

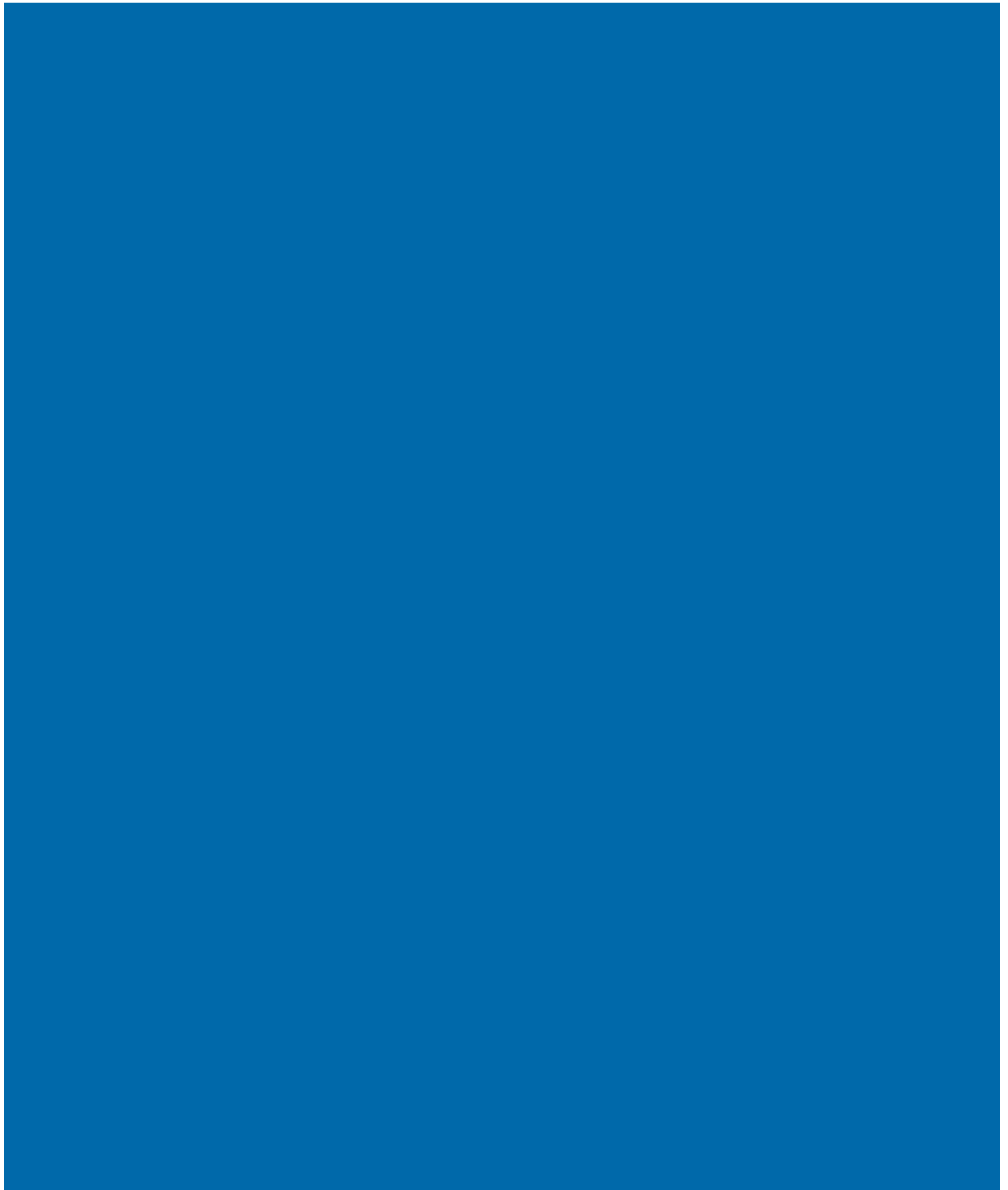


Annual Report

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سوق البحرين للأوراق المالية
Bahrain Stock Exchange





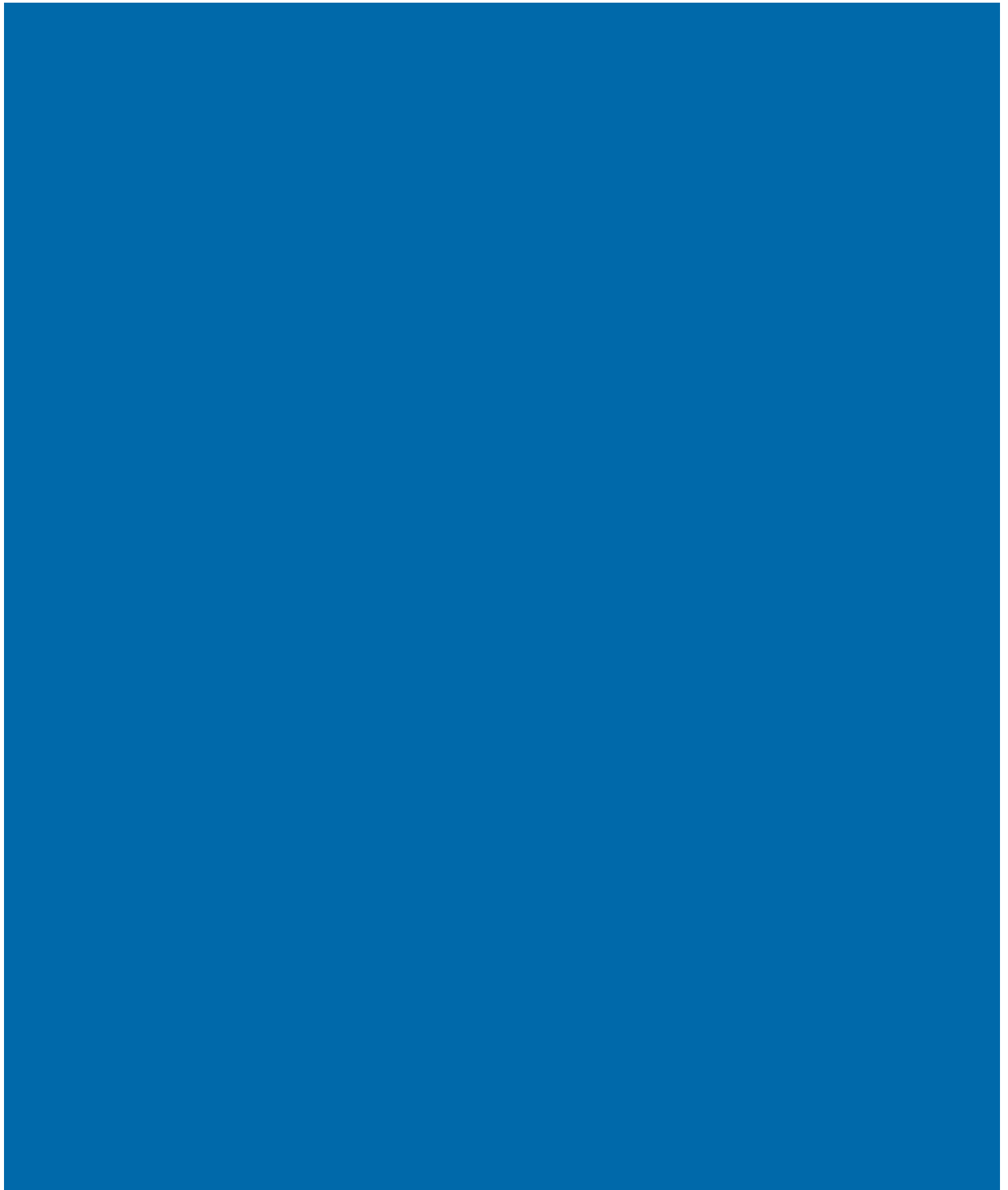
**H.H Shaikh Khalifa
Bin Salman Al Khalifa**
The Prime Minister



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



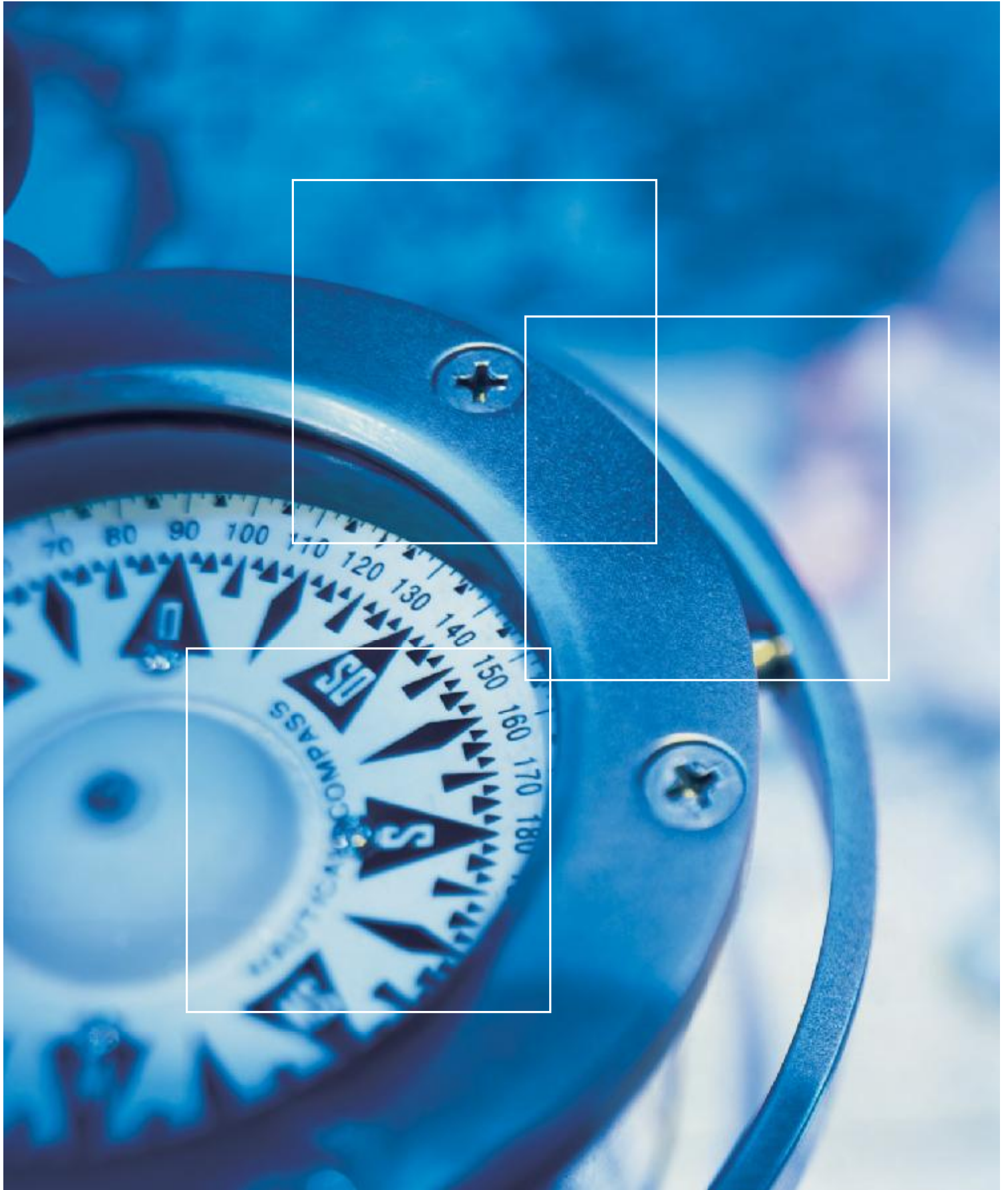
**H.H Shaikh Salman
Bin Hamad Al Khalifa**
Crown Prince and
Deputy Supreme Commander





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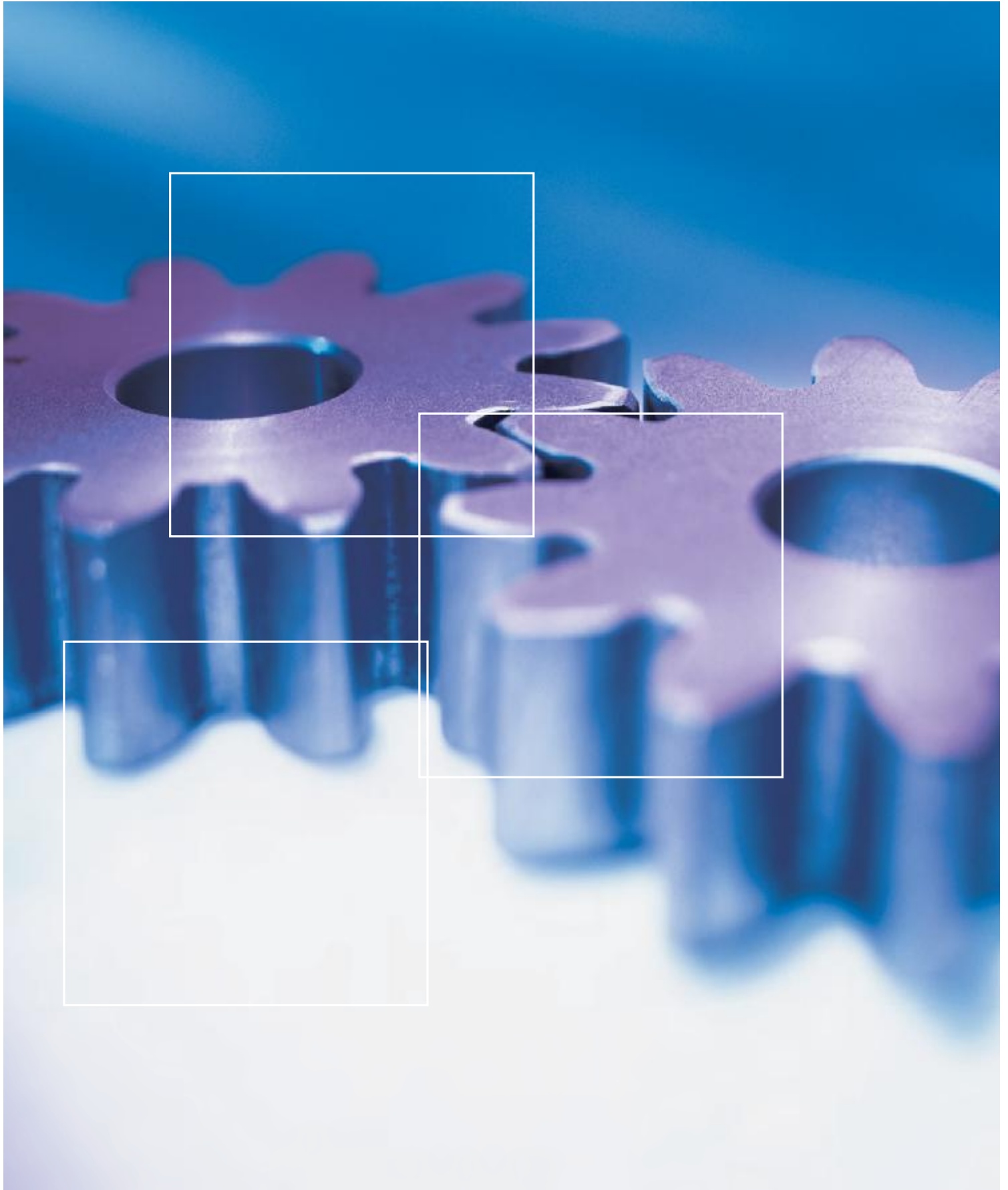
Mission

To enhance the investment environment in securities and investment instruments in order to become a leading regional and international market and a major listing center for mutual funds.



Vision

To continuously improve all activities performed by the exchange in accordance to the international standards to ensure a fair, transparent, diversified and efficient market, capable of meeting the demands of all parties involved with BSE with high professionalism. BSE will aim to enhance its competitiveness by attracting investments in order to achieve its objectives and strategies, thus contributing to the economic growth of the Kingdom of Bahrain.



Chairman's Statement



In the year 2007, the stock indices of Arab financial markets and bourses, specifically GCC indices retained their upward trend following the sharp declines witnessed at some bourses in 2006. Accordingly, Bahrain All Share Index continued its growth in 2007 with an increase of 24.25%, maintaining its steady performance from previous years to reflect the confidence that the BSE has built among investors.

While taking the responsibility of regulating the capital markets sector, the Central Bank of Bahrain continued its efforts to support the legal infrastructure of the capital market in the Kingdom of Bahrain. Such efforts included issuing a set of rules and resolutions to enhance the investment environment as well as the transparency at the Exchange, aiming to protect investors and support the fairness of trading at the Exchange.

In its effort to enhance transparency and develop disclosure standards in the capital markets sector, the Central Bank of Bahrain issued resolution no. (49) in August 2007. The resolution specifically refers to the uniformed Close Period for insiders' Trading in the listed companies' shares and specifies the timing in which listed companies should set their AGM meetings, and the period specified to disclose companies' annual and quarterly financial results.

To improve the trading infrastructure at the Exchange, other resolutions were issued in order to encourage investors to increase their investment in shares at BSE. Such resolutions included excluding the odd lots market from the trading system and increasing the minimum amount of the Special Orders Market.

During this year, BSE proceeded in taking the initial steps of executing its new strategy. BSE's strategy focuses on developing trading mechanisms at the Exchange and the services provided to investors by the Settlement & Central Depository. It also seeks to develop the professional level of brokers at the Exchange.

BSE continued its efforts in 2007 to relocate to Bahrain Financial Harbour. The official tenancy agreement with Bahrain Financial Harbour has been signed, and a project manager to supervise the relocation of BSE has been appointed. The relocation of BSE is expected to take the place during the first quarter of 2009.

BSE's financial results for the year 2007, as included in this report, showed that the Exchange has reported positive results for its second consecutive year. It recorded a surplus of BD 901.3 thousand compared with BD 513.5 thousand in 2006, posting a growth of 75%.

In addition, several initiatives were taken this year to improve employee's morale at the Exchange including amending the scale of salaries and grades. A saving fund scheme was also established for employees.

On behalf of the members of the Board of Directors of BSE and BSE's staff, I would like 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 Defense Force for their guidance and continuous support of BSE.

I would also like to extend my thanks to the members of BSE's Board of Directors for their efforts in developing the BSE during the previous years. I would also like to thank BSE's management and staff for their hard work during the year, hoping that such efforts will continue to further develop the Exchange.

Rasheed Mohammed Al-Maraj
Chairman

Director's Message



The general performance of most price indices and trading indicators of GCC & Arab Financial Markets showed relative improvement in the year 2007 when comparing them with the corrections witnessed during the year 2006.

Bahrain All Share Index achieved positive performance in the year 2007, posting a growth of 24.25% compared to the previous year. The market capitalization of BSE was up by 27.87%, and the volume of shares traded increased by 16.97%. The number of transactions also increased by 1.22%, while the total value of shares traded declined by 22.91% compared to the year 2006.

In the year 2007, Seef Properties was listed on BSE. Seef Properties is a public shareholding company with a paid-up capital of BD 46 million. With the listing of Seef Properties, the number of companies listed on BSE reached 51. In addition, a \$US 650 million Sukuk issue was listed which was issued by The Golden Belt 1 Sukuk Co.

In pursuit of BSE's mission to enhance the trading environment in the shares of listed companies, BSE has taken several initiatives with the aim of encouraging investors to increase their investment in shares. Among these initiatives includes cancelling the odd lots market which was designed to execute orders with less than BD 1500, moving these order to the regular market. This will open up more investment opportunities for small investors and allow them to trade in the regular market, reduce the cost of transactions, and raise the liquidity in the market. BSE also raised the minimum amount of special orders from BD 50,000 to BD 500,000 which eliminated price differences among markets at the Exchange.

In addition, BSE's Board of Directors approved a project to develop the infrastructure and increase the technical capability of the trading, clearing, settlement, and central depository systems at the Exchange where all electronic servers will be replaced. Such decision was taken to enhance the quality of services provided to investors.



In its efforts to cooperate with other stock exchanges, BSE signed two Memorandums of Understanding (MOU) this year, one with Abu Dhabi Securities Market and the other with London Stock Exchange. The aim is to widen the cooperation between the exchanges in the areas of mutual expertise and exchange of information as well as encourage cross-listing and facilitate the flow of information between companies that are cross-listed.

Furthermore, BSE officially signed the tenancy agreement to relocate its premises to the Bahrain Financial Harbour this year. With this relocation, BSE will benefit from a the technologically advanced technical and logistic facilities at the Bahrain Financial Harbour, taking a step forward to enhance the Kingdom of Bahrain as a leading financial hub.

In the year 2007, BSE reported a surplus of BD901.3 thousand compared to BD513.5 thousand in 2006, recording a growth of 75%. BSE's income also increased from BD1.8 million in 2006 to BD2.4 million in 2007, posting a growth of 29%. Total net assets of BSE were BD3.4 million in 2007 compared to BD1.9 million in 2006 reporting a growth of 79%.

Realizing the importance of training and development of employees to enhance their competitiveness in the marketplace, BSE continued the training programs for its employees to develop their skills and be of added value to the Exchange.

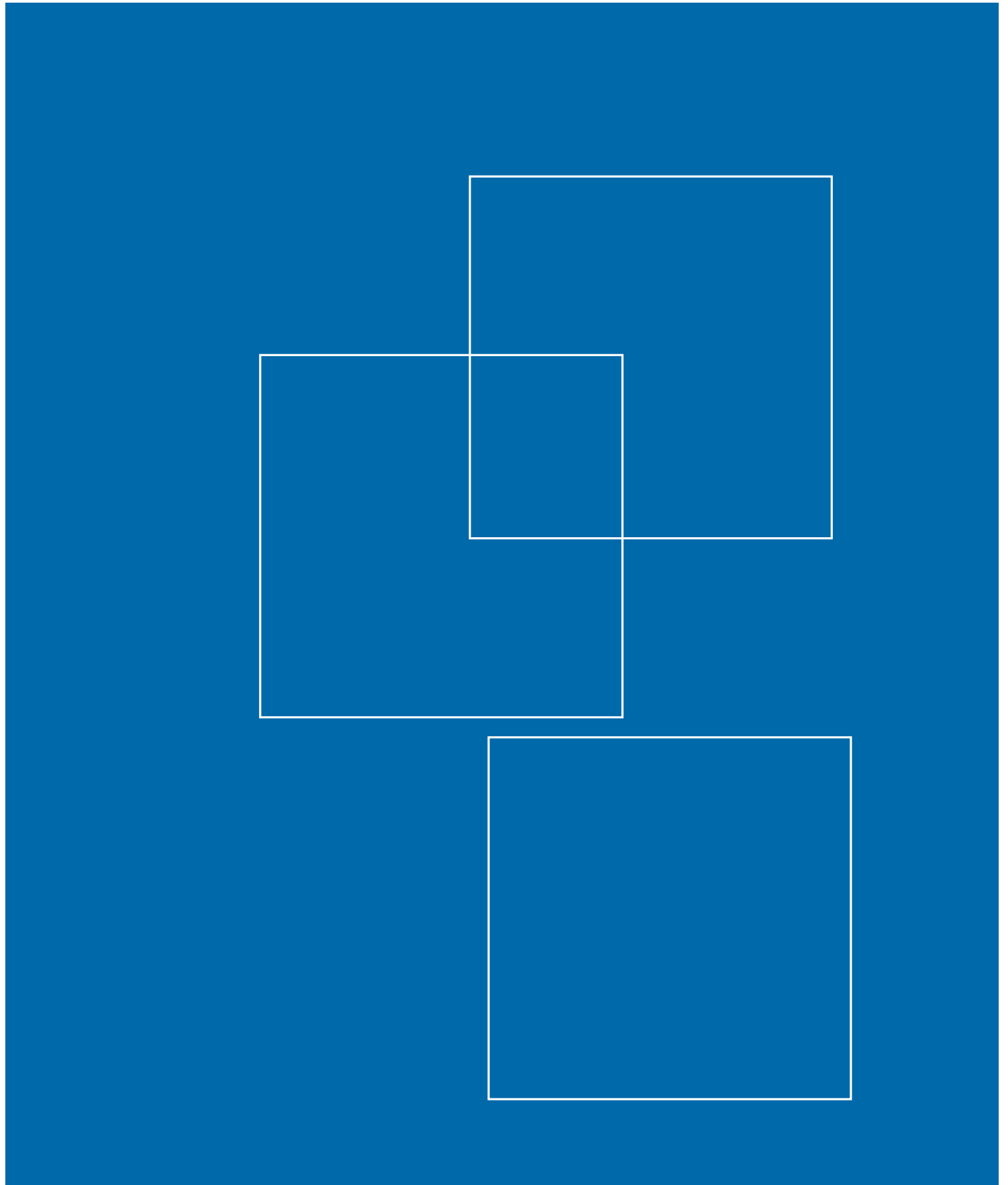
This year, BSE also established took the saving fund scheme that include all BSE staff. In addition, the scale of salaries and grades was amended as to go in line with the Kingdom of Bahrain's move towards upgrading its workforce and consequently its institutions.

During this year, BSE also began to implement its strategic plan mainly focusing on the development of trading in securities and services, Settlement and Central Depository procedures, and the professional level of brokers.

On behalf of the members of the Board of Directors of BSE and BSE's staff, I would like 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 Defense Force for their guidance and continuous support of BSE since its establishment.

I would also like to express my thanks and appreciation to the members of BSE's Board of Directors for the thoughts they brought and efforts they put during the year to develop the BSE. I also thank BSE's management and staff for their efforts during the year, hoping them greater success in the coming years by working as a team towards achieving BSE's mission. I would also like to extend my thanks to the listed companies and brokers at BSE for their continuous cooperation.

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

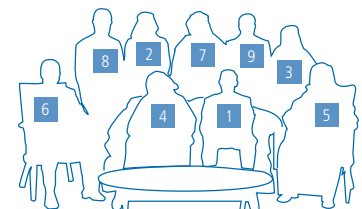
5 Dr. Esam Abdulla Fakhro**
Director

6 Mr. Hassan Ali Juma*
Director

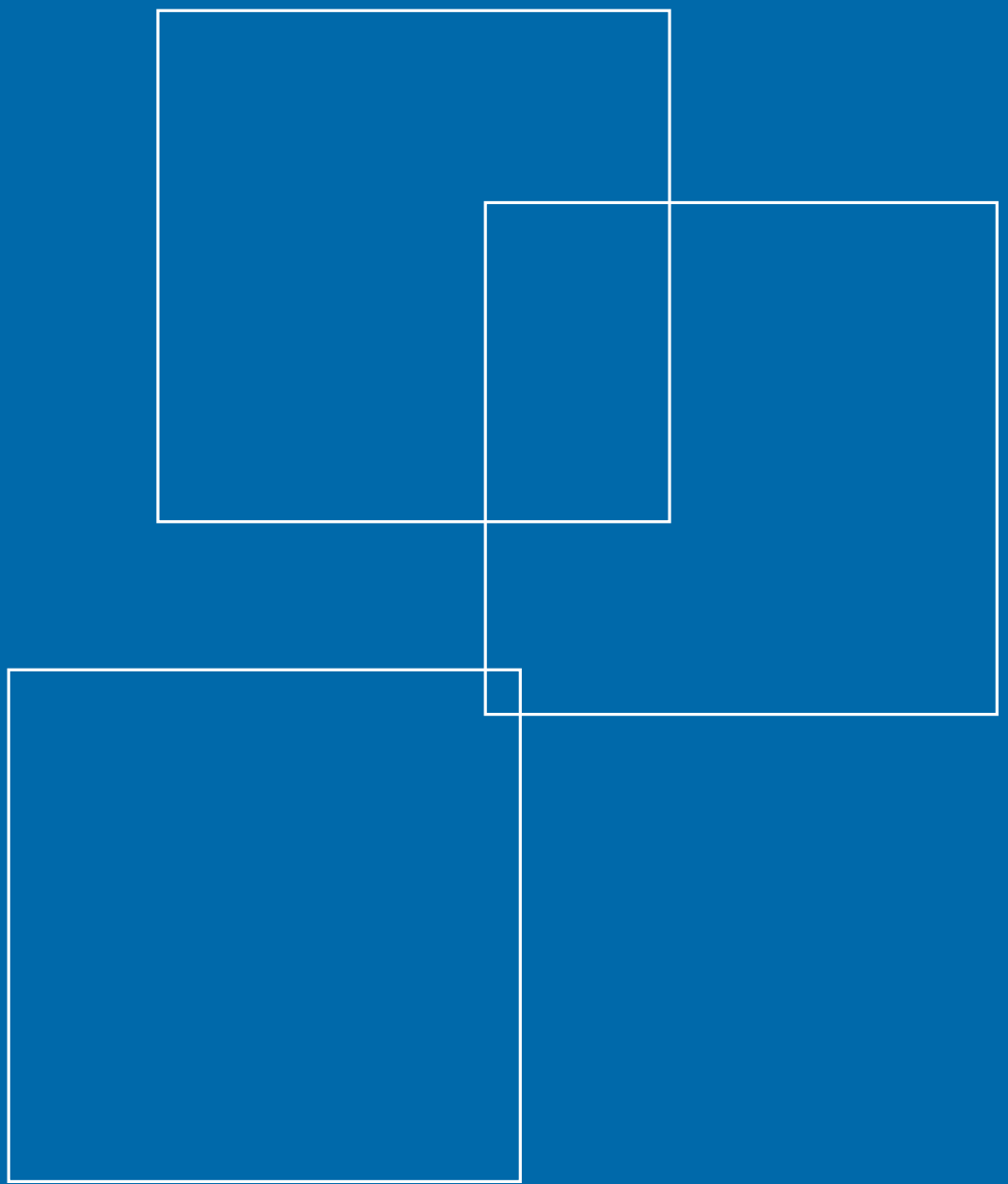
7 Shaikh Mohammed bin Issa Al Khalifa*
Director

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



Mr. Fouad A. Rahman Rashid
Director



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



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



Mr. Mohammed Khalid Hamed
Head of Internal Audit



Mr. Adel Sameer Tawfiq
Legal Advisor



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



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



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

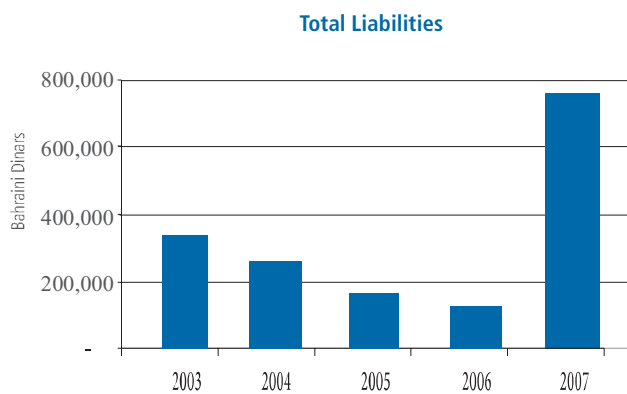
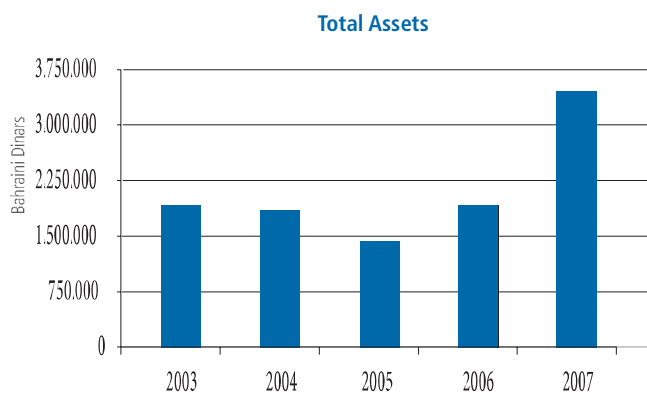
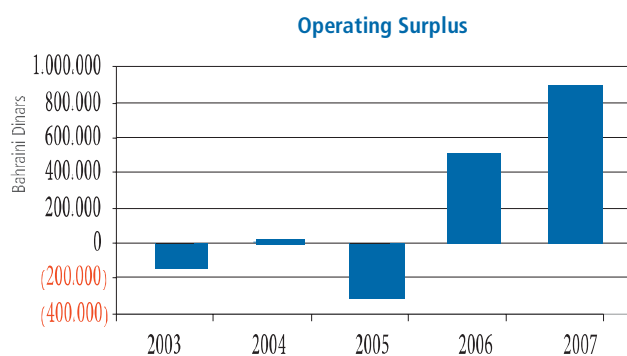
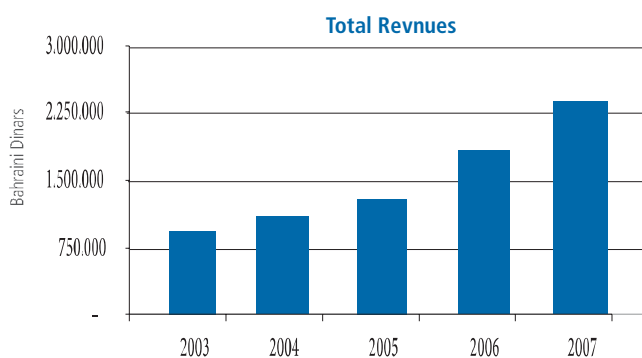


Mrs. Narjes Farookh Jamal
Head of Information Technology

BSE's Five-Year Financial Highlights 2003-2007

Financial performance summary

Years	2003	2004	2005	2006	2007
Total Revenue	925,048	1,090,989	1,275,425	1,835,817	2,360,827
Total Expense	1,315,773	1,333,050	1,596,126	1,322,355	1,459,493
Ministry of Finance contribution	250,000	250,000	-	-	-
Surplus (deficit)	(140,725)	7,939	(320,701)	513,462	901,334
Total Assets	1,909,347	1,848,452	1,419,775	1,918,335	3,435,645
Total Liabilities	345,607	276,773	168,797	153,895	769,871
Accumulated fund	(1,563,740)	1,571,679	1,250,978	1,764,440	2,665,774

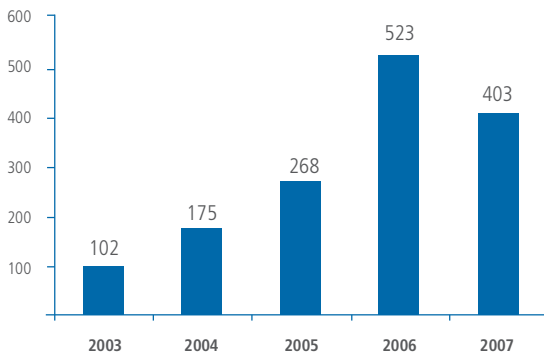


BSE's Five-Year Trading Activities 2003-2007

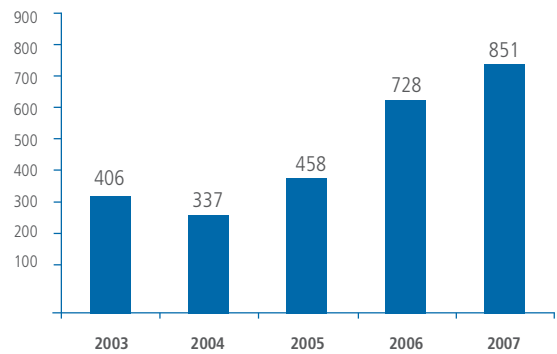
Bahrain all share index



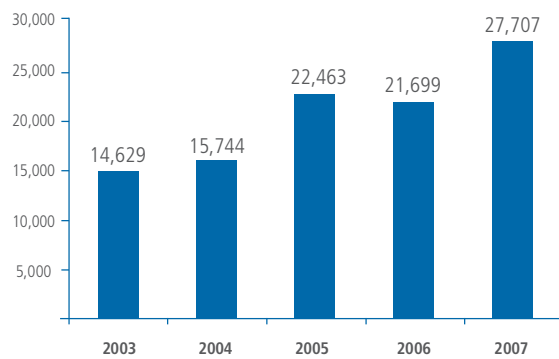
Value of shares traded (BD Million)



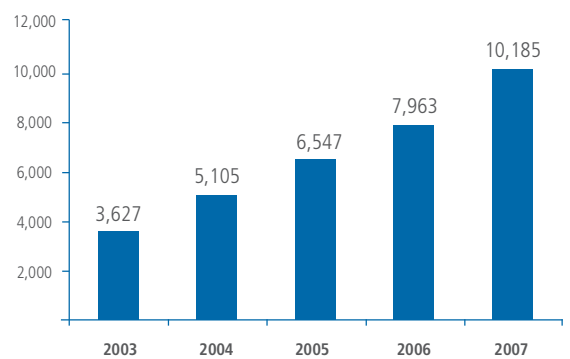
Volume of shares traded (Million Shares)



Number of Transactions



Market capitalization (BD Million)



World Stock Markets Performance During 2007

International Markets:

The growth of the world economy reached to 3.7% in 2007 compared to 3.9% in 2006 according to the International Monetary Fund. This growth was attributable to the total growth in the global economy as a result of the high rates recorded in the emerging markets, which are expected to continue and come closer to the rates in 2006 and 2007.

The growth in the U.S economy did not exceed 2.2% in 2007 compared to 2% in 2006, while Germany which has one of the heaviest weightings in the Euro zone grew by 2.5% in 2007, compared to 2.9% in 2006. Rates of economic growth varied in the European Union during 2007 between 6.1% in Slovakia to 1.5% in Italy. The Japanese economy posted growth of 2.1% in 2007 compared to 2.4% in 2006.

Moreover, the Chinese economy continued its high growth rates, as it recorded a growth of 11.4% in 2007 compared to 11.1% in 2006. The Indian economy also posted a high growth rate of 9.2% in 2007 compared to 9.8% in 2006, followed by Russia with a growth rate of 8.1% compared to 7.4% in 2006.

The Growth Rate of World Economies and Inflation Rates (%)

Economy	2007	2006	2005
	Annual growth of real GDP (%)		
World	3.73	3.90	3.36
Latin	2.2	2.0	3.1
Germany	2.5	2.9	0.8
Japan	2.1	2.4	1.9
China	11.4	11.1	10.4
India	9.2	9.8	9.1
Russia	8.1	7.4	6.4
	Inflation rates (%)		
U.S.	2.9	3.2	3.4
Germany	2.3	1.8	1.9
Japan	0	0.3	(0.3)
China	4.8	1.4	1.8
India	6.4	6.2	4.2
Russia	9.0	9.7	12.7

Source: International Monetary Fund, World Economic Outlook Database, April 2008

The International Monetary Fund attributed the decline in the world economic growth to the volatility in the oil markets, where the highest historical oil prices were recorded and continued to rise for the third consecutive year, reaching their highest in November 20, 2007. The American light oil reached US\$99.16 before settling at US\$95.95 at the end of 2007, posting a growth of 57.68% compared to the beginning of the year. The price of the Brent oil reached its peak in December 28, 2007 at US\$96.57 dollars, to settle towards the end of the year at US\$94.33, recording a growth rate of 61.22%.

On the other hand, the mortgage crisis had left major implications beyond the U.S. economy developing great concern for the central banks worldwide. The IMF also expressed its concerns regarding the increasing inflation rates in the global economy, especially in the economies of the emerging markets with the declining US dollar. The Euro, Yen and Sterling Pound increased against the U.S.\$ during 2007 by 10.56% and 6.90% and 1.32% respectively.

With the increasing concern of the U.S economy moving towards an economic recession, and as a step to revive the economy and minimize the impact of the mortgage crisis, the U.S. Federal Reserve reduced the interest rates three times consecutively, the first in September 2007 by half a point, the second in October by 0.25 points, and the third in December by 0.25 points, to reach 4.25% at the end of the year compared to 5.25% at the beginning of the year. The Central Bank of England maintained interest rates at 5.5% year-end following the last reduction in December 6, 2007. Furthermore, the interest rate for the European Central Bank reached 4% at the end of the year since its increase in June 2007, while the interest rates for the Japanese Central Bank stayed at 0.5% since its last increase in February 2007.

On the financial markets front, the German DAX index recorded the highest growth rate of 22.29%, followed by the British FTSE100 index by 3.80%, the U.S. S&P 500 by 3.53%, and the French CAC40 index by 1.31%. The Japanese NIKKEI225 index, however, declined by 11.31%.

Performance of International Financial Markets

Date	2007	2006	Growth (%)
Germany (DAX)	8,067.32	6,596.92	22.29
UK (FTSE100)	6,456.90	6,220.80	3.80
America (S&P500)	1,468.36	1,418.3	3.53
France (CAC40)	5,614.08	5,541.76	1.31
Japan (Nikkei225)	15,307.78	17,225.83	(11.13)

The Arab Markets:

The average growth rate of the Arab countries' economies (excluding the GCC countries) was 5% in the years 2006 and 2007. The highest growth rate registered in 2007 was 10.5% in Sudan, followed by Egypt 7.1%, Libya 6.8%, Tunisia 6.3% and Jordan 5.7%.

The Growth Rates of Arab Economies during the Period 2005 - 2007

Country	2007*	2006	2005
Sudan	10.5	11.2	6.3
Egypt	7.1	6.8	4.5
Libya	6.8	5.2	6.3
Tunisia	6.3	5.5	4.0
Jordan	5.7	6.3	7.1
Syria	3.9	4.4	3.3
Yemen	3.1	3.2	5.6
Algeria	2.4	2.0	5.1
Morocco	2.2	8.0	2.4

* Estimates

Source: International Monetary Fund, World Economic Outlook Database, April 2008

Moreover, the majority of Arab Stock Markets witnessed an increase in 2007, as the market index for Cairo and Alexandria grew by 51.29%, Amman 36.27%, Casablanca 33.92% and Tunisia 21.12%.

The GCC Market:

According to IMF estimates, Qatar recorded the highest economic growth rates among the GCC countries, as it reached to 14.2% and 10.3% in 2007 and 2006, respectively, followed by the UAE at 7.4% and 9.4% in 2007 and 2006, respectively, then Bahrain at 6.6% in the last two mentioned years.

The high inflation rates recorded in all the GCC countries were attributable to the accelerating economic growth, the rising money supply, and the construction boom in particular. The main external factor was the decline in the US dollar which is pegged to most of the currencies of GCC countries.

Qatar registered the highest inflation rates in 2007 at 13.8%, followed by the UAE at 11.8%, Oman 5.5%, Kuwait 5%, Saudi Arabia 4.1%, while the lowest rates were recorded in Bahrain by 3.4%.

Rates of Economic Growth and Inflation in the GCC Countries (2005 - 2007)

State	2007*	2006	2005
	Economic growth rates (%)		
Qatar	14.2	10.3	9.2
UAE	7.4	9.4	8.2
Bahrain	6.6	6.6	7.9
Oman	6.4	6.8	6.0
KSA	4.1	4.3	6.1
Kuwait	4.6	6.3	11.4
	Inflation rates(%)		
Qatar	13.8	11.8	8.8
UAE	11.0	9.3	6.2
Oman	5.5	3.2	1.9
Kuwait	5.0	3.1	4.1
KSA	4.1	3.2	0.6
Bahrain	3.4	3.2	2.6

* Estimates

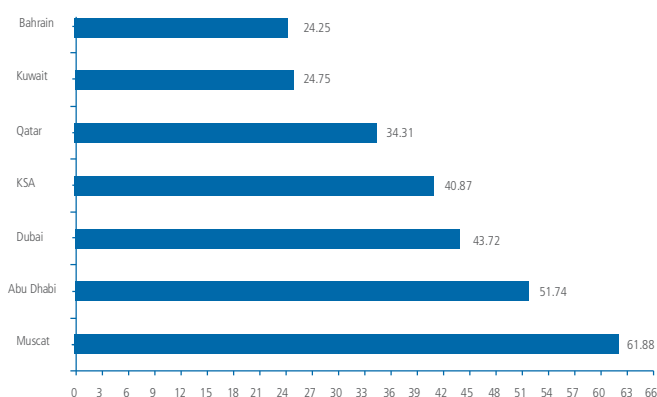
Source: International Monetary Fund, World Economic Outlook Database, April 2008

The economic boost witnessed in the GCC countries was driven by the boom in the oil prices. This enhanced the competitiveness of the GCC markets while comparing them with the other emerging stock markets, as well as the maturity and development of the regional markets.

All GCC markets witnessed growth during 2007, as Muscat Securities market recorded a growth of 61.88%, followed by Abu Dhabi 51.74%, Dubai 43.72%, Saudi 40.87%, Qatar 34.31%, Kuwait 24.75%, and finally Bahrain 24.25%.

World Stock Markets Performance During 2007

The Performance of the GCC Markets in 2007 (%)



The Local Market

The increase in oil prices, the policy of economic diversification, and the development of the investment environment all contributed to developing the economy of the Kingdom of Bahrain, in which it recorded a growth rate of 6.6% in 2006 compared to 7.9% in 2005, making it one of the fastest growth rates in the region. Furthermore, the International Monetary Fund expected the Kingdom's economy to continue its high economic growth alongside the recent developments witnessed that reflected positively on the current balance of payments account, recording a surplus accounting for 17.2% compared to the total GDP in 2007 and compared to 12.8% and 11.9% in 2006 and 2005 respectively. Other factors contributed to enhancing the economy of the Kingdom of Bahrain included the improvement in credit ratings, economic freedom, competitiveness, the indicators of transparency and attracting foreign investments in dynamic sectors, particularly financial services, manufacturing, tourism, commercial services, health, education, training and real estate.

According to the "World Investment Report 2007" that was issued by the "United Nations Conference on Trade and Development," Bahrain's ranking in attracting foreign direct investment inflows jumped from the 23rd place in 2005 to the 11th place globally in 2006. The foreign direct investment flowing to Bahrain amounted to US\$9.2 billion in 2006, recording a growth rate of 178% compared to 2005, and the net flow had reached US\$1.9 billion. In addition, Bahrain came as one of the top 5 West Asian countries in terms of the flow of direct investments, thus occupying the fifth place after Turkey, Saudi Arabia, the UAE and Jordan.

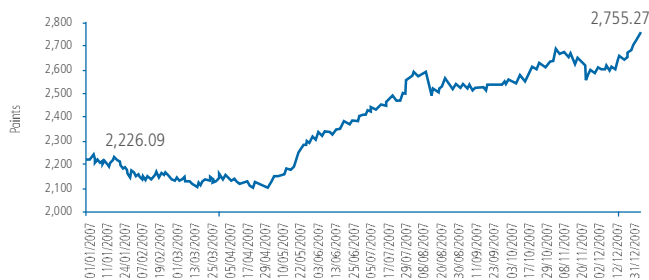
Bahrain was ranked the first in 2007 among Arab countries in terms of economic freedom, and came forward from the 25th place in 2006 to the 19th rank internationally in 2007 according to the "Guide to Economic Freedom" index issued by the "Heritage Foundation". The reason behind such ranking is that Bahrain enjoys a banking, financial, commercial and legislative system

that supports freedom and openness to business due to the development of the investment climate, growth in the contribution of non-oil sectors, particularly the financial services sector. This sector exceeded a contribution of 25.5% in 2006, enabling the economy to achieve growth of approximately 6.5% in 2006. Due to the strong growth in the non-oil sector and the political and economic reforms taken to set a suitable foundation for continuous economic growth, Fitch Ratings increased its rating of sovereign debt for Bahrain from (A-) minus to (A). Bahrain was also rated with (A) by The International Rating Agency Standard and Poors, and (A) by Moody's, where both ratings were issued in 2007.

On the other hand, the legislations set to protect investors are considered as a vital element in the development of capital markets. With the aim of providing greater protection for investors, the Central Bank of Bahrain issued resolution (49) for the year 2007 in August 2007.

The Performance of the Market Index

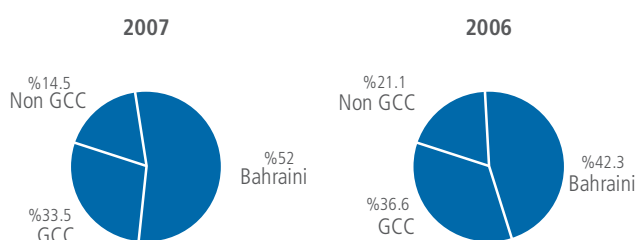
Bahrain All Share Index posted growth of 24.25% in 2007, ending the year 2007 with 2755.27 points compared with 2217.58 points in 2006. Similarly, Esterad index increased by 27.51%, from 2297.34 points at the end of 2006 compared to 2929.35 points in 2007. The Dow Jones Bahrain index ended the year with 233.82 points, recording a growth rate of 24.10%.



Trading Activity

The total value of shares traded in 2007 declined by 22.9% compared to the corresponding period last year, reaching BD403.1 million compared to BD522.9 million. The volume of shares traded went up by 17%, reaching 851.1 million shares compared to 727.6 million shares in 2006. The number of transactions increased to 27,707 in comparison with 21,699 transactions in the previous year, recording a growth of 27.7%. Regarding the price movements, the prices of 30 companies out of 51 companies increased, prices of 11 companies declined, while 10 companies maintained their prices. The percentages of trading according to nationalities showed that Bahrainis had the biggest share capturing 52% of the total value traded, while GCC nationals and other nationalities accounted for 33.5% and 14.5% respectively of the total value of transactions.

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



Market Capitalization

The market capitalization of Bahraini public shareholding companies listed on the Exchange was BD10.19 billion compared to BD7.96 billion at the end of 2006, marking a growth rate of 27.9%. The Investment led other sectors in terms of market capitalization capturing 48.9% of the total market capitalization, followed by the Commercial Bank's sector 32.5%, Services 15.1%, Insurance 2%, Hotels and Tourism 1.2%, and the Industrial 0.2%. In addition, the Investment sector also recorded the highest growth in terms of market capitalization compared to the end of 2006, posting a growth of 35.4%, followed by the Commercial Banks Sector, Insurance, Hotels & Tourism, and the Industrial by 27.9%, 22.5%, 14.7%, and 10.3% respectively, while the industrial sector declined by 1.2%.

Seef Properties was listed on July 29, 2007 with a paid-up capital of BD46 million in the IPO market, bringing the total number of listed companies on Bahrain Stock Exchange to 51 companies.

Market Capitalization among Sectors (Million Dinars)

Sector	2007	2006	Change (%)	Relative Weight (%)
Investment	4,983.62	3,680.45	35.41	48.93
Commercial Bank	3,313.67	2,591.75	27.85	32.53
Services	1,542.03	1,398.41	10.27	15.14
Insurance	205.24	167.54	22.50	2.02
Hotels & Tourism	124.03	108.14	14.69	1.22
Industrial	16.64	16.85	(1.23)	0.16
Total Market	10,185.22	7,963.14	27.90	100

Financial Indicators

Financial indicators varied among sectors. The table below presents the growth of financial indicators at the end of 2007 compared to 2006.

Financial Indicators in September

Sector	Price/BV		Div. Yield		P/E	
	2007	2006	2007	2006	2007	2006
Commercial Bank	2.63	2.06	2.75	3.52	18.34	14.34
Investment	1.76	1.35	3.89	5.14	11.36	9.88
Insurance	1.06	0.87	6.27	7.69	8.25	6.59
Services	2.97	2.69	4.69	5.17	12.60	12.15
Industrial	0.60	0.61	5.78	5.70	9.10	9.21
Hotels and Tourism	1.20	1.04	4.12	4.74	10.71	9.28
Total Market	2.07	1.66	3.69	4.66	13.11	11.31

Central Depository

The total shares deposited at the Central Depository of BSE amounted to 6,775 billion shares at the end of December 2007, representing 39.26% of the total issued and outstanding shares, compared to 3,770 billion shares at the beginning of the year 2007, posting a growth of 79.71%. In addition, the number of nationalities registered in the Central Depository reached 89 nationalities. The market capitalization of shares deposited in the Central Depository was BD4.144 billion at the end of December 2007 compared to BD3,253 billion at the beginning of the year, up by 25.95%.

Key Statistical Data 2007 - 2006

Comparison of Trading Activity

	2007	2006	Change	Change %
Total Market Capitalization (BD)	10,185,220,954	7,963,142,488	2,222,078,466	27.90
Value of Shares (B.D.)	403,085,611	522,908,380	(119,822,770)	(22.91)
Volume of Shares	851,075,407	727,634,796	123,440,611	16.96
No. of Transactions	27,707	21,699	6,008	27.69
Total Trading Days	249	246	3	1.22
Daily average Value of Shares (B.D.)	1,618,818	2,125,644	(506,826)	(23.84)
Daily average Volume of Shares	3,417,974	2,957,865	460,108	15.56
Daily Average no. of Transactions	111	88	23	26.15

BSE Indices Performance

	2007	2006	Change (points)	Chg (%)
Bahrain All Share Index				
Year end	2,755.27	2,217.58	537.69	24.25
High	2,755.27	2,346.98	408.29	17.40
Low	2,106.70	1,996.68	110.02	5.51
Dow Jones Bahrain Index				
Year end	233.82	188.42	45.40	24.10
High	233.82	196.81	37.01	18.80
Low	178.70	169.39	9.31	5.50
Esterad Index				
Year end	2,929.35	2,297.34	632.01	27.51
High	2,929.35	2,437.92	491.43	20.16
Low	2,189.38	2,072.84	116.54	5.62

Listings 2007-2006

	2007	2006
Public Companies	42	41
Closed Companies	2	2
Non Bahraini Companies	7	7
Preferred Shares	1	2
Bonds & Sukuk	17	19
Mutual Funds	32	35

Sectorial Indices for Bahrain All Share Index 2007-2006

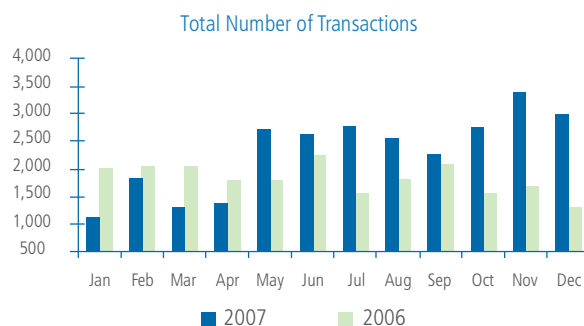
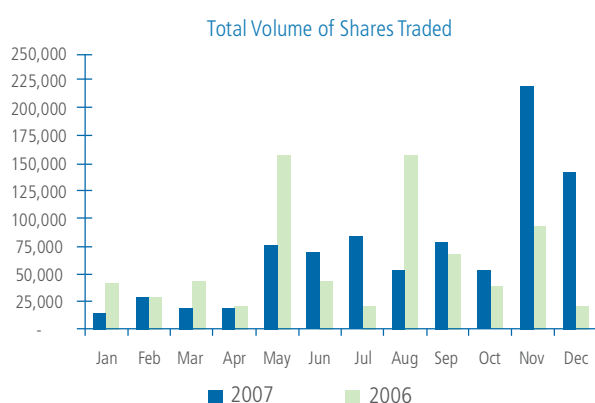
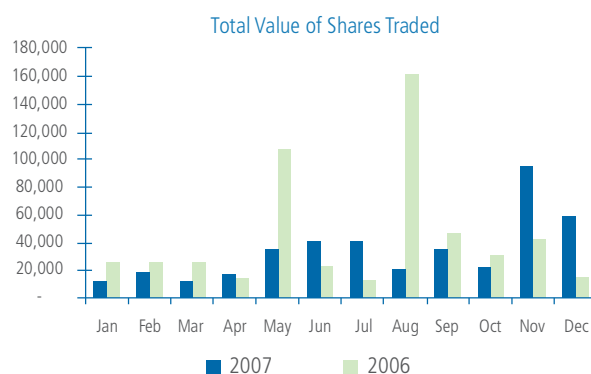
Index	2007	2006	Chg (%)
Commercial Banks	3,479.10	2,925.77	18.91
Investment	2,546.61	1,848.22	37.79
Insurance	2,315.99	1,883.96	22.93
Services	2,031.39	1,957.76	3.76
Industrial	1,438.47	1,456.41	(1.23)
Hotels & Tourism	2,315.15	2,017.75	14.74

Equity Trading Activity for 2007-2006

Value (BD 000)	2007	2006	Chg (%)
Jan	10,297	25,601	(59.78)
Feb	18,894	26,246	(28.01)
Mar	11,828	21,855	(45.88)
Apr	16,786	14,221	18.03
May	34,431	106,058	(67.54)
Jun	40,790	22,085	84.70
Jul	40,571	11,081	266.14
Aug	20,339	161,951	(87.44)
Sep	33,920	45,312	(25.14)
Oct	22,593	30,571	(26.10)
Nov	94,163	42,932	119.33
Dec	58,475	14,996	289.94
Market	403,086	522,908	(22.91)

Volume (BD 000)	2007	2006	Chg (%)
Jan	14,126	41,622	(66.06)
Feb	28,883	28,697	0.65
Mar	18,932	42,300	(55.25)
Apr	18,829	20,627	(8.71)
May	75,443	156,289	(51.73)
Jun	68,148	42,610	59.94
Jul	83,092	19,641	323.06
Aug	52,094	156,237	(66.66)
Sep	78,065	67,669	15.36
Oct	52,813	38,441	37.39
Nov	219,044	92,455	136.92
Dec	141,605	21,048	572.78
Market	851,075	727,635	16.96

No. of Transactions	2007	2006	Chg (%)
Jan	1,085	1,963	(44.73)
Feb	1,847	2,040	(9.46)
Mar	1,320	2,021	(34.69)
Apr	1,357	1,792	(24.27)
May	2,729	1,776	53.66
Jun	2,630	2,235	17.67
Jul	2,785	1,529	82.15
Aug	2,549	1,800	41.61
Sep	2,286	2,074	10.22
Oct	2,743	1,523	80.11
Nov	3,384	1,667	103.00
Dec	2,992	1,279	133.93
Market	27,707	21,699	27.69

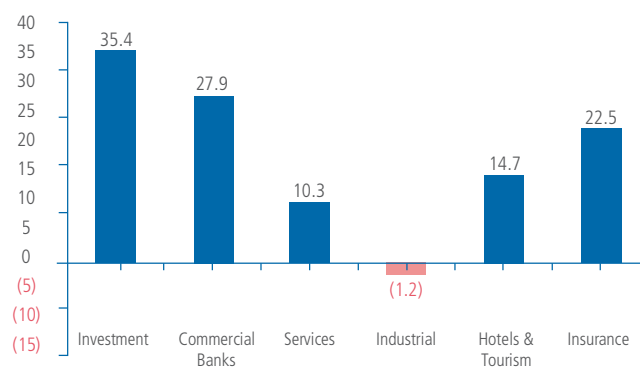


Key Statistical Data 2007 - 2006

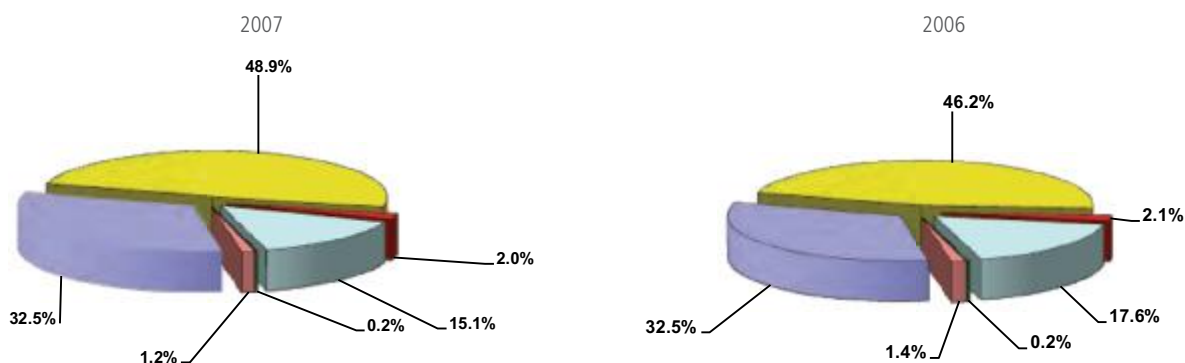
Comparison of Market Cap by Sectors (BD million)

Sector	2007	2006	Chg (%)
Commercial Banks	3,313.7	2,591.8	27.9
Investment	4,983.6	3,680.4	35.4
Insurance	205.2	167.5	22.5
Services	1,542.0	1,398.4	10.3
Industrial	16.6	16.8	(1.2)
Hotels & Tourism	124.0	108.1	14.7
Market	10,185.2	7,963.1	27.9

Sectorial Growth in Market Capitalization During 2007 (%)



The Breakdown of Market Capitalization by Sectors for the years 2007 & 2006



Commercial Banks Investment Insurance Services Industrial Hotels & Tourism Commercial Banks Investment Insurance Services Industrial Hotels & Tourism

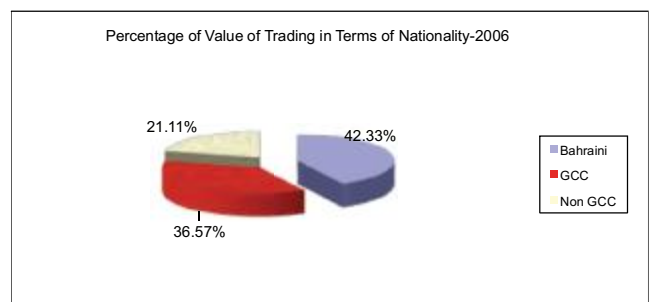
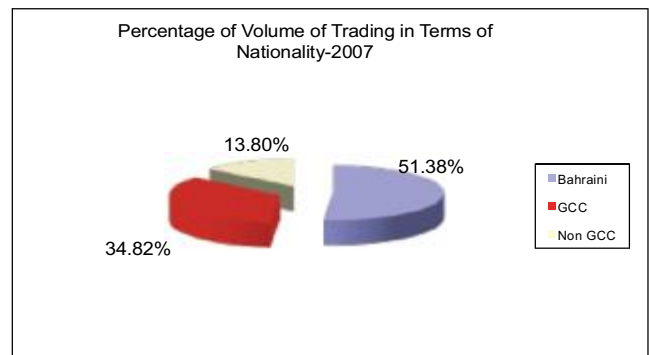
Trading by Nationalities

Volume	2007	2006	% Chg
Bahraini	874,566,693	614,826,102	42.25
GCC	592,676,460	624,473,301	(5.09)
Non GCC	234,907,661	215,970,189	8.77
Total	1,702,150,814	1,455,269,592	16.96

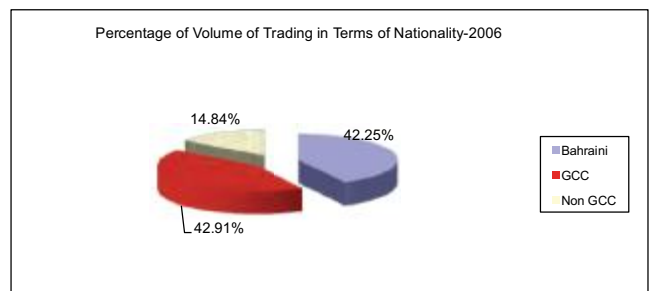
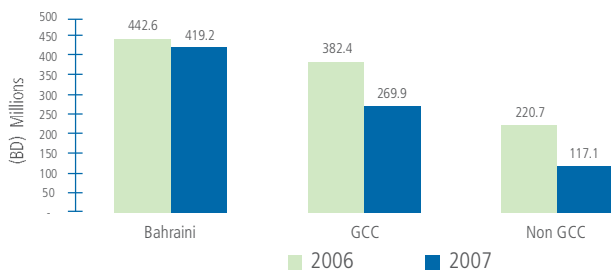
Value	2007	2006	% Chg
Bahraini	419,247,660	442,644,268	(5.29)
GCC	269,852,766	382,430,004	(29.44)
Non GCC	117,070,795	220,742,489	(46.96)
Total	806,171,221	1,045,816,761	(22.91)

Volume of Trading by Nationality (Buy & Sell)	2007	2006
Bahraini	51.38%	42.25%
GCC	34.82%	42.91%
Non GCC	13.80%	14.84%

Value of Trading by Nationality (Buy & Sell)	2007	2006
Bahraini	52.00%	42.33%
GCC	33.47%	36.57%
Non GCC	14.52%	21.11%



Trading by Nationalities (Value - BD)



Traded Securities and Instruments

Listed Companies on the BSE

Commercial Banks Sector

NATIONAL BANK OF BAHRAIN
BBK
AHLI UNITED BANK
BAHRAIN ISLAMIC BANK
THE BAHRAINI SAUDI BANK
AL SALAM BANK

Investment Sector

GULF MONETARY GROUP
ARAB BANKING CORPORATION
UNITED GULF BANK
INVESTCORP BANK
BAHRAIN MIDDLE EAST BANK
BAHRAIN COMMERCIAL FACILITIES CO.
UNITED GULF INVESTMENT CORPORATION
TAIB BANK
SHAMIL BANK OF BAHRAIN
ESTERAD INVESTMENT CO.
GULF FINANCE HOUSE
AL KHALEEJ DEVELOPMENT CO.
ITHMAAR BANK
ALBARAKA BANKING GROUP

Insurance Sector

BAHRAIN KUWAIT INSURANCE CO.
AL-AHLIA INSURANCE CO.
ARAB INTERNATIONAL INSURANCE CO.
TAKAFUL INTERNATIONAL CO.
ARAB INSURANCE GROUP
BAHRAIN NATIONAL HOLDING

Services Sector

BAHRAIN SHIP REPAIRING & ENGINEERING CO.
THE BAHRAIN CINEMA CO.
GENERAL TRADING & FOOD PROCESSING CO.
BAHRAIN MARITIME & MERCANTILE INTERNATIONAL CO

BAHRAIN TELECOMMUNICATIONS CO.
BAHRAIN CAR PARK CO.
BAHRAIN DUTY FREE SHOP COMPLEX
NASS CORPORATION
SEEF PROPERTIES

Industrial Sector

BAHRAIN FLOUR MILLS CO.
DELMON POULTRY CO.

Hotel & Tourism Sector

GULF HOTELS GROUP
NATIONAL HOTELS CO.
BAHRAIN TOURISM CO.
BAHRAIN FAMILY LEISURE CO.
BANADER HOTELS CO.

Closed Company

SECURITIES & INVESTMENT CO.
UNITED PAPER INDUSTRIES

Non-Bahraini Companies

BANK MUSCAT (Oman)
INTERNATIONAL INVESTMENT GROUP (Kuwait)
THE INTERNATIONAL INVESTOR (Kuwait)
SUDAN TELECOMMUNICATIONS CO. (Sudan)
QATAR TELCOM (Qatar)
UNITED FINANCE COMPANY (Oman)
GLOBAL INVESTMENT HOUSE (Kuwait)

Traded Securities and Instruments

Listed Mutual Funds

Islamic Development Bank Unit Investment Fund (\$)
SICO Selected Securities Funds (BD)
SICO Khaleej Equity Fund (\$)
MAN-AHLI Guaranteed 360 E.C Fund (\$)
MAN-AHLI Prisma Guaranteed E.C Fund (\$)
MAN-AHLI Guaranteed 220 Plus E.C Fund (\$)
TAIB American Explorer Fund (\$)
TAIB Everest Fund (\$)
TAIB Healthsciences Fund (Prev. Biomed Fund) (\$)
TAIB Crescent Global Fund (\$)
TAIB Income Fund (\$)
BNP Paribas Caravan Fund (\$)
First Arabian Equity 2000 Fund (\$) (Islamic)
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 (KWD)
The Zenith Fund (\$)
Global US Dollar Money Market Fund (\$)
Delmon Fund (BD)
Global US Equity Index Fund (\$)
Global GCC Real Estate Fund
Global European Equity Index Fund (e)
Global Distressed Fund (\$)
Global US Dollar Islamic Money Market Fund (\$)
Global Yield Enhancement Fund (\$)

Listed Bonds & Sukuk

Islamic Govt. Leasing Sukuk (Sixth Issue) - 2008
ALBA Floating Rate Bonds 2013
Government Islamic Leasing Securities - 2008 (7th Issue)
Convertible Bonds United Finance Company SAOG - 2008
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
Sukuk Al Manafa'a (Golden Belt 1 Sukuk Co.) 2012

Members of Exchange



Authorised Brokers

Brokerage Firms

Al Ahlia Securities
Ahli United Bank
Indo Gulf Financial Services
United Gulf Bank Securities Company
Global Investment House
Securities & Investments Co.
ABC Securities
BBK
TAIB Securities Co.
Gulf Securities Co.
Mubasher Financial Services

Individual Brokers

Abdulla Zain Al-Abedin Office
Nassir Abbas Khosrou Office
Yousif Al-Ajaji Office

Listing and Annual Subscription Fees

Listed Companies on the BSE

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:**

- 0.1% of the first BD10 million of the company's paid up capital, with a minimum of BD3,000/-.
- 0.05% of the amount exceeding BD10 million, up to BD 50 million.
- 0.025% of the amount exceeding BD50 million, with a maximum amount of BD20,000/-.

Clearing & Settlement:

- 0.0125% of the first BD15 million of the company's paid-up capital with a minimum of BD1,000.
- 0.00625% of the amount exceeding BD15 million of the company's paid-up capital, with a maximum gross fee 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:**

- 0.025% of the first BD5 million of the company's paid up capital, with a minimum of BD1,000/-.
- 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*: BD1,500

Annual Subscription**: BD2,000

Private & Non Bahraini:

Listing*: 0.05% of the total value with a minimum of BD2,000 and maximum of BD 5,000

Annual Subscription**: BD2,000

Currency Warrants:

Listing*: BD 250

Annual Subscription**: Nil

Transfer Agents:

Membership*: BD500

Annual Subscription: BD250

Individual Brokers:

Membership*: BD500

Annual Subscription: BD250

Brokerage Firms

Membership*: BD1,000

Annual Subscription: BD500

Custodianship:

Membership*: BD1,000

Annual Subscription: BD500

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 the company's registration will be taken into consideration and charged on a quarterly basis.

FINANCIAL STATEMENTS

For the year ended 31 December 2007

Board of Directors:

Rasheed Mohamed Al Maraj, Chairman
Anwar Khalifa Al Saddah, V.Chairman
Ali Salman Thamer, Member
Khaled Mohamed Kanoo, Member
Dr. Essam Abdullah Fakhro, Member
Hassan Ali Juma, Member
Shaikh Mohamed bin Essa AL-Khalifa, Member
Adel Mohammed Abdul Shafi El-Labban, Member
Abdul Majid Abdul Salam Breish, Member

Director of the Exchange:

Fouad A. Rahman Rashed

Offices:

The Bahrain Stock Exchange
Al-Hedaya House, Government Avenue
PO Box 3203, Manama, Bahrain
Telephone: 1726 1260, Fax 17256362

Bankers:

National Bank of Bahrain
Bank of Bahrain and Kuwait
Bahrain Saudi Bank

Auditors:

KPMG

Content

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Auditors' Report on the Financial Statements

REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS
Bahrain Stock Exchange, 11 May 2008
Manama, Kingdom of Bahrain

Report on the financial statements

We have audited the accompanying financial statements of The Bahrain Stock Exchange (The "Exchange"), which comprise the balance sheet as at 31 December 2007, 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 of the Exchange as at 31 December 2007, 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 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.

Balance Sheet

as at 31 December 2007

	Notes	2007	2006
Current assets			
Cash and bank		113,461	34,443
Short-term deposit		2,419,476	1,252,019
Accounts receivable	3	142,562	64,007
Other receivables	4	282,586	11,672
Total current assets		2,958,085	1,362,141
Non-current assets			
Held to maturity investments	5	267,706	267,706
Furniture and equipment	6	209,854	288,488
Total non-current assets		477,560	556,194
TOTAL ASSETS		3,435,645	1,918,335
CURRENT LIABILITIES			
Accounts payable		96,776	97,843
Accrued expenses and other accounts payable		131,990	23,346
Deferred revenue	11	500,000	-
Provisions for labour law obligations	7	41,105	32,706
TOTAL LIABILITIES		769,871	153,895
Accumulated surplus (page40)		2,665,774	1,764,440
Total Liabilities and accumulated surplus		3,435,645	1,918,335

Rasheed Mohamed Al Maraj
Chairman

Fouad A. Rahman Rashed
Director of the Exchange

The Board of Directors approved the financial statements consisting of pages 39 to 51 on 11 May 2008.

INCOME STATEMENT

for the year ended 31 December 2007

	Notes	2007	2006
INCOME			
Subscription fees		1,146,366	1,043,385
Registration fees		21,000	58,100
Dealing commission	8	908,426	477,505
Other income	9	169,869	193,788
Interest income		115,166	63,039
		2,360,827	1,835,817
EXPENSES			
Salaries and related costs		937,180	762,451
General and administrative		400,414	424,340
Remuneration of the Board of Directors and committees		18,600	18,400
Depreciation	6	103,299	103,127
Allowance for doubtful account	3	-	14,037
		1,459,493	1,322,355
Operating Surplus activate revenue		901,334	513,462
ACCUMULATED SURPLUS at 1 January		1,764,440	1,250,978
ACCUMULATED SURPLUS at 31 December		2,665,774	1,764,440

Rasheed Mohamed Al Maraj
Chairman

Fouad A. Rahman Rashed
Director of the Exchange

The financial statements are comprised of pages 39 to 51.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2007

	2007	2006
OPERATING ACTIVITIES		
Cash received from subscribers	1,147,144	1,091,399
Commissions and other revenues	1,046,031	679,672
Payments for salaries and related costs	(928,781)	(762,687)
Payments for general and administrative expenses	(585,818)	(443,317)
Payments for remuneration of the Board of Directors and committees	(18,600)	(18,400)
Net cash flows from operating activities	659,976	546,667
INVESTING AND FINANCING ACTIVITIES		
Acquisition of furniture and equipment	(24,665)	(70,127)
Financial support received from the Central Bank of Bahrain	500,000	-
Bank interest	111,164	62,149
Proceeds from fixed assets sale	-	900
Net cash flows from investing and financing activities	586,499	(7,078)
Net increase in cash and cash equivalents	1,246,475	539,589
Cash and cash equivalents at the beginning of the year	1,286,462	746,873
Cash and cash equivalents at the end of the year	2,532,937	1,286,462
Cash and cash equivalents per balance sheet comprising from:		
Cash and bank	113,461	34,443
Short-term fixed deposits	2,419,476	1,252,019
	2,532,937	1,286,462

The financial statements are comprised of pages 39 to 51.



Notes to the 2007 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.

In preparing these financial statements the Exchange has adopted IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements – Capital Disclosures. The adoption of IFRS 7 and amendments to IAS 1 impacted the type and amount of disclosures made in these financial statements, but has no impact on the reported profits or financial position of the Exchange. In accordance with the transitional requirements of the standards, the Exchange has provided the full comparative information.

(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.

The most significant applied accounting policies:

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

Expenses

Expenses of goods and services are recognised based on the value of goods delivered or services rendered during the financial year, even if not paid.

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.

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 2007 financial statements

3. ACCOUNTS RECEIVABLE

	2007	2006
Subscription and registration fees	61,210	40,988
Commissions receivable	68,428	22,548
Services fees receivable	12,924	14,508
	142,562	78,044
Impairment allowance	-	(14,037)
	142,562	64,007

4. OTHER RECEIVABLES

	2007	2006
Balances at 31 December		
Interest payable	8,374	4,373
Prepaid expenses	271,202	7,299
Accrued income	3,010	-
	282,586	11,672

5. HELD TO MATURITY INVESTMENTS

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

for the year ended 31 December 2007

6. FURNITURE AND EQUIPMENT

	Furniture and equipment	Computers	Vehicles	2007 Total	2006 Total
Cost					
At 1 January	353,286	1,322,899	7,435	1,683,620	1,745,133
Additions	5,374	19,291	-	24,665	73,377
Disposals	-	-	-	-	(134,890)
At 31 December	358,660	1,342,190	7,435	1,708,285	1,683,620
Depreciation					
At 1 January	269,375	1,125,137	620	1,395,132	1,425,378
Charge for the year	32,873	68,816	1,610	103,299	103,127
Disposal	-	-	-	-	(133,373)
At 31 December	302,248	1,193,953	2,230	1,498,431	1,395,132
Net book value	56,412	148,237	5,205	209,854	288,488

7. PROVISIONS FOR LABOUR LAW OBLIGATIONS

	2007	2006
Balances at 31 December		
Leave entitlements	36,098	27,845
Leaving indemnity and air tickets	5,007	4,861
	41,105	32,706

The Exchange employed 54 Bahraini nationals and 3 expatriates as at 31 December 2007 (50 and 3 employees respectively for 2006).

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 2007 amounted to BD 72,962 (2006: BD 53,724).

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.

Notes to the 2007 financial statements

8. DEALING COMMISSION

	2007	2006
Commission from ordinary dealings	347,207	408,561
Commission from exempted dealings	561,219	68,944
	908,426	477,505

9. OTHER INCOME

	2007	2006
Central depository income	44,706	133,559
Remote trading income	17,410	10,800
Advertisements	35,911	23,150
Services	14,520	14,520
Trading Data	28,767	3,438
Write-off of allowance for doubtful account	14,037	-
Other revenues	14,518	8,321
	169,869	193,788

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 Exchange (vacant position in 2007). There were no commercial transactions between the key management personnel and the Exchange during the year. Their short term compensation is as follows:

	2007	2006
Salaries and related costs	64,197	68,684
Board and committees attendance fees	18,600	18,400

11. DEFERRED REVENUES

Deferred revenue represents the financial support received from the Central Bank of Bahrain (CBB) for assisting the Exchange to move to its new location in the Bahrain Financial Harbour.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Financial instruments include financial assets and financial liabilities. Financial assets of the Exchange include cash and cash equivalents, accounts receivable, held-to-maturity investments. Financial liabilities of the Exchange include trade payables and other financial current liabilities.

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

- credit risk
- liquidity risk
- market risk

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

The Board of Directors has overall responsibility for the establishment and oversight of the Exchange's risk management framework. The Board has established certain executive management committees, which assist the Board of Directors in effectively discharging their responsibilities for developing and monitoring the Exchange's risk management policies.

The Exchange audit committee oversees how management monitors compliance with the Exchange's risk management procedures and review the adequacy of the risk management practices in relation to the risks faced by the Exchange.

The Exchange audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation and cause the Exchange to incur a financial loss. The Exchange is exposed to credit risk primarily on its cash and cash equivalents, accounts receivable and investment in funds, and debt instruments.

Exchange's credit risk on cash and cash equivalents is limited as these are placed with banks in Bahrain having good credit ratings.

The Exchange establishes provision for impairment of accounts receivables 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 accounts receivable is impaired.

The Exchange manages credit risk on its investments by ensuring that investments are made only after careful credit evaluation and due diligence of the issuer of the security. The Exchange limits its exposure to credit risk by mainly investing in government securities.

Notes to the 2007 financial statements

The ageing of accounts receivables at the reporting date was:

	2007		2006	
	Gross	Impairment	Gross	Impairment
Not past due	52,182	-	9,994	-
Past due 0-90 days	27,726	-	8,035	-
Past due 91-180 days	8,899	-	667	-
More than 180 days	53,755	-	59,348	14,037
	142,562	-	78,044	14,037

No past due impaired accounts receivables as at 31 December 2007 (2006: BD 68,050) and impairment provision as at 31 December 2007 is nil (2006: 14,037), which represents incurred losses determined on a specific loss basis.

Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Exchange will not be able to meet its financial obligations as they fall due. The Exchange's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Exchange's reputation.

Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Exchange ensures that a significant amount of the funds are invested in cash and cash equivalents, which are readily available to meet liquidity requirements.

The following are the contractual maturities of financial liabilities:

2007	Carrying amount	6 months or less	6-12 months	1-2 years	More than 2 years
Financial liabilities					
Accounts payable	96,776	1,948	6,238	-	88,590
Accrued expenses and other current liabilities	131,990	99,911	32,079	-	-
	228,766	101,859	38,317	-	88,590

The following are the contractual maturities of financial liabilities:

2006	Carrying amount	6 months or less	6-12 months	1-2 years	More than 2 years
Financial liabilities					
Accounts payable	97,843	1,020	10,432	86,391	-
Accrued expenses and other current liabilities	23,346	19,546	3,800	-	-
	121,189	20,566	14,232	86,391	-

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Exchange's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Exchange incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors.

Interest rate risk

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

The Exchange's interest rate risk is limited to its interest bearing short-term deposits and investment in debt instruments. The Exchange's short-term bank deposits are at fixed interest rates and mature within 90 days. The Exchange's investment in debt instruments is at variable interest rates. The Exchange earned an effective interest rate of 4.6 % p.a. for the year ended 31 December 2007 (2006: 4.5%) and 3.75% on Islamic leasing sukuk (2006: 3.75%).

At the reporting date, the interest rate profile of the Exchange's interest-bearing financial instruments was:

	2007	2006
Fixed rate instruments		
Short-term bank deposits	2,419,476	1,252,019
Variable rate instruments		
Investment in debt instrument	267,706	267,706
	2,687,182	1,519,725

Notes to the 2007 financial statements

Capital Management

The Board's policy is to maintain acceptable reserve for the Exchange so as to maintain investor, creditor and market confidence and to sustain future development of the Exchange. The Exchange uses the available financial surplus by investing in low risk investment with achieving acceptable return for the Exchange.

Foreign exchange risk

Foreign exchange risk is the risk that the Exchange's earning will be affected as a result of fluctuations in currency exchange rates.

Predominantly, the purchase of product is from local suppliers. The US dollar is pegged against the Bahraini dinar and therefore the Exchange is not exposed to any significant risk.

Fair values

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 values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and bank	113,461	113,461	34,443	34,443
Fixed and short-term deposit	2,419,476	2,419,476	1,252,019	1,252,019
Accounts receivable	142,562	142,562	64,007	64,007
Other receivable	282,586	282,586	11,672	11,672
	2,958,085	2,958,085	1,362,141	1,362,141
Accounts payable	96,776	96,776	97,843	97,843
Accrued expenses and other payables	131,990	131,990	23,346	23,346
Deferred revenue	500,000	500,000	-	-
	728,766	728,766	121,189	121,189

13. FIDUCIARY ACTIVITIES

There are two bank accounts with total balance of BD 23,742 as 31 December 2007 (2006: BD 58,239) 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.

14. 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.

15. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Exchange makes estimates and assumptions that affect the reported amount of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimations

The Exchange determines that investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. Where fair values are not available, the recoverable amount of such investment is estimated to test for impairment. In making this judgment, the Exchange evaluates among other factors, the normal volatility in share price, evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

The Exchange reviews the carrying amounts of the receivables at each reporting date to determine whether the receivables have been impaired. Specific evaluation is made for each receivable balance and the recoverable amount is estimated based on past experience with each customer and estimated cash flows.

16. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

During the year, the following relevant new / amended IFRS standards and interpretations have been issued, which are not yet mandatory for adoption by the Group:

IAS 1 – Presentation of financial statements

The adoption of these standards and interpretations are not expected to have a material impact on the financial statements

