing various measures aimed at strengthening the position of the Exchange.

Efforts will focus on three key areas, namely (i) facilitating trading on the Exchange to improve ease of trading by investors wishing to use the Exchange, including remotely; (ii) improving the clearing, settlement and depository infrastructure that underpins activity on the BSE, with the objective of enhancing its competitiveness; (iii) developing the emerging role of the BSE as the region's leading platform for the listing of funds, bonds and other non-equity products.

On this note, I should like to close by taking this opportunity to thank His Majesty King Hamad bin Isa bin Salman Al Khalifa, King of the Kingdom of Bahrain; His Highness Shaikh Khalifa bin Salman Al Khalifa, the Prime Minister, and His Highness Shaikh Salman bin Hamad Al Khalifa, the Crown Prince and Commander in Chief of the Bahrain Defence Force for their valuable support and guidance as regards the Bahrain Stock Exchange.

My thanks also go to the members of the BSE's Board of Directors, as well as to the management and staff of the BSE, for their efforts during the past year. I know I can count on their support during the time to come, as we collectively strive to develop further the Exchange. Finally, I should like to thank all those issuers who are listed on the Exchange for their cooperation and support with respect to the BSE's various projects.

Rasheed Mohammed Al-Maraj

Chairman



Director's Message



The performance of Stock markets in the Gulf Cooperation Council (GCC) countries and other Arab countries in 2006 fallback behind their achievement in 2005, although there was some disparity in their performance. However, the disparity between the performance of those markets is mainly due to the

interactions of the causes that led to their inability to sustain their historical performance in 2005. Furthermore, the stock markets' performance of the GCC countries failed to reflect the strength of oil revenues enjoyed by all of its members. The integration of those markets had contributed partly to the performance of those markets.

Bahrain Stock Exchange (BSE) had witnessed a modest gain in 2006 relative to 2005 with increase in Bahrain All Share Index by 1%. However, BSE showed a significant improvement in other performance measures in 2006. The market capitalization increased by 21.6% and the value of shares traded increased by 21.6%. The number of transactions declined by 3.4%.

During this year, three Bahraini Shareholding Companies were listed on the BSE with a total capital of BD413.3 million, bringing up the number of companies listed to 50. In addition, a new bond issue with a total value of BD 10 million was listed as well as two Sukuk issues with a value of US\$ 330 million to bring up the number of bonds and sukuk listed on BSE to 19. In 2006, BSE listed 14 mutual funds to increase the number of funds to 35.

In 2006, the Initial Public Offerings (IPOs) Market was launched. This new market aims at providing new companies with the platform to trade their shares and the liquidity needed by all investors, in general, and small investors, in particular, which at the same time ensures the stability of the market index from the high volatility that IPOs generally face following their listings. During 2006, the BSE completed all the requirements needed to enhance the capacity of electronic trading in order to offer new services to its clients.

In a historical initiative in the GCC stock markets, the BSE and Dubai International Financial Exchange had established electronic

channels to facilitate trading in the cross listed stocks in 2006. This channel will enhance the liquidity in both markets; allowing more flexibility to investors which will certainly offer greater opportunities for investors to in order to meet their needs and requirements.

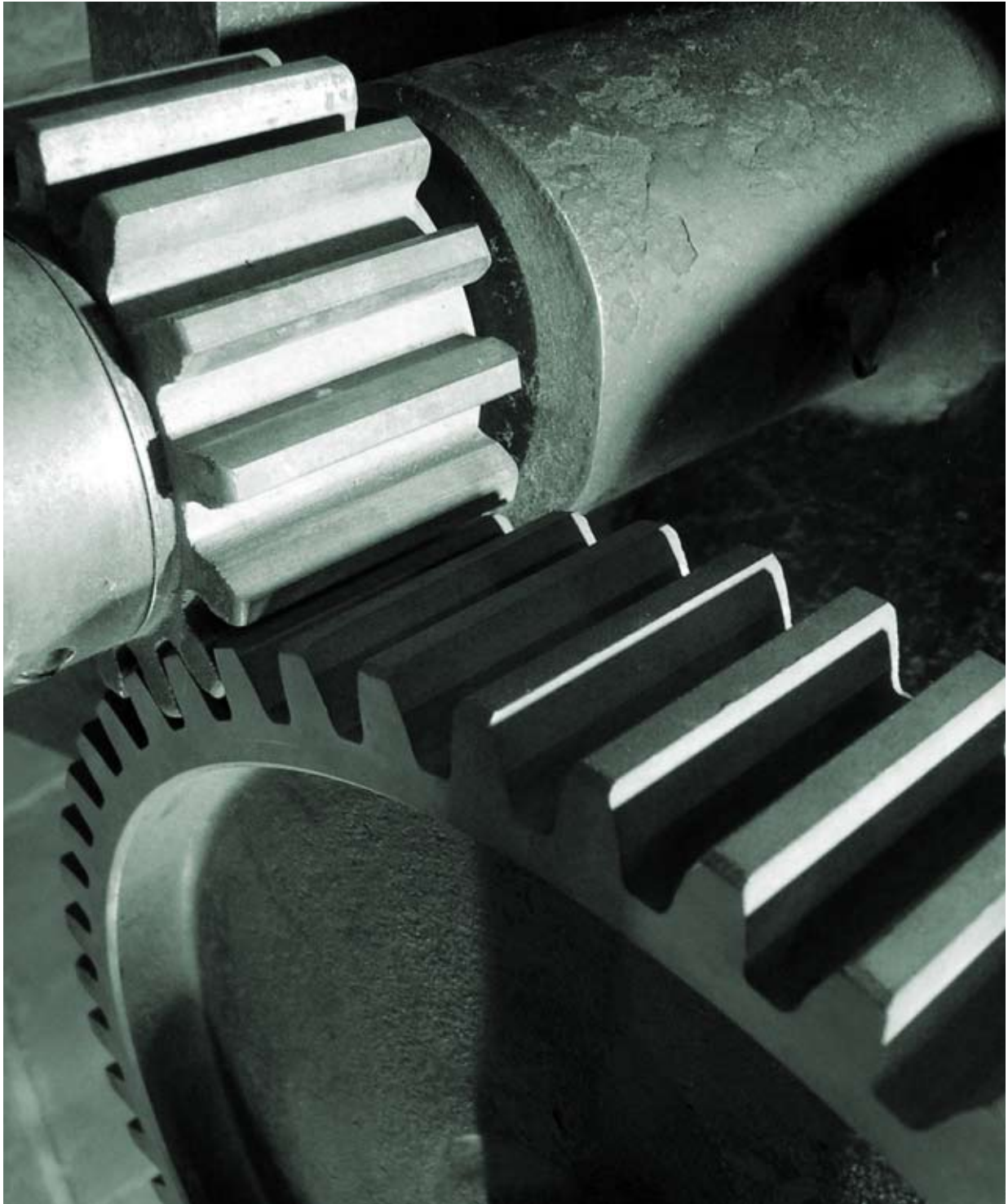
The decision by the Board to relocate BSE's premises to the Financial Harbour shows the commitment to achieve the objectives of the markets and its vision to play a significant role in the region which will allow the BSE to participate in achieving one of the Kingdom's objectives. The new headquarters will offer the BSE the suitable environment needed to enhance its performance.

Investing in its human capital is one of the top priorities of the BSE. This is because of the belief that our success depends highly on BSE's staff. During the year, the BSE conducted several training programs, in Bahrain and abroad, that offered opportunities to the staff of the exchange to improve their skills, knowledge, and experience with the aim of enhancing their performance in a sector which is characterized as challenging, dynamic and competitive.

Such developments would have not been accomplished without the unlimited support provided by the leaders of the country to the BSE. On this occasion, I am honored, on behalf of BSE, to express my thanks and gratitude to His Majesty King Hamad bin Isa bin Salman Al Khalifa, King of the Kingdom of Bahrain and His Highness Shaikh Khalifa bin Salman Al Khalifa, the Prime Minister, and His Highness Shaikh Salman bin Hamad Al Khalifa, the Crown Prince and the Commander in Chief of Bahrain Defence Force for their continuous support of BSE since its establishment and during its development stages.

I would also like to extend my thanks to H.E. Rasheed Mohammed Al-Maraj, Chairman of the BSE and members of the board of directors, officers, and staff for their outstanding efforts during the year, hoping they will continue their enthusiasm to achieve further prosperity and development in the future. I would also like to thank all listed companies and brokerage firms for their cooperation and support to BSE.

Fouad A. Rahman Rashid
Director of the Exchange



Board of Directors



① **Mr. Rasheed Mohammed Al Meraj**
Chairman

② **Mr. Anwar Khalifa Al Sadah**
V. Chairman

③ **Mr. Ali Salman Thamer****
Director

④ **Mr. Khalid Mohammed Kanoo**
Director

⑤ **Dr. Esam Abdulla Fakhro****
Director

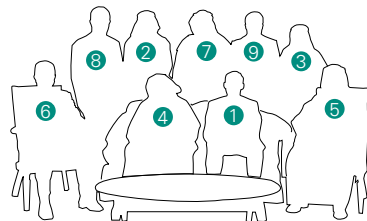
⑥ **Mr. Hassan Ali Juma ***
Director

⑦ **Shaikh Mohammed bin Issa Al Khalifa ***
Director

⑧ **Mr. Adel Mohammed A.Shafi El Labban ***
Director

⑨ **Mr. A. Majeed A. Salam Breish ****
Director

* Member of the Executive Committee
** Member of the Auditing Committee





Management Team



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1 **Mr. Fouad A. Rahman Rashid**
Director

2 **Mr. Yousif Ahmed Al-Sharaf**
Head, Administration and Finance

3 **Mr. Ebrahim Jaffar Al Aradi**
Head of Trading and Members Affairs

4 **Mr. Mohammed Khalid Hamed**
Head of Internal Audit

5 **Mr. Adel Sameer Tawfiq**
Legal Advisor

6 **Mr. A. Hameed Ahmed A. Ghaffar**
Head of Financial Analysis & Research

7 **Mr. Ali Ahmed Al-Mansoor**
Head of Public Relations & Marketing

8 **Mr. Abdulla Jaffar Abdin**
Head of Clearing &
Settlement and Central Depository

9 **Mrs. Narjes Farookh Jamal**
Head of Information Technology

World Stock Markets Performance During 2006



International Markets

The world economy has continued to grow at a rate of 5.1 percent in 2006. This relatively high growth-rate was achieved despite high oil price that have reached a historical record of US\$77.05 per barrel of American light oil on 7 August of 2006, before settling at US\$60.85 by the end of December 2006.

According to the International Monetary Fund (IMF), the USA's economy growth rate was 3.4 percent in 2006, which is slightly higher than the 3.2 percent growth rate recorded in 2005. Furthermore, the Federal Reserve Board continued its policy of maintaining a balance between the risks to the attainment of sustainable economic growth and price stability. To this end, the Federal Reserve decided to increase the federal fund rate four times in 2006, reaching 5.25 percent by June 29, 2006. In Europe, the IMF estimated the growth rate in the Euro zone at 2.4 percent. The strong Euro against the US\$ curbed exports, thus affecting the European Union's economic growth however, it also reduced the EU's oil bill.

In Asia, both Chinese and Indian economies continued their strong growth in 2006 to reach 10 percent and 8.3 percent, respectively. Japan ended its zero interest policy and increased the discount rate to 0.25 percent, while the Japanese economy grew by 2.7 percent in 2006.

Gold and silver prices ended the year at US\$636.299 and US\$12.87, respectively. These prices were higher than at the end of 2005 by 23.03 percent and 45.73 percent, respectively. However, by the end of 2006, these prices were lower than their highest levels of US\$718.8 and US\$14.74 respectively, which reached their peak on May 11th 2006.

International capital markets ended the year higher than what they were at the beginning of the year. DAX in Germany was the strongest with a 21.98 percent growth rate, followed by the CAC index in Paris with a growth rate of 17.53 percent. The S&P also grew, with a 13.62 percent increase, followed by the FTSE100 with a growth rate of 11.07, and finally NIKKEI225 with 6.92 percent growth rate.

In the FOREX markets, the EURO continued its strong performance against the US\$, ending the year at US\$1.3156 - which was higher than its level at the beginning of the year (US\$1.1822) by 11.3 percent. The Yen also ended the year at ¥118.3 against the US\$, which was slightly higher than what it was at the end of 2005 (¥117.9) - by 0.34 percent.

Regional Markets

IMF reaffirmed its confidence in the economies of Middle Eastern countries and estimated that they grew at 5.8 percent in 2006 which was slightly higher than 5.7 percent attained in 2005. In the Gulf Cooperation Council (GCC) countries, IMF estimated that United Arab of Emirates (UAE) recorded the highest growth rate of 11.5 percent in 2006 compared with 5.8 percent in 2005. Bahrain came second with an estimated growth rate of 7.1 percent in 2006 which was higher than 5.7 percent achieved in 2005. In other countries in the region, it was estimated that the growth rates were as follows: Oman 7.1 percent, Qatar 6.7 percent, Kuwait 6.2 percent, Jordan 6 percent, Saudi Arabia 5.8 percent, and 5.6 percent in Egypt.

The economic growth witnessed in the GCC's economies was the result of high oil prices, oil revenue, expansionary budgets and the budget surpluses recorded in 2006. The expansion in the governments' expenditures has contributed to the improvement of investment environment, enhancing the opportunity to continue strong growth and economic diversification. Furthermore, all GCC countries recorded significant increase in liquidity, inward foreign investment, and strong growth of non-oil sectors, especially financial, real estates, transport and telecommunication.

However, most of the GCC's stock markets recorded unprecedented losses in 2006. Saudi Market recorded a decline by 52.5 percent, followed by Dubai, Abu Dhabi, Qatar, and Kuwait, with decline rates of 47.3 percent, 42.4 percent, 35.5 percent, 12 percent, respectively.

Other stock markets in the Arab countries showed dissimilitude performance in 2006. Stock markets in Morocco, Tunisia and Lebanon recorded an increase in their indices by 52.2 percent, 39.3 percent, and 0.05 percent, respectively. However, stock markets in Egypt and Jordan declined by 4.5 percent and 25.4 percent respectively, while stock markets in Bahrain and Oman recorded gains of 0.99 percent and 14.5 percent, respectively.

Local Market

Political, economic, social, legislations and juridical reforms programs implemented in Bahrain, led the country to record one of the highest real economic growth rates in the region, which was estimated by the IMF to be 7.1 percent in 2006. Furthermore, it was estimated that growth rates of oil and non-oil sectors were 0.3 percent and 8 percent, respectively.

Continuous development of the financial services sector resulted in an increase in its contribution to Bahrain's gross domestic products to 28 percent. In 2006, the law of Central Bank of

Bahrain (CBB) was enacted to replace the law of Bahrain Monetary Agency. This is expected to further consolidate the position of Bahrain as the financial hub of the region. The new law gives CBB the needed authority and flexibility to issue regulations to enforce its role as a single regulatory body of the financial sector. One of the most important developments resulting from the implementation of the law is the new classification of the licensed banks into retail and wholesale banks which replaced the old system that classified banks into commercial and offshore banks.

Furthermore, the free-trade agreement (FTA) came into effect in August 2006. The FTA is seen as one of the steps towards creation of free trade area in the Middle East by 2013. During the first nine months of 2006, Bahrain exports to the US grew by 90 percent, while Bahrain imports has gone up by a rate ranging between 30 percent and 40 percent.

Additionally, the Kingdom witnessed the completion of the lands structural strategic plan that aims at formulating a vision of the need of lands for development projects.

The position of Bahrain as an attractive place for foreign investment enhanced significantly during 2006. This is the results of multifactor, among the most important are: the Government's policy to maintain Bahrain's position as a regional investment center and international financial center, and its ranking in transparency, economic freedom and economic competitiveness.

Bahrain's ability to sustain its strong of real economic growth is further enhanced by high oil prices, the success of the Government's policy economic diversification, growth in non-oil sectors, and consolidation of Bahrain as a regional commercial and financial center. These factors, in addition to the Government prudent policies contributed positively on the rating by accredited credit rating agencies, international rating in transparency, competitiveness, and economic freedom, and its ability of attracting foreign direct investment.

The growth of investment in real estate, tourism, industrial and commerce increased in 2006. However, the real estate sector was one of the most important beneficiaries of the investment boom because of institutional investments in big projects. The performance of this sector was the result of a number of factors, among the most important of those were: high liquidity, flexible and new regulations, an increase of investors' confidence in real estate following the performance of the regional stock markets in 2006. The big tourism projects coupled with promoting Bahrain as a distinctive place for investment resulted in enhancing Bahrain as the regional investment center.

Bahrain All Share Index closed the year up by 0.99 percent, led by the Banking Sectors which grew by 16.9 percent, followed by the Insurance Sector 10.3 percent, while Investment, Hotels, Industrial and Services declined by 8.2 percent, 2.9 percent, 2.5 percent, and 2 percent, respectively. As far as companies are concerned, prices of 12 companies increased, prices of 30

companies declined, while prices of 8 companies ended the year unchanged compared to the end of 2005.

The market capitalization of Bahraini listed companies has registered a record 21.6 percent growth in 2006 at BD7.9 billion against BD6.5 billion at the end of 2005. Market capitalization of the investment sector recorded the highest growth rate of 34.8 percent to reach BD3.6 billion by the end of 2006 compared with BD2.7 billion at the end of 2005.

During the year, the value of shares traded posted 95 percent growth, reaching BD522.9 million compared with BD268.1 million in 2005. On the other hand, the volume of shares traded increased from 458.3 million shares in 2005 to 727.6 million shares in 2006, representing a growth rate of 58.7 percent. Furthermore, the number of transactions executed during the year declined by 3.4 percent reaching 21,699 transactions, compared with 22,463 in 2005.

This year, Bahraini Investors were the most active in terms of value of shares traded reaching BD 442.64 million in 2006 and capturing 42.33% of the market share. GCC Investors came second with BD 382.43 million in which they accounted 36.57% of the total value of shares traded, and finally came other non-GCC investors accounting for 21.11% of the total value of shares traded with BD 220.74 million.

The share of the investment sector in the value of shares traded in 2006 amounted to 52.2 percent. However, the banking sector dominated the volume of shares traded with 51.1 percent of the total number of shares traded during the year.

Three new companies were listed in the IPO market in 2006, namely Al Salam Bank, Ithmaar Bank and Al-Baraka Banking Group. The Bonds and Sukuk Market witnessed the listing of two Sukuk issues (Sukuk Al Musharaka and Islamic Government Leasing Sukuk) and a conventional bond issued by Bahrain Commercial Facilities Company. In addition, 14 new mutual funds were listed on the exchange to increase their number to 35.

BSE continued its attempts to implement its strategy of strengthening its ties with stock markets in the region and other Arab countries by signing a Memorandum of Understanding (MOU) with Dubai International Financial Exchange (DIFX). This agreement aims at formalizing the existing strong ties between the two markets, attracting more regional and international investment, enhancing capital movements, supporting economic activities, and further consolidating the investment environment to make it more attractive and profitable.

The agreement will provide a mechanism of long term co-operation and foster channels of communication between the two markets, thereby facilitating their development and allowing the exchange of expertise. It will also give a framework to explore matters of mutual interest in areas to enhance the secondary market, develop the rules applied in both markets, and training of capital markets.



BSE's Achievements 2006

- 17 January Listing of Makaseb Arab Tigers Fund with a value of US\$13.11 million.
- 22 January Listing of Islamic Government Leasing Sukuk (Twelfth Issue) with a value of US\$230 million.
- 18 April Listing of Al Salam Bank with a paid-up capital of BD120 million.
- 25 April Amendment of brokers' commission at BSE.
- 26 April Launching of IPOs Market.
- 24 May Listing of Ithmaar Bank with a paid-up capital of US\$360 million.
- 14 June Listing of Makaseb Income Fund with a value of US\$1.47 million.
- 27 June Listing of Musharaka Sukuk by Investment Dar Sukuk Company with a value of US\$100 million.
- 17 July Listing of 12 investment funds by Global Investment House (Global).
- 19 July Listing of Bahrain Commercial Facilities Bonds (Sixth Issue) with a value of BD15 million.
- 30 July Signing of Memorandum of Understanding (MOU) with Dubai International Financial Exchange (DIFX).
- 28 August Listing of Al Baraka Banking Group with a value of US\$ 630 million.
- 31 August BSE and DIFX create a trading link to facilitate dual trading.
- 4 November Registering of IndoGulf as a brokerage firm in BSE.

Key Statistical Data 2006 - 2005

Comparison of Trading Activity

	2006	2005	Change	Change %
Total Market Capitalization (BD)	7,963,142,488	6,546,539,130	1,416,603,358	21.64
Value of Shares (B.D.)	522,908,380	268,085,064	254,823,316	95.05
Volume of Shares	727,634,796	458,314,282	269,320,514	58.76
No. of Transactions	21,699	22,463	(764)	(3.40)
Total Trading Days	246	249	(3)	(1.20)
Daily average Value of Shares (B.D.)	2,125,644	1,076,647	1,048,997	97.43
Daily average Volume of Shares	2,957,865	1,840,620	1,117,245	60.70
Daily Average no. of Transactions	88	90	(2)	(2.22)

BSE Indices Performance

Bahrain All Share Index	2006	2005	Change (points)	Chg (%)
Year end	2,217.58	2,195.80	21.78	0.99
High	2,346.98	2,375.90	(28.92)	(1.22)
Low	1,996.68	1,778.71	217.97	12.25
Dow Jones Bahrain Index				
Year end	188.42	183.75	4.67	2.54
High	196.81	199.86	(3.05)	(1.53)
Low	169.39	149.42	19.97	13.37
Esterad Index				
Year end	2,297.34	2,277.06	20.28	0.89
High	2,437.92	2,495.53	(57.61)	(2.31)
Low	2,072.84	1,876.51	196.33	10.46

Bahrain All Share Index Performance During 2006 (Points)



Sectorial Indices	2006	2005	Chg (%)
Bahrain All Share Index			
Commercial Banks	2,925.77	2,502.57	16.91
Investment	1,848.22	2,013.11	(8.19)
Insurance	1,883.96	2,101.29	(10.34)
Services	1,957.76	1,998.06	(2.02)
Industrial	1,456.41	1,493.06	(2.45)
Hotels & Tourism	2,017.75	2,077.55	(2.88)

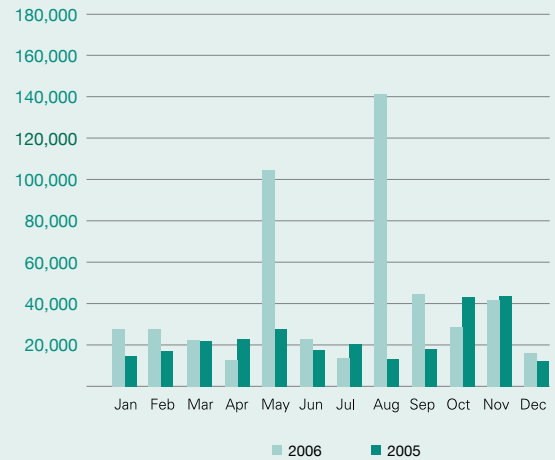
No. of listed Companies	2006	2005
Public	41	38
Closed	2	2
Non Bahraini	7	7
Total	50	47

	2006	2005
Preferred Shares	2	2
No. of listed Bonds & Sukuk		
Bonds	8	8
Sukuk	11	9
No. of listed Mutual Funds		
	35	28

Equity Trading Activity for 2006-2005

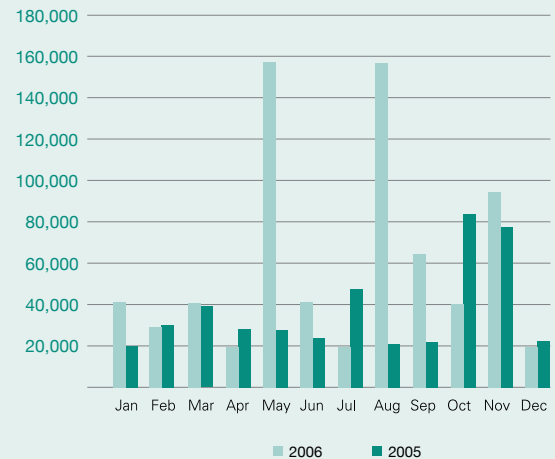
Value (BD 000)	2006	2005	Chg (%)
Jan	25,601	11,211	128.35
Feb	26,246	18,712	40.27
Mar	21,855	22,394	(2.41)
Apr	14,221	24,262	(41.39)
May	106,058	24,552	331.97
Jun	22,085	17,677	24.93
Jul	11,081	21,106	(47.50)
Aug	161,951	11,178	1,348.83
Sep	45,312	13,334	239.82
Oct	30,571	47,241	(35.29)
Nov	42,932	45,747	(6.15)
Dec	14,996	10,672	40.51
Market	522,908	268,085	95.05

Total Value of Shares Traded (BD 000)



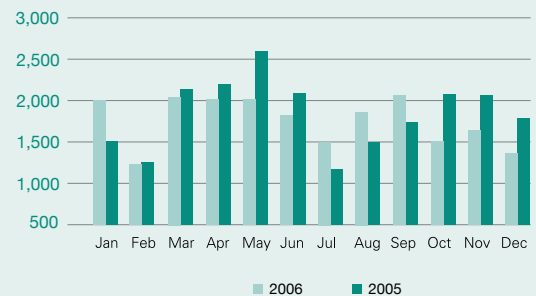
Value (BD 000)	2006	2005	Chg (%)
Jan	41,622	19,649	111.82
Feb	28,697	29,124	(1.47)
Mar	42,300	39,189	7.94
Apr	20,627	30,429	(32.21)
May	156,289	27,627	465.70
Jun	42,610	28,814	47.88
Jul	19,641	48,241	(59.29)
Aug	156,237	23,211	573.11
Sep	67,669	23,300	190.43
Oct	38,441	88,363	(56.50)
Nov	92,455	75,698	22.14
Dec	21,048	24,669	(14.68)
Market	727,635	458,314	58.76

Total Volume of Shares Traded (000)



Value (BD 000)	2006	2005	Chg (%)
Jan	1,963	1,553	26.40
Feb	2,040	2,259	(9.69)
Mar	2,021	2,711	(25.45)
Apr	1,792	2,067	(13.30)
May	1,776	2,188	(18.83)
Jun	2,235	1,408	58.74
Jul	1,529	1,149	33.07
Aug	1,800	1,456	23.63
Sep	2,074	1,709	21.36
Oct	1,523	2,054	(25.85)
Nov	1,667	2,068	(19.39)
Dec	1,279	1,841	(30.53)
Market	21,699	22,463	(3.40)

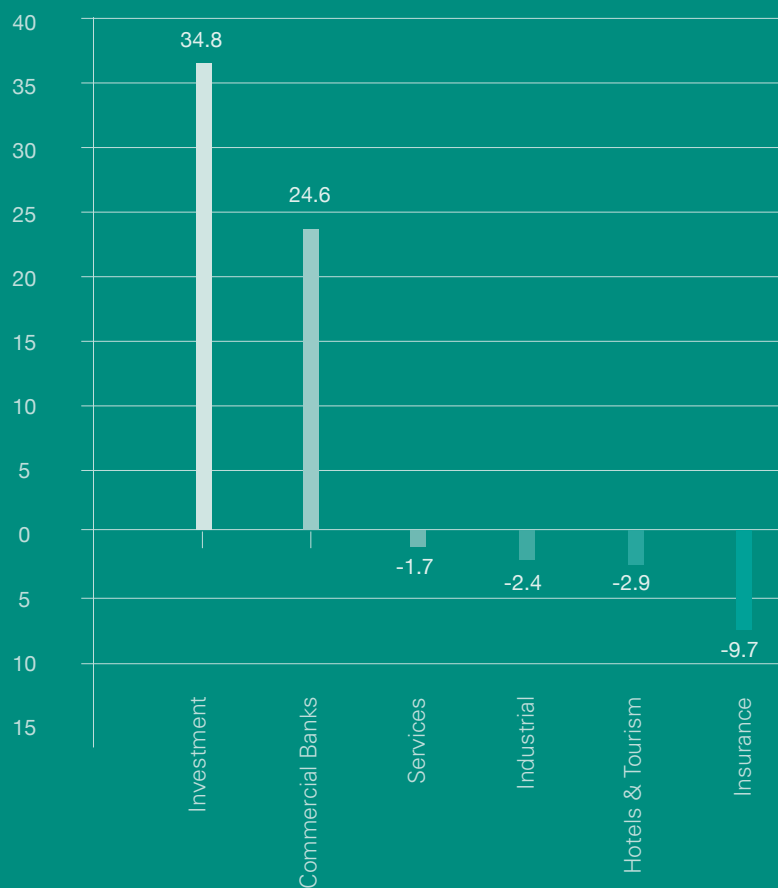
Total Number of Transactions



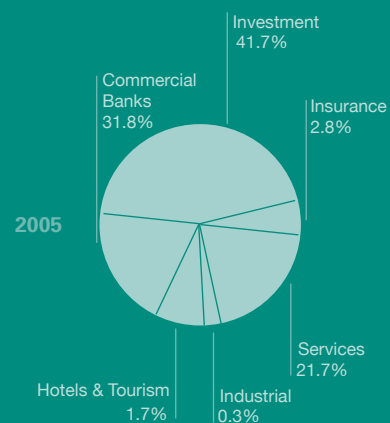
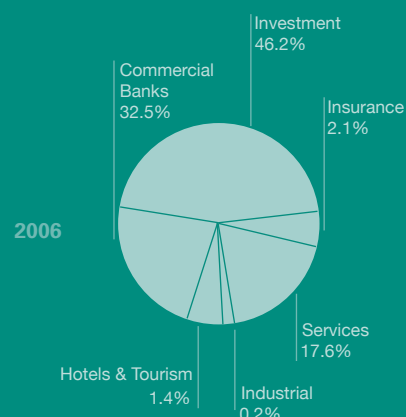
Key Statistical Data 2006 - 2005

Market Cap (BD million)	2006	2005	Chg (%)
Commercial Banks	2,591.8	2,080.1	24.6
Investment	3,680.4	2,729.4	34.8
Insurance	167.5	185.5	(9.7)
Services	1,398.4	1,422.9	(1.7)
Industrial	16.8	17.3	(2.4)
Hotels & Tourism	108.1	111.4	(2.9)
Market	7,963.1	6,546.5	21.6

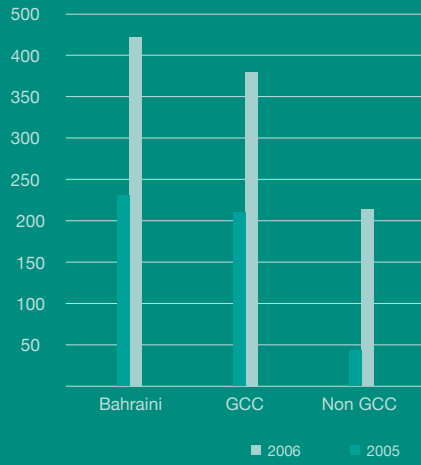
Growth in Market Capitalization during 2006 (%)



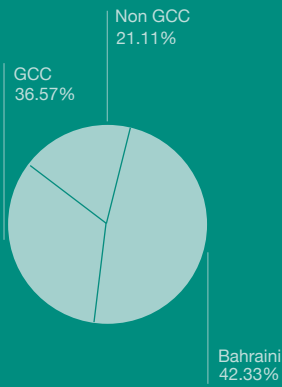
The Breakdown of Market Capitalization by sectors for the years 2006 & 2005



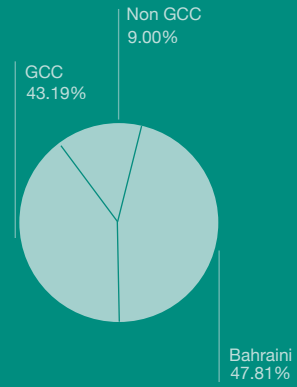
Trading by Nationalities (Value - BD)



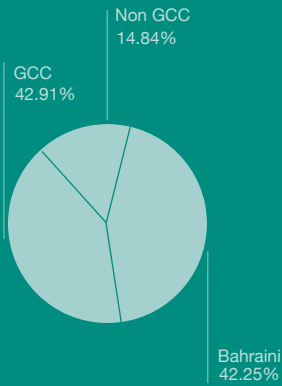
Percentage of Value of Trading in Terms of Nationality 2006



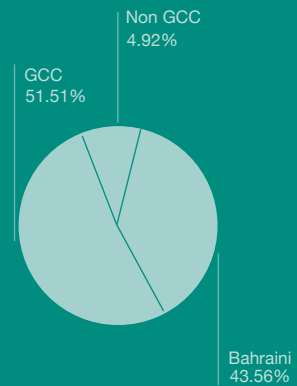
Percentage of Value of Trading in Terms of Nationality 2005



Percentage of Volume of Trading in Terms of Nationality 2006



Percentage of Volume of Trading in Terms of Nationality 2005



Traded Securities and Instruments

Listed Companies on the BSE

Commercial Banks Sector

Ahli United Bank
Al Salam Bank
Bahrain Islamic Bank
BBK
National Bank of Bahrain
The Bahraini Saudi Bank

Investment Sector

Al Baraka Banking Group
Al Khaleej Development Co.
Arab Banking Corporation
Bahrain Commercial Facilities Co.
Bahrain Middle East Bank
Shamil Bank of Bahrain
Esterad Investment Co.
Gulf Finance House
Gulf Monetary Group
Investcorp Bank
Ithmaar Bank
Taib Bank
United Gulf Bank
United Gulf Industries Co.

Insurance Sector

Al-Ahlia Insurance Co.
Arab Insurance Group
Arab International Insurance Co.
Bahrain Kuwait Insurance Co.
Bahrain National Holding
Takaful Insurance Co.

Services Sector

Bahrain Ship Repairing & Eng. Co.
Bahrain Car Parks Co.
Bahrain Cinema Co.
Bahrain Duty Free Shop Complex

Bahrain Maritime & Mercn. Int. Co.
Bahrain Telecommunications Co.
General Trading & Food Process Co.
Nass Corporation

Industrial Sector

Bahrain Flour Mills Co.
Delmon Poultry Co.

Hotel & Tourism Sector

Bahrain Family Leisure Co.
Bahrain Hotels Co.
Bahrain Tourism Co.
Banader Hotels Co.
National Hotels Co.

Closed Company

Securities & Investment Co.
United Papers Industries

Non-Bahraini Companies

Bank Muscat (Oman)
Global Investment House (Kuwait)
International Investment Group (Kuwait)
Qatar Telecom (Qatar)
Sudan Telecommunications Co. (Sudan)
International Investor (Kuwait)
United Finance Company (SAOG) (Oman)

Traded Securities and Instruments

Listed Mutual Funds

Unit Investment Bank
SICO Selected Securities (SSS)
Khaleej Equity Fund
MAN - AHLI Guaranteed 360 E.C.
MAN - AHLI Prisma Guaranteed E.C.
MAN - AHLI Guaranteed 220 plus E.C.
Everest Fund
American Explorer Fund
TAIB Healthsciences Fund (Prev. Biomed Fund)
TAIB Crescent Global Fund
TAIB Income Fund
CARAVAN FUND
First Arabian Equity 2000 Fund *
Trust Capital Guaranteed GCC Fund
Trust Capital Guaranteed GCC with Minimum Return Fund
Trust Capital Guaranteed Gulf Fund
Makaseb Emirates Equity Fund
Makaseb Qatar Equity Fund
Makaseb Emirates Opportunities Fund
Makaseb Arab Tigers Fund
Makaseb Income Fund
Al-Tawfeek Arab Telecommunication Fund
Al-Tawfeek Gulf Equity Fund
Global Opportunistic Fund
Global GCC Large Cap Fund
Global Inceasable Guaranteed Fund
The Zenith Fund
Global US Dollar Money Market Fund
Delmon Fund
Global US Equity Index Fund
Global GCC Real Estate Fund
Global European Equity Index Fund
Global Distressed Fund
Global US Dollar Islamic Money Market Fund
Global Yield Enhancement Fund

Listed Bonds & Sukuk

Islamic Leasing Sukuk (Third Issue)
Islamic Govt. Leasing Sukuk (Sixth Issue) - 2008
Alba Floating Rate Bonds 2013
Government Islamic Leasing Securities- (Seventh issue)2008
Convertible Bonds United Finance Compay SAOG - 2008
Malaysia Global Sukuk - 2007
United Gulf Bank Bond - 2006/2008 Floating
National Industries Group S.A.K
The Kingdom of Bahrain Notes - 2008
BMA International Sukuk Company (SPC) 2009
Ijarah Sukuk in Bahraini Dinar by BMA
EMAAR Variable Return Ijara Sukuk 2009
Islamic Govt. Leasing Sukuk (Eleventh Issue) 2010
The Commercial Real Estate Sukuk Company B.S.C.(C) - 2010
Bahrain Commercial Facilities (FRN) Fifth Issue - 2010
Esterad Floating Rate Bond - 2010
Islamic Govt. Leasing Sukuk (12 Issue) 2011
Sukuk Al Musharaka (Investment DAR Sukuk Co.) - 2010
Bahrain Commercial Facilities (FRN) Sixth Issue - 2011

Members of Exchange



Authorised Brokers

Brokerage Firms

Gulf Securities
ABC Securities
TAIB Securities Co.
Securities & Investments Co.
Gulfinvest Securities
IndoGulf Securities
U.G.B Securities
Ahli United Bank Securities
Global Investment House
Bank of Bahrain & Kuwait
IndoGulf Securities

Individual Brokers

Abdulla Jaffer Zain Al-Abedin
Nassir Abbas Khosrou
Yousif Hassan Al-Ajaji

Listing and Annual Subscription Fees

Local Equities

Listing*:

0.1% of the company's paid-up capital, with a maximum amount of BD15,000 and a minimum amount of BD5,000.

Annual subscription**:

1.0.1% of the first BD10 million of the company's paid up capital, with a minimum of BD3,000/-.

2.0.05% of the amount exceeding BD10 million, up to BD50 million.

3.0.025% of the amount exceeding BD50 million, with a maximum amount of BD20,000/-.

Clearing & Settlement:

1.0.0125% of the first BD15 million of the company's paid-up capital with a minimum of BD1,000.

2.0.00625% of the amount exceeding BD15 million of the company's paid-up capital, with maximum gross fees of BD4,000.

Non-Bahraini Equities

Listing*:

0.1% of the company's paid-up capital, with a maximum amount of BD15,000 and a minimum amount of BD5,000.

Annual Subscription**:

50% of the Bahraini shareholding company.

Local Closed Companies

Listing*:

BD1,000.

Annual Subscription:

1.0.025% of the first BD5 million of the company's paid-up capital, with a minimum of BD1,000.

2.0.025% of the amount exceeding BD5 million, with a maximum amount of BD5,000.

Mutual Funds

Listing*: BD300

Annual Subscription: BD250

Bonds & Sukuk:

Government:

Listing*: BD 1,500

Annual Subscription**: BD 2,000

Private & Non Bahraini:

Listing*: 0.05% of the total value with a minimum of BD 2,000 and maximum of BD 5,000.

Annual Subscription**: BD 2,000.

Currency Warrants:

Listing*: BD 250

Annual Subscription: Nil.

Transfer Agents

Membership*: BD500

Annual Subscription: BD 250

Individual Brokers

Membership*: BD 500

Annual Subscription: BD250

Brokerage Firms

Membership*: BD 1,000

Annual Subscription: BD500

Custodianship

Membership*: BD1,000

Annual Subscription: BD 500

All the above amounts are expressed in Bahraini Dinars (BD).

* A one-off payment.

** Applicable to companies only, whereby the remaining part of the financial year of a company's registration will be taken into consideration and charged on a quarterly basis.





Financial Statements

for the year ended 31 December 2006

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Auditors' Report on the Financial Statements



Report of The Auditors to the Board of Directors
Bahrain Stock Exchange, March 2007
Manama, Kingdom of Bahrain

We have audited the accompanying financial statements of The Bahrain Stock Exchange (The "Exchange"), which comprise the balance sheet as at 31 December 2006, and the income statement, and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility of the directors for the financial statements

The Directors of the Exchange are 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 control 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 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 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 as at 31 December 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In addition, in our opinion, the Exchange has maintained proper accounting records and the financial statements are in agreement therewith. We are not aware of any violations of the Central Bank of Bahrain and Financial Institutions Law for the year 2006 or the terms of the Exchange's memorandum and articles of association having occurred during the year that might have had a material effect on the business of the Exchange or on its financial position. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

KPMG

Manama - Kingdom of Bahrain
2006

Balance Sheet

as at 31 December 2006

	Notes	2006	2005
Current assets			
Cash and bank		34,443	89,201
Short-term deposit		1,252,019	657,672
Accounts receivable	3	64,007	76,467
Other receivables	4	11,672	8,974
Total current assets		1,362,141	832,314
Non-current assets			
Held to maturity investments	5	267,706	267,706
Furniture and equipment	6	288,488	319,755
Total non-current assets		556,194	587,461
Total Assets		1,918,335	1,419,775
Current Liabilities			
Accounts payable	9	97,843	115,487
Accrued expenses and other accounts payable		23,346	22,396
Provisions for labour law obligations	7	32,706	30,914
Total Liabilities		153,895	168,797
Accumulated Surplus (Page 4)		1,764,440	1,250,978
Total Liabilities And Accumulated Surplus		1,918,335	1,419,775

Rasheed Mohamed Al Maraj
Chairman

Fouad A. Rahman Rashed
Director of the Exchange

The Board of Directors approved the financial statements consisting of pages 27 to 35 on 9 April 2007.

Income Statement

for the year ended 31 December 2006

	Notes	2006	2005
Income			
Subscription fees		1,043,385	884,145
Registration fees		58,100	56,713
Dealing commission		477,505	224,643
Other income	8	193,788	74,596
Interest income		63,039	35,328
		1,835,817	1,275,425
Expenses			
Salaries and related costs		762,451	703,190
General and administrative		424,340	362,138
Remuneration of the Board of Directors and committees		18,400	7,200
Depreciation	6	103,127	156,411
Early retirement cost	9	-	367,187
Allowance for doubtful account	3	14,037	-
		1,322,355	1,596,126
Operating Surplus / (Deficit) activate revenue		513,462	(320,701)
Accumulated Surplus at 1 January		1,250,978	1,571,679
Accumulated Surplus at 31 December		1,764,440	1,250,978

Rasheed Mohamed Al Maraj
Chairman

Fouad A. Rahman Rashed
Director of the Exchange

The financial statements are comprised of pages 27 to 35.

Statement of Cash Flows

for the year ended 31 December 2006

	2006	2005
Operating Activities		
Cash received from subscribers	1,091,399	990,964
Commissions and other revenues	679,672	298,123
Payments for salaries and related costs	(762,687)	(693,721)
Payments for early retirement	-	(280,796)
Payments for general and administrative expenses	(443,317)	(361,624)
Payments for remuneration of the Board of Directors and committees	(18,400)	(7,200)
Net cash flows from operating activities	546,667	(54,254)
Investing And Financing Activities		
Acquisition of furniture and equipment	(70,127)	(68,480)
Proceeds from held to maturity investments	-	358,205
Bank interest	62,149	38,215
Proceeds from fixed assets sale	900	300
Net cash flows from investing and financing activities	(7,078)	328,240
Net increase in cash and cash equivalents	539,589	273,986
Cash and cash equivalents at the beginning of the year	746,873	472,887
Cash and cash equivalents at the end of the year	1,286,462	746,873

The financial statements are comprised of pages 27 to 35.

Notes to the 2006 Financial Statements

1. Status and Operations

The Bahrain Stock Exchange (“the Exchange”) was established pursuant to Amiri Decree 4/1987 as an independent entity and is governed by by-laws issued by the Ministry of Commerce and Agriculture under Ministerial Order 13/1988.

During 2002, the supervision authority of the market was transferred from the Ministry of Commerce to the Bahrain Monetary Agency, pursuant to Decree 21/2002

The objectives of the Exchange are to develop the market, encourage savings, spread investment awareness among the nationals, develop traded securities and financial instruments in the market to serve economic development in the Kingdom and to help in achieving the objectives of the Kingdom’s economic policies and to promote the Kingdom as a financial centre.

2. Significant Accounting Policies

a) Statement of compliance

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

(b) Basis of preparation

The financial statements have been drawn up from the accounting records of the Exchange under the historical cost convention and have been consistently applied by the Exchange and are consistent with those used in the previous year.

The following significant accounting policies have been applied in the preparation of the financial statements of the Exchange.

Revenues from subscriptions, registration fees, rents, fixed deposit interest, dealing commissions and other income are recognised when earned.

Furniture and equipment

I) Recognition

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The assets’ residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset’s carrying amount is written down immediately to its residual amount if the carrying amount of the asset is greater than its estimated recoverable amount.

When an item of property and equipment is sold or discarded, the respective cost and accumulated depreciation relating thereto are eliminated from the balance sheet, the resulting gain or loss being recognized in the income statement.

II) Subsequent cost

The Exchange recognises in the carrying amount of an item of furniture and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Exchange and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

2. Significant accounting policies (continued)

III) Depreciation

Depreciation is calculated on cost by the straight-line method at annual rates which are intended to write off the net cost of the assets over the following estimated useful lives.

Furniture equipment, electronic dealing system	5 years
Computers and Vehicles	5 years

Fixed assets costing less than BD 50 are fully depreciated in the acquisition year.

Impairment

The carrying amounts of the Exchange's assets are reviewed at each balance sheet 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 estimated recoverable amount. All impairment losses are recognised in the income statement.

Trade receivables

Trade receivables are recognised initially at cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Exchange will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. A provision is made when the carrying amount of the asset exceeds the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

Held to maturity investments

Investments held to maturity are carried at cost, less provision for impairment.

Employee benefits

Pensions and other social benefits for Bahraini employees are covered by the Pension Fund Commission scheme to which employees and employers contribute monthly on a fixed-percentage-salaries basis. The Exchange's share of contributions to the funded scheme, which is a defined contribution scheme under IAS 19, is recognised as an expense in the income statement.

Expatriate employees are entitled to leaving indemnities payable under the Bahrain Labour Law for the Private Sector 1976, based on length of service and final salary and other allowances paid. Provision for this unfunded commitment, which represents a defined benefit scheme under IAS 19, has been made by calculating the notional liability had all employees left at the balance sheet date.

Foreign currencies

I) The financial statements are presented in Bahraini Dinars which is the exchange's functional and presentation currency.

II) At the balance sheet date, foreign currency monetary assets and liabilities are converted into Bahraini dinars at exchange rates ruling at the balance sheet date. Resulting exchange differences are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and at bank including time deposits of short maturity of three months or less.

Notes to the 2006 Financial Statements

3. Accounts Receivable

	2006	2005
Subscription and registration fees	40,988	43,300
Commissions receivable	22,548	25,793
Services fees receivable	14,508	7,374
	78,044	76,467
Allowance for doubtful account	(14,037)	-
	64,007	76,467

4. Other Receivables

	2006	2005
Balances at 31 December		
Interest payable	4,373	3,483
Prepaid expenses	7,299	5,491
	11,672	8,974

5. Held To Maturity Investments

	Amount	Due date	Interest earned investment
Islamic Leasing Sukuk (Kingdom of Bahrain)	267,706	2008	3.75%
	267,706		

6. Furniture and Equipment

	Furniture and equipment	Computers	Vehicles	2006 Total	2005 Total
Cost					
At 1 January	391,245	1,347,768	6,120	1,745,133	1,507,242
Additions	7,525	58,417	7,435	73,377	261,496
Disposals	(45,484)	(83,286)	(6,120)	(134,890)	(23,605)
At 31 December	353,286	1,322,899	7,435	1,683,620	1,745,133
Depreciation					
At 1 January	289,217	1,130,041	6,120	1,425,378	1,099,489
Charge for the year	24,975	77,532	620	103,127	349,428
Disposal	(44,817)	(82,436)	(6,120)	(133,373)	(23,539)
At 31 December	269,375	1,125,137	620	1,395,132	1,425,378
Net book value	83,911	197,762	6,815	288,488	319,755

7. Provisions for Labour Law Obligations

	2006	2005
Balances at 31 December		
Leave entitlements	27,845	26,241
Leaving indemnity and air tickets	4,861	4,673
	32,706	30,914

The Exchange employed 50 Bahraini nationals and 3 expatriates as at 31 December 2006 (46 and 4 employees respectively for 2005).

Pension rights and other social benefits for the Bahraini employees are covered by the Pension Fund Commission to which the exchange and employees contribute monthly on a fixed percentage of salary basis. The Exchange's contributions for Bahraini employees for 2006 amounted to BD 53,724 (2005: BD 54,019).

Expatriates employed under a specified contract period are entitled to leaving indemnity at the rate of one month's salary for each completed year of service.

8. Other Income

	2006	2005
Remote trading income	10,800	10,050
Central depository income	133,559	26,962
Subscription in the investor's guide publication	23,150	15,350
Services	14,520	14,520
Management fees of Guarantee Contribution Fund	5,817	-
Other revenues	5,942	7,714
	193,788	74,596

Notes to the 2006 Financial Statements

9. Early Retirement Cost

This represents the cost of the early retirement of a number of employees approved by Board of Directors. The total cost for the program was BD 368,187 which was recognised in the income statement for 2005 compared to nil in 2006. During 2005 total amount of BD 281,796 was paid and the remaining balance of BD 86,391 is included in the accounts payable balance as at 31 December 2006.

10. Transactions with related and associated parties

Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Exchange. The key management personnel comprise members of the Board of Directors, the director of the Exchange and the deputy director of the information technology and central depository. Their short term compensation is as follows:

	2006	2005
Salaries and related costs	68,684	85,584
Board and committees attendance fees	18,400	7,200

11. Financial Instruments and Risk Management

Financial Instruments consist of financial assets and liabilities.

Financial Assets of the Exchange include cash and bank, short-term deposits, receivables and held to maturity investments.

Financial Liabilities of the Exchange include accounts payable and accrued liabilities.

Accounting policies for financial assets and liabilities are set out in note 2.

The risks associated with financial instruments and the Exchange's approach to managing such risks are described below.

Interest Rate Risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Exchange's bank and short-term deposits are at fixed interest rates and mature within three months and repricing occurs when funds are reinvested on maturity of a deposit.

The Effective Interest Rate is the historical rate for a fixed rate instrument carried at cost, and the current market rate for a floating rate instrument. The effective interest rate for short term fixed deposits was 5% (2005: 3.13%), Islamic Leasing Sukuk was 3.75% (2005:3.75%).

11. Financial Instrument and Risk Management (continued)

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

Cash is placed with locally incorporated banks having good credit ratings.

The Exchange exposure to credit risk is mainly in respect of trade receivables. Management seeks to limit credit risk by selectively granting credit terms to creditworthy customers and by limiting the credit period.

Currency Risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. All of the Exchange's transactions are in Bahraini dinars and therefore there is no currency risk.

Liquidity Risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

Liquidity risk is managed by maintaining cash and cash equivalents at a high level so that sufficient funds are available, including unutilised credit facilities with banks, to meet any future commitments.

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.

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 value of the Exchange's financial assets and liabilities are not materially different from their carrying values.

12. Fiduciary Activities

There are two bank accounts with total balance of BD 58,239 as 31 December 2006(2005: BD 1.251) in the name of the exchange and they are not shown as part of its assets as they use for clearing and settlement of deals.

13. Distribution Of Assets and Liabilities

All of the Exchange's assets and liabilities are in Bahrain. Therefore, the exchange is not exposed to any risk outside Bahrain.

14. Comparatives

Certain comparative figures have been reclassified in 2005 in order to conform with the current year's presentation. However, such reclassification does not affect previously reported net deficit, total assets or accumulated surplus.