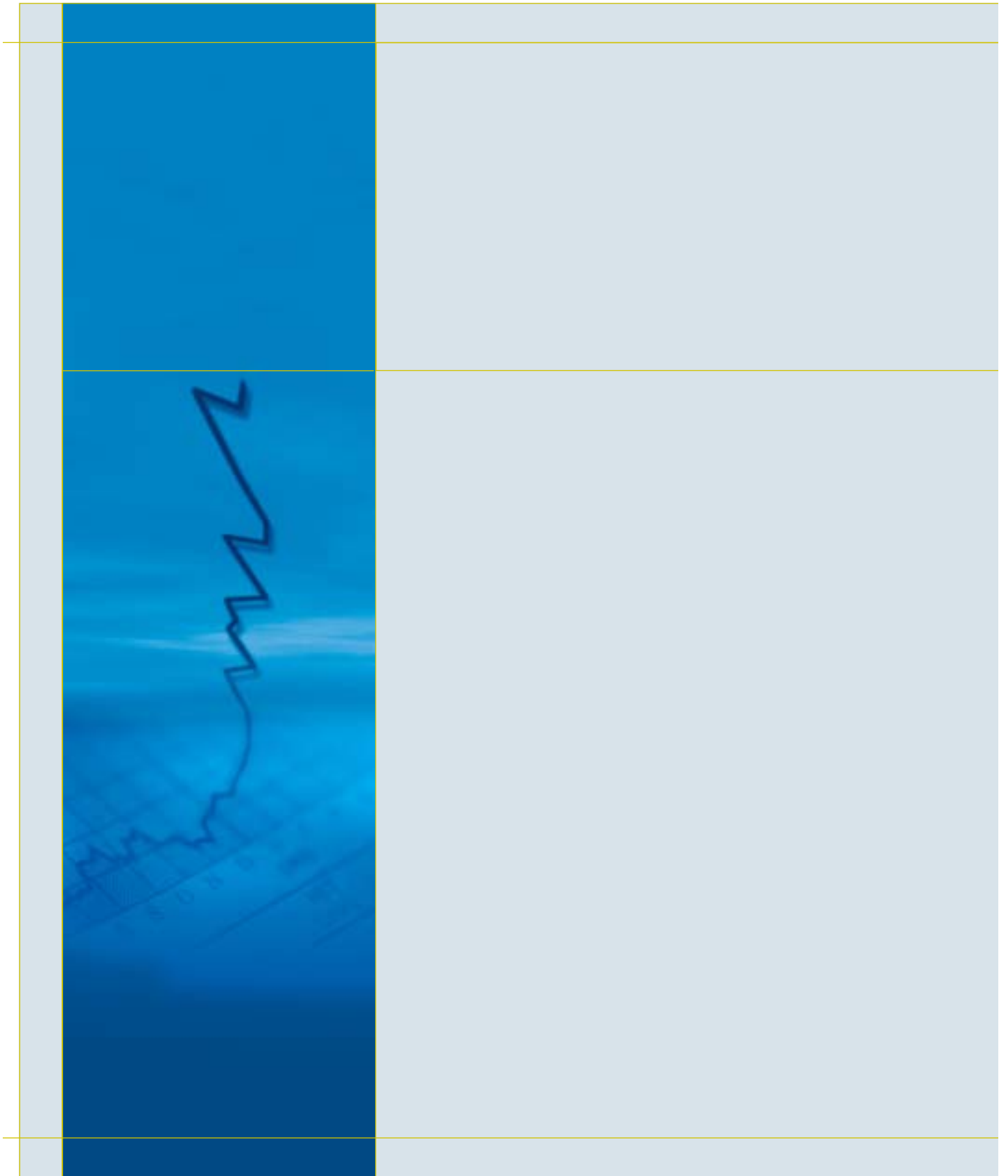




سوق البحرين للأوراق المالية  
Bahrain Stock Exchange

A N N U A L R E P O R T  
2 0 0 4

[www.bahrainstock.com](http://www.bahrainstock.com)





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



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



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

**Bahrain Stock Exchange**

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## Chairman's Statement

In continuation of the robust performance the Bahrain Stock Exchange and the other Bourses in the Region recorded in the year 2003 many positive factors continued to influence the performance of these markets in the year 2004. High oil prices have made it possible for more government spending on the infrastructure and has in turn led to activation of the various sectors of the economy in the countries of the region. The low interest rates environment and the narrow margins of interest rate movement during the year as well as the good results posted by many public share-holding companies, have both played a significant role in directing more liquidity to the stock Exchanges, which reflected positively on the volumes and prices of most of the listed shares traded in the Bahrain Stock Exchange and the other GCC Bourses.

As part of the efforts of the Bahrain Monetary Agency (BMA), in its capacity as the regulatory authority in charge of the supervision of the Capital Market Sector in the Kingdom of Bahrain, and in an attempt to support this sector and enhance its competitiveness, an action plan was launched during the year 2004 to complement the regulatory and supervisory framework for this sector in line with the international standards set by the International Organization of Securities Commission. Under this initiative BMA has also issued the Disclosure Standards for companies listed in the Bahrain Stock Exchange as well as the Directives relating to the prevention & prohibition of Money Laundering at the Bahrain Stock Exchange". BMA also issued the draft of Securities Regulations in a consultation paper intended to solicit the views of the industry participants in this sector and the concerned parties before it is published in a final form.

Within the framework of its strategy aiming at the promotion of the Kingdom of Bahrain as a leading regional centre for listing and trading in debt securities, BMA issued the "Guideline for the Issuing, Offering And Listing of Islamic Debt Securities" in the Bahrain Stock Exchange. The new guideline puts the Bahrain Stock Exchange in the limelight and presents it as a reliable source of debt origination on which institutions may consider as means of expanding their business or increasing capital.

To enhance the position of Bahrain as a leading financial centre in the Region, Bahrain First Capital Market Forum was organized with the aim of promoting the investment environment in the Kingdom both regionally and internationally, on all regulatory and technical levels. The forum was attended by a number of senior experts in the capital markets from all over the world.

BSE has accomplished many achievements during the previous year, and we are confident of its ability to steadily take all possible measures to boost BSE role and contribution to the economic development process in the Kingdom, building on the sophisticated and developed infrastructure of the capital market, on one hand and the high technological edge available on the other in order to provide alternative investment options that are attractive to local and foreign investors alike.



I am honoured to take this opportunity to express our gratitude and appreciation to 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 the Commander in Chief of the Bahrain Defence Force, for the valuable directions and the continued support to the Stock Exchange.

It also gives me great pleasure to express our thanks and appreciation to H.E. Shaikh Ahmed bin Mohamed Al Khalifa, Minister of Finance, and the Former Chairman of the Bahrain Stock Exchange for his valued efforts and sound leadership for the BSE during the past years.

Many thanks go also to the members of the BSE's Board of Directors, officers and the rest of BSE's staff for the efforts exerted by them during the year, hoping they will continue their efforts in the days to come in order to achieve further advancement and development to BSE. I also thank all the listed companies for their continued cooperation and support extended to BSE's various projects.

**Rasheed Mohammed Al-Maraj**  
Chairman



## Director's Message

The Bahrain Stock Exchange and the other GCC bourses have shown excellent performance in the year 2004 driven by positive indicators recorded by GCC economies, which led to the increase of national income and decrease national debt figures. In addition, the good results posted by most of the public share-holding companies during 2004 and the narrow movements of interest rate at low levels have all led to improve the investment environment in the Stock Exchanges and make it more attractive to investors.

The Bahrain All Share Index was up by 32% during 2004 in which the total value of traded shares increased by 75.2% and the number of transactions by 7.6%. The market capitalization of Bahraini public shareholding companies listed in the BSE increased by 39.2% compared to the previous year, while the total volume of traded shares declined by 17% for the year.

The BSE continued its efforts during 2004 to achieve its strategic objectives in serving the national economy of the Kingdom. Within this context, the year 2004 witnessed the listing of two public share-holding companies, one of which a Bahraini and the other is a GCC company, to bring the total number of listed companies on the BSE to 45 companies with aggregate market capitalization of BD 5.1 billion. Four Islamic Sukuk and two conventional bonds were listed during the year of which one of the latter was issued by a Bahraini company and the other by a GCC company to bring the total number of bonds and Sukuk listed to 20 issues with an aggregate value of US\$ 3.1 billion.

In the year 2004 the BSE launched two new indices, namely the Bahrain All Share Index and Esterad Index, to provide a standard measurement tool capable of reflecting a more clear picture to the investors on the movement of the listed companies' share prices.

Throughout 2004 the BSE continued its cooperation with other bourses and relevant institutions. Two Memos of Understanding (MOU) were signed with the International Islamic Markets Federation and Cairo and Alexandria Bourse. The first aims at developing the Islamic capital markets particularly in the area of listing and trading of Islamic financial instruments and products on the Secondary Markets, while the other aimed to boost and increase cooperation between the two Exchanges through exchanging experience and information on development aspects carried out by the two parties, to encourage cross-listing and to increase the awareness of the legal environment and investment opportunities available in both Stock Exchanges.

On this occasion, on behalf of BSE, I am honoured to extend my sincere thanks and gratitude to our wise leadership headed by 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 the Commander in Chief of the Bahrain Defence Force, for their continuous support to the BSE since its inception.

It also gives me great pleasure to present our thanks to H.E. Chairman of Bahrain Stock Exchange, the Board of Directors, members of the BSE's Board of Directors, and the staff for their outstanding efforts during the year, looking forward continuing with the same enthusiasm to achieve further prosperity and development of the BSE. Our thanks go to all the listed companies for their continuous support and cooperation they've given to the BSE.

**Fouad Abdul Rahman Rashid**  
Director of the Bahrain Stock Exchange



## Board of Directors

**Mr. Rasheed Mohammed Al-Maraj**  
Governor of the Bahrain Monetary Agency  
Chairman

**Mr. Ali Salman Thamer\***  
Bahrain Monetary Agency  
Capital Markets Supervision Directorate

**Mr. Khalid Mohammed Kanoo**  
Bahrain Chamber of Commerce & Industry

**Dr. Essam Abdulla Fakhro**  
Bahrain Chamber of Commerce & Industry

**Mr. Adnan Ahmed Yousif\***  
Bahrain Islamic Bank

**Dr. Fareed Ahmed Al Mula**  
Bank of Bahrain & Kuwait

**Shaikh Mohammed Bin Isa Al Khalifa\***  
Securities & Investment Company

**Mr. Abdul Wahab A. Hassan Al Mansoor**  
Indo Gulf Financial Services

\* Member of Executive Committee



## Management Team

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

**Mr. Jassim A. Karim Salman**  
Deputy Director for IT & CDS

**Mr. Yousif Ahmed Al Sharaf**  
Head of Finance and Administration Department

**Mr. Issa Al-Ammadi**  
Head of Operations

**Mr. Abdul Hamid A. Ghaffer**  
Head of Financial Analysis and Information Unit

**Mr. Ali Ahmed Al Mansoor**  
Head of Public Relations Unit

**Mr. Mohammed Khaled Hamed**  
Internal Auditor



## World Stock Markets Performance During 2004

### International Markets

Soaring Oil prices have had their impact on the world economies in the year 2004. The Brent crude oil has reached an unprecedented level exceeding the US \$ 50 barrier before closing at US \$ 40 by the end of the year. This surge in oil prices was triggered by an increase in global demand on oil, especially from the Asian continent with China ranking second to USA as the largest global oil consumer.

During 2004 the performance of the US economy showed relative improvement as it grew by 4.5% despite the various negative economic indicators recorded including the deficit in trade balance and budget, the slow increase in saving margins, the weakness of the US Dollar against the Euro and the Sterling Pound, and the high unemployment rate of 5.4%. The price of precious metals has increased remarkably with Gold reaching its highest level in 16 years.

Moving to Europe, the Euro zone economy posted a 2% growth while its exports, which spearheads the growth vehicle, suffered from the weakness of the US Dollar. The strong Euro curbed the economic growth in the Eurozone as it reached US\$1.3294 in December 2004 compared to the lowest level of US\$0.8252 recorded in October 2000.

In Asia, China continued its robust economic growth recording 9.5% with an average growth rate of 8.2% throughout the period of 1980 – 2004, counting alone for around 13% of the world GDP compared to 3.2% in 1980. On the other hand, Japan which has recently recovered from a decade long recession, is still concerned about a rise in Yen against the US Dollar.

The major Stock Exchanges in the world closed the year 2004 on a positive note with the American Market recording a growth at rate of 9% according to Standard & Poors 500 index, followed by the Japanese Market which rose by 7.6%, the British 7.5 %, the French 7.40%, and the German Market 7.3%.

### Regional Markets

The GCC countries enjoyed an unprecedented increase in oil revenues of around 35% which has translated into a growth in public spending and a decrease in public debt. The Stock Markets in the region were injected, with high levels of liquidity leaving clear positive impact on their activity and in turn triggering trading up to new record volumes. In the UAE, the general Index of the Emirates Securities and Commodities Authority was up by 96.20% followed by the Saudi Index rising by 84.9%, then Qatar by 64.5%, Kuwait, Bahrain and Oman increased by 33%, 32.7% and 23.8% respectively.

### The Local Market

Bahrain continued to maintain its leading position among all Arab countries since 1995 on the Economic Liberalization Index prepared by the Heritage Foundation and Wall Street Journal, while it was ranked 72nd on the Direct Foreign Investment Attraction Index according to the International Investment Report issued in 2004 issued by the International Conference on Trade & Development (INCTAD).



Bahrain has also scored the best result among all Arab Countries on the Human Development Index for the year 2004 issued by the United Nation Development Program (UNDP). The Free Trade Agreement signed with the United States of America is expected to enhance the position of Bahrain as a regional center attracting regional and international investments which would contribute to the National Domestic Product forecasted to grow by 6% for the year 2004.

On the Capital Market Front, the Bahrain All share index closed the year 2004 up by 32.68%, led by the Services Sector which grew by 59.74% followed by the Insurance Sector 45.54%, the hotels Sectors 37.68%, the Banks Sector 33.87%, the Investment Sector 18.2% and the Industrial Sector which rose by 4.19%. The market capitalization for companies listed in the Bahrain Stock Exchange increased by 40.7% led by the Insurance Sector 61.22% followed by the Services Sector 47.77%, the Investment Sector 41.88%, the Hotels Sector 37.68%, the Banks Sector 33.87% and the Industry Sector 4.19%.

The total value of shares traded on BSE during the year 2004 was BD. 174.6 Million, with an increase of 70.71% compared to the year 2003. Bahraini investors accounted for 67.30%, while the GCC investors for 25.34% and the non-GCC investors for 7.36% of the total value. The number of executed transactions increased to 15.7 thousand in 2004 compared to 14.6 thousand in 2003. Trading volumes for the year reached 336.5 Million shares; compared to 405.6 million shares in 2003.

#### **New Listings:**

##### **A) Companies/Stocks:**

Two new companies listed their shares on BSE in 2004, namely the Gulf Finance House as a public shareholding Company in the investment sector, and Global Investment House "Global", as a Kuwaiti company.

##### **B) Bonds & Sukuk**

The year 2004 witnessed the listing of a number of Government and private issues where the Government of Bahrain has listed a bond issue of US \$ 500 million. The National Industrial Holding Group, a Kuwaiti shareholding Company, also listed its US \$60 Million bonds, bringing the total value of bonds listed at the end of 2004 to BD. 424.6 Million compared to BD 213.5 Million in the year 2003, an increase of 98.9%.

On the other hand, during the year, BSE has listed US\$250 million of Sukuk issued by the Bahrain Monetary Agency on behalf of the Government of Bahrain, and also listed the Eighth issue of Ijarah Sukuk valued at US\$50 million, as well as another US\$40 million Ijarah Sukuk. The year also saw the listing of LMC EMMAR Ijara Sukuk with a value of US \$ 65 million. Those listings increased the number of Sukuk listed to 12 with a total value of BD 662.1 Million bringing the total number of Sukuk and bonds listed on the BSE to 20 with a total value of BD. 1103.6 Million.

##### **C) Mutual Funds**

By the end of 2004 the total number of Mutual Funds listed in the BSE reached 23 funds after listing the SICO Khaleej Equity Fund.



## Bahrain Stock Exchange - 2004

In 2004, the Bahrain Stock Exchange (BSE) continued focusing on developing its technical infrastructure, internal working environment and the foreign relations in order to ensure a healthy environment that would participate to increase trading in BSE and to attract more investment to the Kingdom.

### **Technical Infrastructure:**

BSE continually utilizes and upgrades its existing technology to enhance its work productivity and efficiency which helped in producing more accurate and less time-consuming reports, and also to provide many services that enable investors to follow up price fluctuations through BSE website.

### **Listing:**

In coordination with BMA and other industry participants, the following listing took place in BSE in 2004:

- 20 January Gulf Finance House as a public shareholding company with a paid-up capital of US\$135 million.
- 20 February US\$50 million Islamic Sukuk issued by Bahrain Monetary Agency on behalf of Ministry of Finance and National Economy.
- 25 March "Khaleej Equity Fund" issued by SICO Funds Company.
- 7 May A US\$60 million bond issue National Industries Group (NIG)
- 16 June A US\$ 500 million notes issued by the Ministry of Finance and National Economy on behalf of the Government of the Kingdom of Bahrain.
- 12 July The first BMA International Sukuk valued at US\$ 250 million.
- 10 August A BD 40 million leasing Sukuk issued by Bahrain Monetary Agency on behalf of the government of the Kingdom of Bahrain.
- 7 October A US\$ 65 million Ijara sukuk issued by LMC Emmar Sukuk Company.
- 10 October Global Investment House "Global" with a paid up capital of KD 20.8 million.

**Foreign Relations:**

The BSE signed a Memorandum of Understanding with the International Islamic Financial Market to strengthen Global Capital Islamic Market and encourage the financial institutions to benefit from the opportunities offered by this market.

Another MOU was signed with Cairo & Alexandria Bourses to enhance cooperation, exchange experience and information, encourage listing and organizing training courses between both bourses.

**Marketing and Promotion:**

Taking in consideration the importance of having a generation of journalists that is capable to professionally deal with local, international business development, and also to encourage students of University of Bahrain (UOB) to consider in Business Media as a major study. BSE agreed with UOB to present a reward of recognition in Business Media as of 2004.

Moreover, BSE participated in many conferences such as First Capital Market Forum, Middle East Financial Technology Conference that were held in Bahrain, the Annual Meeting of International Organization of Securities Commotion (IOSCO) held in Jordan and The Role of GCC Bourses to Enhance Economic Development in GCC Countries held in Oman.

**Training:**

During 2004, BSE keeps on implementing training strategy by sending most BSE staff to attend different training courses and workshops to enhance their skills. In addition, internal workshops were organized for the staff.



## Key Statistical Data 2004 - 2003

No. of Listed Companies	Common Shares		Preferred Shares	
	2004	2003	2004	2003
Bahraini	35	35	1	1
Closed	3	3		
Non Bahraini	7	6		
Total	45	44	1	1

No. of Listed Bonds	2004	2003
<b>Bonds</b>		
Corporate	6	5
Government	2	1
<b>Sukuk</b>		
Corporate	1	0
Government	11*	8*

\*Include one Malaysian Government

No. of Listed Mutual Funds	2004	2003
	23	29

BSE Index	2004	2003	% Chg
Year end	3054.20	2346.29	30.17
High	3068.73	2346.29	30.79
Low	2282.73	1727.40	32.15

Bahrain All Share Index	2004	2003	% Chg
Year end	1773.65	1336.83	32.68
High	1773.65	1361.05	30.31
Low	1337.12	1001.76	33.48

### Sectors Indices

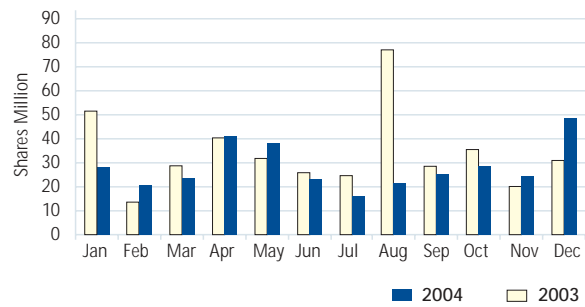
Bahrain All Share Index	2004	2003	% Chg
Commercial Banks	2,189.84	1,635.75	33.87
Investment	1,359.72	1,150.33	18.20
Insurance	2,104.88	1,446.24	45.54
Services	1,872.38	1,172.13	59.74
Industrial	1,346.45	1,292.25	4.19
Hotel & Tourism	2,035.63	1,478.52	37.68



## Trading Activities During 2004 - 2003

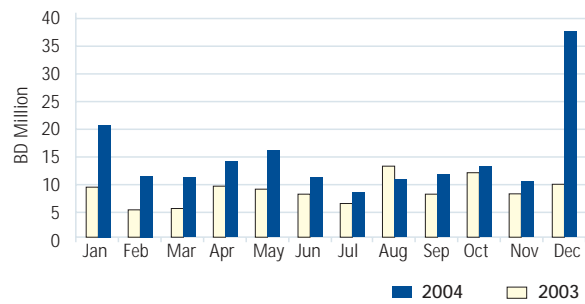
### Volume (000)

Month	2004	2003	% Chg
Jan	28,369	51,114	(44.50)
Feb	20,339	13,309	52.82
Mar	23,128	28,220	(18.04)
Apr	40,768	40,320	1.11
May	38,197	31,757	20.28
Jun	23,108	25,384	(8.97)
Jul	15,718	24,789	(36.59)
Aug	21,359	76,705	(72.15)
Sep	25,088	28,493	(11.95)
Oct	28,335	35,409	(19.98)
Nov	24,016	19,577	22.67
Dec	48,090	30,527	57.53
<b>Market</b>	<b>336,514</b>	<b>405,604</b>	<b>(17.03)</b>
No. of Trading Days	247	247	



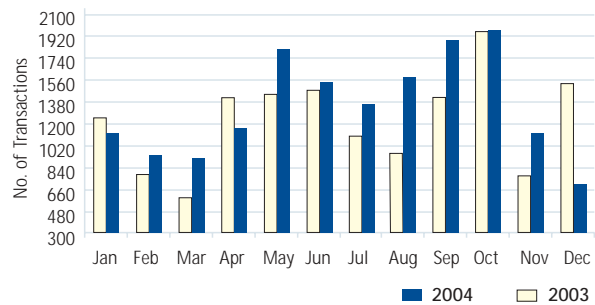
### Value (BD 000)

Month	2004	2003	% Chg
Jan	20,678	9,033	128.90
Feb	11,167	4,957	125.25
Mar	10,738	5,418	98.18
Apr	13,728	9,424	45.67
May	16,011	8,944	79.00
Jun	10,894	7,928	37.40
Jul	8,266	6,192	33.49
Aug	10,469	12,877	(18.70)
Sep	11,561	7,995	44.61
Oct	13,017	11,732	10.96
Nov	10,327	8,029	28.63
Dec	37,719	9,731	287.60
<b>Market</b>	<b>174,574</b>	<b>102,261</b>	<b>70.71</b>



### No. of Transactions

Month	2004	2003	% Chg
Jan	1,135	1,239	(8.39)
Feb	997	877	13.68
Mar	974	725	34.34
Apr	1,174	1,371	(14.37)
May	1,679	1,385	21.23
Jun	1,461	1,426	2.45
Jul	1,322	1,121	17.93
Aug	1,499	1,010	48.42
Sep	1,736	1,369	26.81
Oct	1,807	1,789	1.01
Nov	1,142	867	31.72
Dec	818	1,450	(43.59)
<b>Market</b>	<b>15,744</b>	<b>14,629</b>	<b>7.62</b>



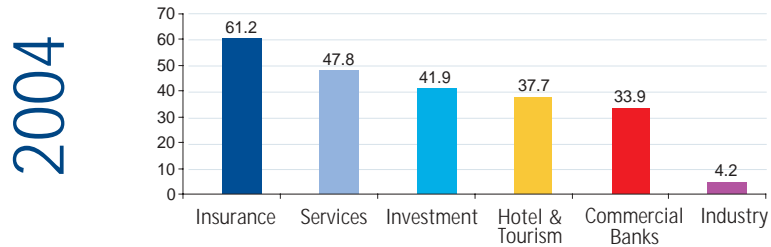


## Key Statistical Data 2004 - 2003

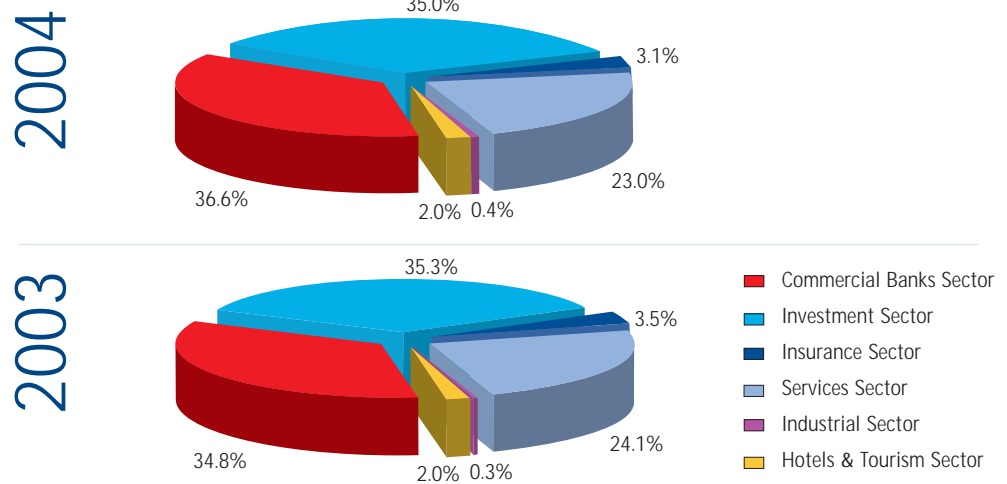
### Market Capitalisation (BD Million)

	2004 BD million	2003 BD million	% Change
Commercial Banks	1,778.5	1,328.5	33.9
Investment	1,800.5	1,269.0	41.9
Insurance	179.4	111.3	61.2
Services	1,231.4	833.3	47.8
Industrial	15.6	14.9	4.2
Hotel & Tourism	99.6	72.4	37.7
<b>Market</b>	<b>5,104.9</b>	<b>3,629.3</b>	<b>40.7</b>

### Percentage Growth in Sectorial Market Capitalization During 2004

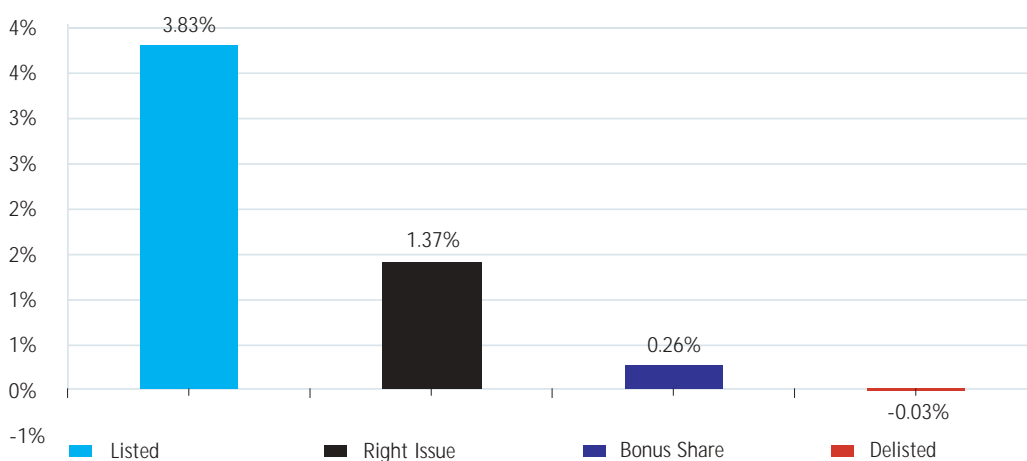


### The Breakdown of Market Capitalisation by Sector, for the Years 2004 and 2003



### Change In Paid-Up Capital for the BSE Market in 2004

2004	
Listed	3.83%
Right Issue	1.37%
Bonus Share	0.26%
Delisted	-0.03%



### % Change in Paid Up Capital for each Sector as of the end 2004

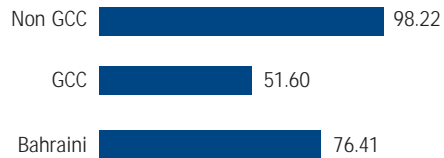
Sectors	Bonus Share	Right Issue	Delisted	Listed
Commercial Banks				
Investment	0.10%		-0.05%	7.06%
Insurance	0.44%	22.93%		
Services	1.23%			
Industrial				
Hotel & Tourism	3.06%			



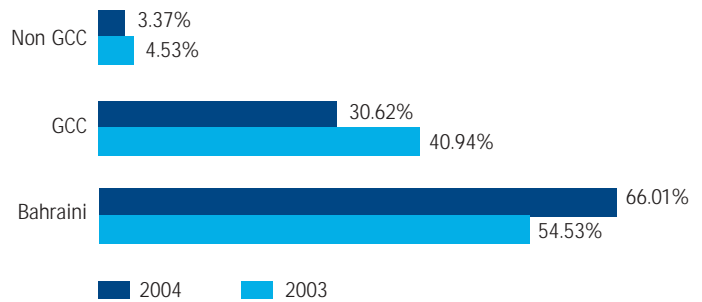
## Key Statistical Data 2004 - 2003

### Trading Value in Terms of Legal Entity and Nationality

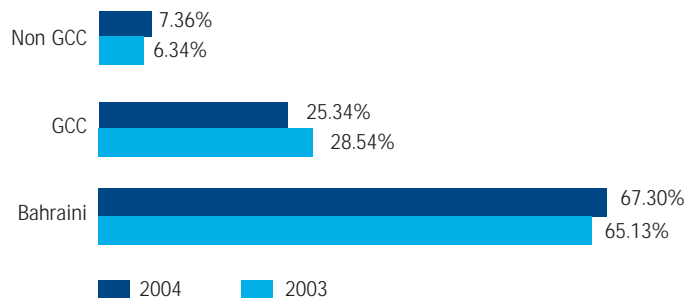
% Growth in Trading by Nationalities (Value) 2004 - 2003



### Trading Volume in terms of Nationality (Buy & Sell)



### Trading Value in terms of Nationality (Buy & Sell)



## Traded Securities and Instruments

### Listed Companies on the BSE :

#### Commercial Banks Sector

National Bank of Bahrain  
Bank of Bahrain & Kuwait  
Ahli United Bank  
Bahraini Islamic Bank  
The Bahraini Saudi Bank

#### Investment Sector

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

#### Insurance Sector

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

#### Services Sector

Bahrain Ship Repairing & Eng. Co.

Bahrain Cinema Co.  
General Trading & Food Process. Co.  
Bahrain Maritime & Mercn. Int. Co  
Bahrain Telecommunications Co.  
Bahrain Car Parks Co.  
Bahrain Duty Free Shop Complex

#### Industrial Sector

Bahrain Flour Mills Co.  
Delmon Poultry Co.

#### Hotel & Tourism Sector

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

#### Closed Companies

Al Khaleej Development Co.  
Securities & Investment Co.  
United Paper Industries

#### Non-Bahraini Companies

BankMuscat ( Oman )  
International Investment Group ( Kuwait )  
International Investor ( Kuwait )  
Sudan Telecommunications Co. ( Sudan )  
Qatar Telecom ( Qatar )  
United Finance Company (saog) ( Oman )  
Global Investment House ( Kuwait )



## Traded Securities and Instruments

### Listed Mutual Funds:

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Islamic Development Bank Unit Investment Fund (\$)	TAIB Rocky Mountain Fund (\$)
SICO Selected Securities Funds (BD)	TAIB Thames Fund (\$)
SICO Assured International Fund (SAIF)	BNP Paribas Caravan Fund (\$)
SICO Khaleej Equity Fund	First Arabian Equity 2000 Fund (\$) (Islamic)
MAN-AHLI Guaranteed 360 E.C Fund (\$)	Gulf International Bank Falcon High Yield Defencive Fund (\$)
MAN-AHLI Prisma Guaranteed Fund E.C Fund (\$)	Gulf International Bank Falcon emerging Markets Bond Fund (\$)
MAN-AHLI Guaranteed 220 Plus E.C Fund (\$)	Gulf International Bank Falcon Dollar High Yield Fund (\$)
TAIB American Explorer Fund, Ltd. (\$)	Gulf International Bank Global Equity Fund (\$)
TAIB Everest Fund (\$)	Gulf International Bank Enhanced Liquidity Fund (\$)
Taib Healthsciences Fund (Prev. Biomed Fund)	Gulf International Bank Falcon Relative Value Fund (\$)
TAIB Crescent Global Fund (\$)	The Investment Trust Fund Investment Trust Capital Guaranteed G Fund (BD)
TAIB Income Fund (\$)	

### Listed Bonds & Sukuk:

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Long term Government Bonds	Government Islamic Leasing Securities - 2008 (7th Issue)
BCFC Bonds (3rd issue)	Convertible Bonds United Finance Company (saog) - 2008
BCFC Bonds (4th issue)	Malaysian Global Sukuk - 2007
Islamic Govt. Leasing Sukuk	United Gulf Bank Bond - 2006
Islamic Govt. Leasing Sukuk (2nd Issue)	Islamic Government Leasing Sukuk (8th Issue) - 2006
Islamic Govt. Leasing Sukuk (3rd Issue)	National Industries Group Holding
Islamic Govt. Leasing Sukuk (6th Issue)	The Kingdom of Bahrain Notes - 2008
Islamic Govt. Leasing Sukuk (4th Issue)	BMA International Sukuk Company (SPC) 2009
Islamic Govt. Leasing Sukuk (5th Issue)	Ijarah Sukuk in Bahraini Dinar by BMA
ALBA Floating Rate Bonds 2013	EMAAR Variable Return Ijara Sukuk 2009

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## Members of the Exchange

### Brokers' List:

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#### Brokerage Firms

ABC Securities

Bank of Bahrain & Kuwait Financial Services

Ahli United Bank

Gulf Securities

IndoGulf Securities

Securities & Investments Co.

TAIB Securities Co.

Gulfinvest Securities

U.G.B Securities

Global Investment House

#### Individual Brokers

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Abdulla Zain Al-Abedin

Nassir Abbas Khosrou

Yousif Al-Ajaji

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## Listing and Annual Subscription Fees

### Local Equities

**Listing\*:**

0.1% of the company's paid-up capital, with a maximum amount of BD 15,000 and a minimum amount of BD 5,000.

**Annual subscription\*\*:**

- 1- 0.1% of the first BD 10 million of the company's paid up capital, with a minimum of BD 3,000/-.
- 2- 0.05% of the amount exceeding BD 10 million, up to BD 50 million.
- 3- 0.025% of the amount exceeding BD 50 million, with a maximum amount of BD 20,000/-.

**Clearing & Settlement:**

- 1- 0.0125% of the first BD 15 million of the company's paid-up capital with a minimum of BD 1,000.
- 2- 0.00625% of the amount exceeding BD 15 million of the company's paid-up capital, with maximum gross fees of BD 4,000.

**Non-Bahraini Equities****Listing\*:**

0.1% of the company's paid-up capital, with a maximum amount of BD 15,000 and a minimum amount of BD 5,000.

**Annual Subscription\*\*:**

50% of the Bahraini shareholding company.

**Local Closed Companies****Listing\*:**

BD 1,000.

**Annual Subscription:**

- 1- 0.025% of the first BD5 million of the company's paid-up capital, with a minimum of BD 1,000.
- 2- 0.025% of the amount exceeding BD 5 million, with a maximum amount of BD 5,000.

**Mutual Funds**

Listing\*: BD 300

Annual Subscription: BD 250

**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 1000

**Individual Brokers**

Membership\*: BD 500

Annual Subscription: BD 250

**Brokerage Firms**

Membership\*: BD 1,000

Annual Subscription: BD 500

**Custodianship**

Membership\*: BD 1,000

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.



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## Report of Auditors

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

We have audited the financial statements of The Bahrain Stock Exchange as at, and for the year ended, 31 December 2004 as set out on pages 25 to 33.

### **Respective responsibilities of directors and auditors**

These financial statements are the responsibility of the directors of the Exchange. Our responsibility is to express an opinion on these financial statements based on our audit.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Bahrain Stock Exchange as at 31 December 2004, the results of its operations, its cash flows and its changes in accumulated surplus for the year then ended, in accordance with International Financial Reporting Standards .

### **Other regulatory matters**

In our opinion, the Exchange has maintained proper accounting records and the financial statements are in agreement therewith. To the best of our knowledge and belief, no violations of the Exchange's by-laws have occurred during the year that might have had a material adverse 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  
2005

## Balance Sheet

For the year ended 31 December 2004 in Bahraini Dinars

	Notes	2004	2003
<b>Current assets</b>			
Cash and bank		56,722	101,468
Short-term deposit		416,165	338,940
Accounts receivable	3	124,673	70,557
Other receivables	4	18,148	26,115
Specialised regional market	9	199,080	199,080
<b>Total current assets</b>		<b>814,788</b>	<b>736,160</b>
<b>Non-current assets</b>			
Held to maturity investments	5	625,911	625,911
Property, plant and equipment	2, 6	407,753	547,276
<b>Total non-current assets</b>		<b>1,033,664</b>	<b>1,173,187</b>
<b>TOTAL ASSETS</b>		<b>1,848,452</b>	<b>1,909,347</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable		25,591	57,984
Accrued expenses and other accounts payable	7	32,552	69,660
Provisions for labour law obligations	8	19,550	18,883
Specialised regional market	9	199,080	199,080
<b>TOTAL LIABILITIES</b>		<b>276,773</b>	<b>345,607</b>
<b>ACCUMULATED SURPLUS (page 26)</b>		<b>1,571,679</b>	<b>1,563,740</b>
<b>TOTAL LIABILITIES AND ACCUMULATED SURPLUS</b>		<b>1,848,452</b>	<b>1,909,347</b>

Rasheed Mohammed Al Maraj  
The Chairman

Fouad A. Rahman Rashid  
Director of the Exchange

The Board of Directors approved the financial statements consisting of pages 25 to 33 on 22 March 2005



## Income Statement

For the year ended 31 December 2004 in Bahraini Dinars

	Notes	2004	2003
<b>INCOME</b>			
Subscription fees	2	800,899	771,609
Registration fees		47,300	7,300
Dealing commission		119,643	78,917
Other income	10	91,440	39,396
Interest income		31,707	27,826
		<b>1,090,989</b>	<b>925,048</b>
<b>EXPENSES</b>			
Salaries and related costs		721,694	678,657
General and administrative		388,926	370,872
Remuneration of the Board of Directors and committees		15,100	12,400
Depreciation	2, 6	207,110	217,679
Provision for impairment	3	-	36,165
Loss on sale of equipment		220	-
		<b>1,333,050</b>	<b>1,315,773</b>
<b>Operating deficit</b>		<b>(242,061)</b>	<b>(390,725)</b>
MOFNE contribution in market mechanism development		250,000	250,000
<b>NET Surplus (DEFICIT) for the year</b>		<b>7,939</b>	<b>(140,725)</b>
ACCUMULATED SURPLUS at 1 January		1,563,740	1,704,465
<b>ACCUMULATED SURPLUS at 31 December</b>		<b>1,571,679</b>	<b>1,563,740</b>

Rasheed Mohammed Al Maraj  
The Chairman

Fouad A. Rahman Rashid  
Director of the Exchange

The financial statements are comprised of pages 25 to 33

## Cash Flows

For the year ended 31 December 2004 in Bahraini Dinars

	2004	2003
<b>OPERATING ACTIVITIES</b>		
Cash received from subscribers	821,481	708,846
Commissions and other revenues	197,200	96,365
Payments for salaries and related costs	(721,027)	(675,699)
Payments for general and administrative expenses	(463,890)	(329,361)
Payments for remuneration of the Board of Directors and committees	(15,100)	(12,400)
<b>Net cash flows from operating activities</b>	<b>(181,336)</b>	<b>(212,249)</b>
<b>INVESTING AND FINANCING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(68,658)	(28,085)
Acquisition of held to maturity Investments	-	(625,911)
Bank interest	31,622	23,553
MOFNE contribution in market mechanism development	250,000	250,000
Proceeds from fixed assets sale	851	-
<b>Net cash flows from investing and financing activities</b>	<b>213,815</b>	<b>(380,443)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>32,479</b>	<b>(592,629)</b>
Cash and cash equivalents at the beginning of the year	440,408	1,033,100
<b>Cash and cash equivalents at the end of the year</b>	<b>472,887</b>	<b>440,408</b>

Rasheed Mohammed Al Maraj  
The Chairman

Fouad A. Rahman Rashid  
Director of the Exchange

The financial statements are comprised of pages 25 to 33



## For the year ended 31 December 2004 in Bahraini Dinars

### 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 carried at their cost less provision for impairment.

### 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 General Organisation for Social Insurance pension 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

Transactions in currencies other than the exchange operating currency are converted at the rate of exchange ruling at the transaction date. 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.

3. ACCOUNTS RECEIVABLE	2004	2003
Subscription and registration fees	91,182	64,891
Commissions receivable	32,981	39,491
Services fees receivable	510	2,340
	124,673	106,722
Less: Provision for impairment	-	(36,165)
	124,673	70,557

The Financial Statements consisting of pages 25 to 33



## Notes to the Financial Statements

For the year ended 31 December 2004 in Bahraini Dinars

	2004	2003
<b>4. OTHER RECEIVABLES</b>		
Balances at 31 December	6,370	6,285
Interest payable	11,778	5,888
Prepaid expenses	-	13,942
Others	18,148	26,115

### 5. HELD TO MATURITY INVESTMENTS

	Amount	Due Date	Interest earned on investment
Balances at 31 December 2003 and 2004			
Islamic Leasing Sukuk (Kingdom of Bahrain)	358,206	2006	3%
Islamic Leasing Sukuk (Kingdom of Bahrain)	267,705	2008	3,7%
	<b>625,911</b>		

### 6. PROPERTY, PLANT AND EQUIPMENT

Cost	Furniture & Other Equipment	Computers	Cars	Project Under Implement	2004 Total	2003 Total
At 1 January	325,116	966,038	6,120	155,430	1,452,704	1,424,619
Additions	15,401	13,074	-	40,183	68,658	28,085
Disposals	13,490	630	-	-	14,120	-
Transfer	-	38,289	-	(38,289)	-	-
At 31 December	327,027	1,016,771	6,120	157,324	1,507,242	1,452,704
<b>Depreciation</b>						
At 1 January	286,126	613,250	6,052	-	905,428	687,749
Charge for the year	24,143	182,899	68	-	207,110	217,679
Disposals	12,812	237	-	-	13,049	-
At 31 December	297,457	795,912	6,120	-	1,099,489	905,428
<b>Net book value</b>	29,570	220,859	-	157,324	407,753	547,276

The Financial Statements consisting of pages 25 to 33



For the year ended 31 December 2004 in Bahraini Dinars

7. ACCRUED EXPENSES AND OTHER ACCOUNTS PAYABLE	2004	2003
<b>Balances at 31 December</b>		
Deferred revenues	5	432
Accrued expenses	32,547	69,228
	<b>32,552</b>	<b>69,660</b>
<b>8. PROVISIONS FOR LABOUR LAW OBLIGATIONS</b>		
<b>Balances at 31 December</b>		
Leave entitlements	17,655	17,210
Leaving indemnity and air tickets	1,895	1,673
	<b>19,550</b>	<b>18,883</b>

**8. Provisions for labour law obligations (continued)**

The Exchange employed 51 Bahraini nationals and 3 expatriates as at 31 December 2004 (52 and 2 employees respectively for 2003).

Pension rights and other social benefits for the Bahraini employees are covered by the pension fund scheme to which the exchange and employees contribute monthly on a fixed percentage of salary basis. The Exchange's contributions for Bahraini employees for 2004 amounted to BD 59,828 (55,995 for 2003).

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.

**9. SPECIALISED REGIONAL MARKET**

The amount represents receipts and payments related to the specialised regional market, that are recorded in the Exchange's books till the end of the project and will be transferred with all the details to the specialised regional market's management. The total amount received by 31 December 2004 from the Ministry of Finance and National Economy was BD 189,000 and the remaining BD 10,080 was paid by the Exchange. The funds have been fully utilised for capital expenditure for the project.

**10. OTHER INCOME**

	2004	2003
Remote trading income	9,300	8,700
Subscription in the investor's guide publication	15,550	8,640
Services	13,655	14,390
Provision for impairment written back	36,165	-
Other revenues	16,770	7,666
	<b>91,440</b>	<b>39,396</b>

The Financial Statements consisting of pages 25 to 33



## Notes to the Financial Statements

For the year ended 31 December 2004 in Bahraini Dinars

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### 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 fixed deposits was 1.7% (2003: 1.2%).

**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.

The Financial Statements consisting of pages 25 to 33

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## For the year ended 31 December 2004 in Bahraini Dinars

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**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. 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.

## **13. COMPARATIVES**

Certain comparative figures have been reclassified 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.

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Volume	Bid Rate	حجم البيع Offer Volume	سعر البيع Offer Rate	سعر الافتتاح Opening Price
100000	0.500	4975	0.505	0.500
200000	0.088	70000	0.098	0.095
8.8.8.8.8	0.455	100000	0.454	0.459
8.8.8.8.8	8.8.8.8.8	8.8.8.8.8	8.8.8.8.8	8.8.8.8.8
8.8.8.8.8	8.8.8.8.8	8.8.8.8.8	8.8.8.8.8	8.8.8.8.8
50000	0.370	8.8.8.8.8	0.370	0.3
8.8.8.8.8	0.290	35000	0.300	0.2
8.8.8.8.8	8.8.8.8.8	8.8.8.8.8	8.8.8.8.8	8.8.8.8.8
265	1.000	8.8.8.8.8	1.000	0.9
8.8.8.8.8	8.8.8.8.8	8.8.8.8.8	8.8.8.8.8	8.8.8.8.8



الشركة  
Company

حجم التداول

حجم الشراء  
آخر سعر  
Last Price Bid Volume

RAFCO

FAMILY

BHOTEL

BTC

NHOTE

BFM

P

0  
0  
0  
0

0455 888888

0387 2343

0270 88888

1400 8888

0225 8888

0909 885

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1690 888

1340 888

1486 888