

**SECURITIES AND INVESTMENT
COMPANY BSC (c)**

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

31 March 2013

Comprehensive investment services for the Bahrain and GCC securities market

Commercial registration	:	33469
Board of Directors	:	Shaikh Abdulla bin Khalifa Al Khalifa, Chairman of the Board and Chairman of the Investment Committee
		Hussain Al Hussaini, <i>Vice Chairman of the Board and Member of the Investment Committee</i>
		Sawsan Abul Hassan <i>Vice chairman of the Investment Committee</i>
		Mohammed Abdulla <i>Member of the Audit Committee</i>
		Mahmoud Zewam <i>Chairman of Nominations, Remuneration & Corporate Governance Committee</i>
		Anwar Abdulla Ghuloom <i>Member of Nominations, Remuneration & Corporate Governance Committee</i>
		Fahad Murad <i>Vice chairman Of Nominations, Remuneration & Corporate Governance Committee</i>
		Meshary Al Judaimi <i>Vice chairman of the Audit Committee</i>
		Yousif Saleh Khalaf <i>Chairman of the Audit Committee</i>
Chief Executive Officer	:	Anthony C Mallis
Office	:	1st & 2nd Floor, BMB Centre PO Box 1331, Kingdom of Bahrain Telephone 17515000, Fax 17514000
Bankers	:	Bank of Bahrain and Kuwait BSC
Auditors	:	KPMG

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the period ended 31 March 2013

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Independent auditors' report on review of condensed consolidated interim financial information

6 May 2013

The Board of Directors
Securities and Investment Company BSC (c)
PO Box 1331
Manama
Kingdom of Bahrain

Introduction

We have reviewed the accompanying 31 March 2013 condensed consolidated interim financial information of Securities and Investment Company BSC (c) (the "Bank"), which comprises:

- the condensed consolidated statement of financial position as at 31 March 2013;
- the condensed consolidated income statement for the three month period ended 31 March 2013;
- the condensed consolidated statement of comprehensive income for the three month period ended 31 March 2013;
- the condensed consolidated statement of changes in equity for the three month period ended 31 March 2013;
- the condensed consolidated statement of cash flows for the three month period ended 31 March 2013; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Bank is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2013 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Securities and Investment Company BSC (c)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2013

Bahraini Dinars '000

	31 March 2013 (reviewed)	31 December 2012 (audited) (restated-note 3)	31 December 2011 (audited) (restated- note 3)
ASSETS			
Cash and cash equivalents	29,510	32,544	20,050
Investments at fair value through profit or loss	17,966	16,123	18,873
Available-for-sale investments	27,014	21,832	25,145
Fees receivable	441	444	382
Other assets	8,906	7,506	6,508
Total assets	83,837	78,449	70,958
LIABILITIES AND EQUITY			
Liabilities			
Short-term bank borrowings	7,830	4,899	6,108
Customer accounts	14,302	13,416	8,174
Other liabilities	4,597	2,763	2,486
Payable to unit holders	222	82	307
Total liabilities	26,951	21,160	17,075
Equity			
Share capital	42,849	42,726	42,652
Statutory reserve	5,025	4,984	4,650
General reserve	2,100	1,786	1,737
Available-for-sale investments fair value reserve	1,444	911	435
Retained earnings	5,468	6,882	4,409
Total equity (page 5)	56,886	57,289	53,883
Total liabilities and equity	83,837	78,449	70,958
Contingent and memorandum accounts			
Assets under custody	1,078,359	824,177	864,152
Assets under management	234,440	226,183	204,000
Commitments	750	1,128	1,129

 Shaikh Abdulla Bin Khalifa Al Khalifa
 Chairman

 Hussain Al Hussaini
 Vice Chairman of the Board
 Member of the Investment Committee

 Anthony C. Mallis
 Chief Executive Officer

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 14 on 6 May 2013.

Securities and Investment Company BSC (c)
**CONDENSED CONSOLIDATED INCOME STATEMENT
for the period ended 31 March 2013**

Bahraini Dinars '000

	Note	31 March 2013 (reviewed)	31 March 2012 (reviewed) (restated-note 3)
Interest income		329	339
Interest expense		(14)	(30)
Net interest income		315	309
Net fee and commission income		564	540
Investment income	10	1,133	1,770
Brokerage and other income		230	168
Operating income		2,242	2,787
Staff and related expenses		(833)	(766)
Other operating expenses		(333)	(373)
Impairment on available-for-sale investments		(56)	(67)
Profit for the period		1,020	1,581
Basic and diluted earnings per share (fils)		2.39	3.71
Attributable to:			
Equity holders of the parent		1,003	1,533
Unit holders		17	48
		1,020	1,581

 Shaikh Abdulla Bin Khalifa Al Khalifa
Chairman

 Hussain Al Hussaini
Vice Chairman of the Board
Member of the Investment Committee

 Anthony C. Mallis
Chief Executive Officer

The condensed consolidated interim financial information consists of pages 2 to 14.

Securities and Investment Company BSC (c)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period ended 31 March 2013

Bahraini Dinars '000

	31 March 2013 (reviewed)	31 March 2012 (reviewed) (restated-note 3)
Profit for the period	1,020	1,581
Other comprehensive income		
Items to be reclassified to profit or loss in subsequent periods:		
Fair value reserve (available-for-sale investments)		
- Net change in fair value	1,112	1,232
- Net amount transferred to income statement on sale / impairment	(418)	(125)
- Profit on part disposal of consolidated fund	(161)	(83)
Total other comprehensive income for the period	533	1,024
Total comprehensive income for the period	1,553	2,605
Attributable to:		
Equity holders of the parent	1,536	2,557
Unit holders	17	48
	1,553	2,605

Securities and Investment Company BSC (c)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 31 March 2013

Bahraini Dinars '000

2013 (reviewed)

	Share capital	Statutory reserve	General reserve	Available-for-sale investments fair value reserve	Retained earnings	Total equity
Balance at 1 January 2013	42,726	4,984	1,786	1,020	6,777	57,293
Adjustment due to adoption of IFRS 10 (note 3)	-	-	-	(109)	105	(4)
Restated balance	42,726	4,984	1,786	911	6,882	57,289
- Transfer to general reserve	-	-	314	-	(314)	-
- Issue of shares to employees' scheme	123	41	-	-	-	164
Comprehensive income for the period:						
Profit for the period	-	-	-	-	1,003	1,003
Other comprehensive income:						
Revaluation reserve (available-for-sale securities):						
Net change in fair value	-	-	-	1,112	-	1,112
Net amount transferred to income statement on sale / impairment	-	-	-	(418)	-	(418)
Profit on part disposal of consolidated fund	-	-	-	(161)	161	-
Unrealised gain on consolidated fund transferred to retained earnings	-	-	-	-	(128)	(128)
Total other comprehensive income	-	-	-	533	-	533
Total comprehensive income for the period	-	-	-	533	1,036	1,569
Transaction with owner:						
- Dividends paid	-	-	-	-	(2,136)	(2,136)
Balance at 31 March 2013	42,849	5,025	2,100	1,444	5,468	56,886

The condensed consolidated interim financial information consists of pages 2 to 14

Securities and Investment Company BSC (c)
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 31 March 2013 (continued)**

Bahraini Dinars '000

2012 (reviewed) (restated-note 3)

	Share capital	Statutory reserve	General reserve	Available-for-sale investments fair value reserve	Retained earnings	Total equity
Balance at 1 January 2012(as previously reported)	42,652	4,650	1,737	443	4,401	53,883
Adjustment due to adoption of IFRS 10 (note 3)	-	-	-	(8)	8	-
Restated balance	42,652	4,650	1,737	435	4,409	53,883
- Transfer to general reserve	-	-	49	-	(49)	-
- Issue of shares to employees' scheme	74	20	-	-	-	94
Comprehensive income for the period:						
Profit for the period	-	-	-	-	1,533	1,533
Other comprehensive income:						
Revaluation reserve (available-for-sale securities):						
Net change in fair value	-	-	-	1,232	-	1,232
Net amount transferred to profit and loss on sale / impairment	-	-	-	(125)	-	(125)
Profit on part disposal of consolidated fund	-	-	-	(83)	83	-
Unrealised gain on consolidated fund transferred to retained earnings	-	-	-	-	(78)	(78)
Total other comprehensive income	-	-	-	1,024	-	1,024
Total comprehensive income for the period	-	-	-	1,024	1,538	2,562
Balance at 31 March 2012	42,726	4,670	1,786	1,459	5,898	56,539

The condensed consolidated interim financial information consists of pages 2 to 14.

Securities and Investment Company BSC (c)
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the period ended 31 March 2013**

Bahraini Dinars '000

	31 March 2013 (reviewed)	31 March 2012 (reviewed) (restated-note 3)
Operating activities		
Net interest received	187	298
Sale of investments at fair value through profit or loss	33,311	28,601
Purchase of investments at fair value through profit or loss	(34,624)	(26,446)
Sale of available-for-sale investments	7,546	13,244
Purchase of available-for-sale investments	(11,616)	(11,586)
Net increase in customer accounts	886	10,797
Dividends received	163	257
Brokerage and other fees received	(321)	(142)
Payments for staff and related expenses	(1,026)	(879)
Payments for other operating expenses	(604)	(124)
Net cash (used in) / generated from operating activities	(6,098)	14,020
Investing activities		
Advance for purchase of equipment	-	(80)
Net capital expenditure on furniture and equipment	(11)	(87)
Cash used in investing activities	(11)	(167)
Financing activities		
Net proceeds from short-term bank borrowings	2,931	15,413
Proceeds from issue of units	144	-
Cash generated from financing activities	3,075	15,413
Net (decrease) / increase in cash and cash equivalents	(3,034)	29,266
Cash and cash equivalents at the beginning of the period	32,544	20,050
Cash and cash equivalents at the end of the period	29,510	49,316
Represented by:		
Cash and bank	8,304	20,597
Call deposits	1,425	1,143
Short-term placements with original maturities of 3 months or less	19,781	27,576
	29,510	49,316

The condensed consolidated interim financial information consists of pages 2 to 14.

Securities and Investment Company BSC (c)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the three months ended 31 March 2013

Bahraini Dinars '000

1. Reporting entity

This condensed financial information is the reviewed condensed consolidated interim financial information (the “condensed consolidated interim financial information”) of Securities and Investment Company BSC (c) (the “Bank”) and its subsidiaries (the “Group”). The bank operates under an investment banking license issued by the Central Bank of Bahrain.

2. Basis of preparation

The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting), which permits the interim financial information to be in summarised form. The condensed consolidated interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2012.

3. Accounting policies

The condensed consolidated interim financial information has been prepared using the same accounting policies and methods of computation applied in the preparation of the Groups’ audited annual financial statements for the year ended 31 December 2012 except for the adoptions of new standards and interpretations effective 1 January 2013.

Except for the changes arising from the adoption of IFRS 10, as explained below, adoptions of other new standards and interpretations did not have a significant impact on the condensed consolidated interim financial information.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements. IFRS 10 changes the definition of control such that an investor controls an investee when (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor’s returns. The adoption of IFRS 10 resulted in the Group consolidating SICO Kingdom Equity Fund (the “Fund”). The Fund is an open ended fund with investments in equity securities listed on stock markets of Kingdom of Saudi Arabia. In accordance with transitional requirements of the IFRS 10, the comparatives have been restated.

The effect of the restatement from consolidation of the Fund is given below:

Statement of financial position

	31 December 2012		
	As previously reported	Restatement adjustment	After restatement
ASSETS			
Cash and cash equivalents	32,525	19	32,544
Investments at fair value through profit or loss	14,727	1,396	16,123
Available-for-sale investments	23,155	(1,323)	21,832
Fees receivable	452	(8)	444
Liabilities			
Other liabilities	2,757	6	2,763
Payable to unit holders	-	82	82
Equity			
Available-for-sale investments fair value reserve	1,020	(109)	911

Retained earnings	6,777	105	6,882
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Securities and Investment Company BSC (c)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION for the three months ended 31 March 2013

Bahraini Dinars '000

3. Accounting policies (continued)

	31 December 2011		
	As previously reported	Restatement adjustment	After restatement
ASSETS			
Cash and cash equivalents	19,964	86	20,050
Investments at fair value through profit or loss	16,738	2,135	18,873
Available-for-sale investments	27,038	(1,893)	25,145
Fees receivable	390	(8)	382
Liabilities			
Other liabilities	2,470	16	2,486
Payable to unit holders	-	307	307
Equity			
Available-for-sale investments fair value reserve	443	(8)	435
Retained earnings	4,401	8	4,409

Income statement

	31 March 2012		
	As previously reported	Restatement adjustment	After restatement
Investment income	1,527	243	1,770
Net fee and commission income	548	(8)	540
Other operating expenses	368	5	373

4. The condensed consolidated interim financial information is reviewed, not audited. The comparatives for the condensed consolidated statement of financial position and the comparatives for the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows have been restated as explained above.

5. Estimates

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2012.

6. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements and they should be read in conjunction with the Group's audited annual financial statements for the year ended 31 December 2012. There have been no changes in the risk management department or in any risk management policies since 31 December 2012.

Securities and Investment Company BSC (c)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the three months ended 31 March 2013

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7. Operating segments

The Group's lines of business are brokerage, asset management, corporate finance, market making and custody business. At present the Group's revenue is reviewed by lines of business and the expenses and results are reviewed at a Group level.

8. Appropriations

At the shareholders Annual General Meeting for the year 2012 on 25 March 2013, the shareholders resolved to make the following appropriations of the profit for the year ended 31 December 2012 which were effected during the quarter. These include payment of cash dividend of BD 2,136 representing 5% of paid up capital and transfer of BD 314 to general reserve. The shareholders also approved the issue of shares under the employees share based compensation as set out in note 9 below. Appropriations of net profit, if any are made only at the year end.

9. Share based payments

During this period, 1,228,801 shares of 100 fils each were issued under the employees share based compensation for the year 2012. These shares were issued at the NAV of 134 fils per share as at 31 December 2012. Accordingly, the share capital increased by BD 123 to the extent of the nominal value of the shares of 100 fils each. The share premium of BD 41 relating to the issue of these shares at a premium of 34 fils per share has been credited to the statutory reserve.

10. Investment income

Gain on investments carried at fair value through profit or loss
 Gain on sale of available-for-sale investments
 Dividend income on investments carried at fair value through profit or loss
 Dividend income on available-for-sale investments

Three months ended	
31 March 2013	31 March 2012 (restated)
496	1,321
474	192
49	202
114	55
1,133	1,770

Gain on investments carried at fair value through profit or loss comprises the following:

Realized gain on sale
 Unrealized fair value gain

Three months ended	
31 March 2013	31 March 2012 (restated)
237	545
259	776
496	1,321

Securities and Investment Company BSC (c)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the three months ended 31 March 2013

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11. Related parties

The following are the related party transactions during the period. All these transactions are in the ordinary course of business and on normal commercial terms.

Transactions with funds owned by the Subsidiary Companies namely SICO Funds Company BSC (c), SICO Funds Company II BSC (c), SICO Funds Company III BSC (c), SICO Funds Company IV BSC (c), SICO Funds Company V BSC (c), SICO Funds Company VI BSC (c), SICO Funds Company VII BSC (c) and SICO Ventures Company SPC.

	Three months ended	
	31 March 2013	31 March 2012 (restated)
Fee income	139	162

	As at 31 March 2013	As at 31 December 2012 (restated)
	Fee receivable	129
Funds under management	42,699	41,424
Investments in own funds	2,179	2,095

Transactions with shareholders

	Three months ended	
	31 March 2013	31 March 2012
Fee income	70	65

	As at 31 March 2013	As at 31 December 2012
	Funds under management	43,518

The Group has banking relationships, makes deposits and placements and has unutilised credit facilities with certain of its shareholders that are local banks.

Securities and Investment Company BSC (c)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the three months ended 31 March 2013

Bahraini Dinars '000

12. Fair value

- (i) Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 31 March 2013:

	31 March 2013		31 December 2012 (restated)	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Investments at fair value through profit or loss	17,966	17,966	16,123	16,123
Available-for-sale investments	27,014	27,014	21,832	21,832
Total assets	44,980	44,980	37,955	37,955
Liabilities				
Short-term bank borrowings	7,830	7,830	4,899	4,899
Payable to unit holders	222	222	82	82
Total liabilities	8,052	8,052	4,981	4,981

Except for AFS investment of BD 1,885 (2012: Nil) that is carried at cost less impairment in the absence of a reliable measure of fair value, all AFS investments and investments at fair value through profit or loss are carried at fair value. The fair value of other financial assets and liabilities approximate their carrying value due to their short term nature.

- (ii) Fair value hierarchy

The Group measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments where the valuation technique includes inputs not based on market observable data.

Securities and Investment Company BSC (c)
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2013**

Bahraini Dinars '000

12. Fair value (continued)

The table below analyses financial assets carried at fair value, by the level in the fair value hierarchy into which the fair value measurement is categorized.

As at 31 March 2013	Level 1	Level 2	Level 3	Total
Available-for-sale investments:				
- Funds	7,257	7,127	-	14,384
- Equities	5,513	-	425	5,938
- Debt Instruments	4,806	-	-	4,806
At fair value through profit or loss:				
- Funds	897	2,368	-	3,265
- Equities	7,806	-	-	7,806
- Debt Instruments	6,896	-	-	6,896
Total	33,175	9,495	425	43,095

The following table analyses the movement in Level 3 financial assets during the period:

	Level 3 31 March 2013
At 1 January 2013	425
Total loss :	
- in income statement	-
- in other comprehensive income	-
Purchases	-
Settlements	-
Transfers into / (out) of level 3	-
At 31 March 2013	425
Total gain / (loss) for the period included in income statement for assets / liabilities held as at 31 March 2013	-

As at 31 December 2012 (restated)	Level 1	Level 2	Level 3	Total
Available-for-sale investments:				
- Funds	2,617	9,870	-	12,487
- Equities	4,596	-	425	5,021
- Debt Instruments	4,033	291	-	4,324
At fair value through profit or loss:				
- Funds	879	2,285	-	3,164
- Equities	5,435	-	-	5,435
- Debt Instruments	6,663	861	-	7,524
Total	24,223	13,307	425	37,955

Securities and Investment Company BSC (c)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2013**

Bahraini Dinars '000

12. *Fair value (continued)*

The following table analyses the movement in Level 3 financial assets during the period:

	Level 3 31 March 2012
At 1 January 2012	430
Total gains :	
- in income statement	-
- in other comprehensive income	-
Purchases	-
Settlements	-
Transfers into / (out) of level 3	-
At 31 March 2012	430
Total gain / (loss) for the period included in income statement for assets / liabilities held as at 31 March 2012	-