

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

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION
30 September 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 Chairperson of the Investment Committee</i> Mohammed Abdulla <i>Vice Chairman Of Nominations, Remuneration & Corporate Governance Committee</i> Mahmoud Zewam <i>Member of the Audit Committee</i> Anwar Abdulla Ghuloom <i>Member of Nominations, Remuneration & Corporate Governance Committee</i> Fahad Murad <i>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 30 September 2013

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

11 November 2013

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

Introduction

We have reviewed the accompanying 30 September 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 30 September 2013;
- the condensed consolidated statement of profit or loss for the three month and nine month periods ended 30 September 2013;
- the condensed consolidated statement of comprehensive income for the three month and nine month periods ended 30 September 2013;
- the condensed consolidated statement of changes in equity for the nine month period ended 30 September 2013;
- the condensed consolidated statement of cash flows for the nine month period ended 30 September 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 30 September 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 30 September 2013

Bahraini Dinars '000

	Note	30 September 2013 (reviewed)	31 December 2012 (audited) (restated-note 3)	31 December 2011 (audited) (restated- note 3)
ASSETS				
Cash and cash equivalents		41,952	32,544	20,050
Investments at fair value through profit or loss		18,485	16,123	18,873
Available-for-sale investments		26,716	21,832	25,145
Fees receivable		467	444	382
Other assets		6,482	7,506	6,508
Total assets		94,102	78,449	70,958
LIABILITIES AND EQUITY				
Liabilities				
Short-term bank borrowings		6,684	4,899	6,108
Customer accounts		23,463	13,416	8,174
Other liabilities		2,738	2,763	2,486
Payable to unit holders		2,242	82	307
Total liabilities		35,127	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		1,245	911	435
Retained earnings		7,756	6,882	4,409
Total equity (page 5)		58,975	57,289	53,883
Total liabilities and equity		94,102	78,449	70,958
Contingent and memorandum accounts				
Assets under custody		1,203,697	824,177	864,152
Assets under management	13	307,441	226,183	204,000
Commitments		692	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 11 November 2013.

Securities and Investment Company BSC (c)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the nine months ended 30 September 2013**

Bahraini Dinars '000

	Note	Nine months ended 30 September		Three months ended 30 September	
		2013 (reviewed)	2012 (reviewed) (restated) note 3	2013 (reviewed)	2012 (reviewed) (restated) note 3
Interest income		1,039	1,072	337	383
Interest expense		(65)	(139)	(18)	(33)
Net interest income		974	933	319	350
Net fee and commission income		1,845	1,643	734	558
Net investment income / (loss)	10	3,351	2,126	1,435	710
Brokerage and other income		915	546	230	144
Total income		7,085	5,248	2,718	1,762
Staff and related expenses		(2,511)	(2,405)	(838)	(916)
Other operating expenses		(1,129)	(994)	(411)	(269)
Impairment on available-for-sale investments		(76)	(154)	(20)	(6)
Profit for the period		3,369	1,695	1,449	571
Attributable to:					
Equity holders of the parent		3,265	1,666	1,361	532
Unit holders		104	29	88	39
		3,369	1,695	1,449	571
Basic and diluted earnings per share (fils)					
		7.87	3.97	3.39	1.34

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.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the nine months ended 30 September 2013

Bahraini Dinars '000

	Nine months ended 30 September		Three months ended 30 September	
	2013 (reviewed)	2012 (reviewed) (restated) note 3	2013 (reviewed)	2012 (reviewed) (restated) note 3
Profit for the period	3,369	1,695	1,449	571
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	1,840	1,260	862	893
- Net amount transferred to income statement on sale / impairment	(1,345)	(176)	(477)	(21)
- Profit on part disposal of consolidated funds	(161)	(83)	-	-
Total other comprehensive income for the period	334	1,001	385	872
Total comprehensive income for the period	3,703	2,696	1,834	1,443
Attributable to:				
Equity holders of the parent	3,599	2,667	1,746	1,436
Unit holders	104	29	88	7
	3,703	2,696	1,834	1,443

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 nine months ended 30 September 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	-	-	-	-	3,265	3,265
Other comprehensive income:						
Revaluation reserve (available-for-sale securities):						
Net change in fair value	-	-	-	1,840	-	1,840
Net amount transferred to income statement on sale / impairment	-	-	-	(1,345)	-	(1,345)
Profit on part disposal of consolidated funds	-	-	-	(161)	161	-
Unrealised gain on consolidated funds transferred to retained earnings	-	-	-	-	(102)	(102)
Total other comprehensive income	-	-	-	334	-	334
Total comprehensive income for the period	-	-	-	334	3,324	3,658
Transaction with owner:						
- Dividends paid	-	-	-	-	(2,136)	(2,136)
Balance at 30 September 2013	42,849	5,025	2,100	1,245	7,756	58,975

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 nine months ended 30 September 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	-	-	-	-	1,666	1,666
Other comprehensive income:						
Revaluation reserve (available-for-sale securities):						
Net change in fair value	-	-	-	1,260	-	1,260
Net amount transferred to profit and loss on sale / impairment	-	-	-	(176)	-	(176)
Profit on part disposal of consolidated fund	-	-	-	(83)	83	-
Unrealised gain on consolidated fund transferred to retained earnings	-	-	-	-	(75)	(75)
Total other comprehensive income	-	-	-	1,001	-	1,001
Total comprehensive income for the period	-	-	-	1,001	1,674	2,675
Balance at 30 September 2012	42,726	4,670	1,786	1,436	6,034	56,652

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 nine months ended 30 September 2013

Bahraini Dinars '000

	30 September 2013 (reviewed)	30 September 2012 (reviewed) (restated-note 3)
Operating activities		
Net interest received	784	671
Sale of investments at fair value through profit or loss	125,243	82,852
Purchase of investments at fair value through profit or loss	(126,216)	(82,350)
Sale of available-for-sale investments	20,889	38,371
Purchase of available-for-sale investments	(23,933)	(39,968)
Net increase in customer accounts	10,047	7,393
Dividends received	667	505
Brokerage and other fees received	4,126	1,692
Payments for staff and related expenses	(2,454)	(2,223)
Payments for other operating expenses	(3,420)	(467)
Net cash generated from operating activities	5,733	6,476
Investing activities		
Advance for purchase of equipment	-	(239)
Net capital expenditure on furniture and equipment	(62)	(207)
Cash used in investing activities	(62)	(446)
Financing activities		
Net proceeds from short-term bank borrowings	1,785	15,583
Proceeds from issue of units	1,952	58
Cash generated from financing activities	3,737	15,641
Net increase in cash and cash equivalents	9,408	21,671
Cash and cash equivalents at the beginning of the period	32,544	20,050
Cash and cash equivalents at the end of the period	41,952	41,721
Represented by:		
Cash and bank	17,468	11,833
Call deposits	1,812	1,205
Short-term placements with original maturities of 3 months or less	22,672	28,683
	41,952	41,721

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the nine months ended 30 September 2013

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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 ("SKEF"). SKEF 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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the nine months ended 30 September 2013

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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

	30 September 2012		
	As previously reported	Restatement adjustment	After restatement
Investment income	1,984	142	2,126
Net fee and commission income	1,669	(26)	1,643
Other operating expenses	(974)	20	(994)

During the current period the Bank launched SICO Fixed Income Fund which is an open ended fund with investments in quoted debt securities. This fund has also been consolidated in the condensed consolidated interim financial information as per requirements of IFRS 10.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**for the nine months ended 30 September 2013**

Bahraini Dinars '000

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

Nine months ended	
30 September 2013	30 September 2012 (restated)
1,263	1,292
1,421	329
290	281
377	224
3,351	2,126

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

Realized gain on sale
Unrealized fair value gain

Nine months ended	
30 September 2013	30 September 2012 (restated)
745	983
518	309
1,263	1,292

Securities and Investment Company BSC (c)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the nine months ended 30 September 2013

Bahraini Dinars '000

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 III BSC (c), SICO Funds Company V BSC (c), SICO Funds Company VII BSC (c) and SICO Ventures Company SPC.

	Nine months ended	
	30 September 2013	30 September 2012 (restated)
Fee income	442	474

	As at 30 September 2013	As at 31 December 2012 (restated)
	Fee receivable	138
Funds under management	45,677	41,424
Investments in own funds	2,312	2,095

Transactions with shareholders

	Nine months ended	
	30 September 2013	30 September 2012
Fee income	164	196

	As at 30 September 2013	As at 31 December 2012
	Fee receivable	34
Funds under management	48,734	40,088
Investments at fair value through profit or loss	529	-
Investment at available-for-sale investments	6,750	-

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the nine months ended 30 September 2013

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12. Fair value

- (i) Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 30 September 2013:

	30 September 2013		31 December 2012 (restated)	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Investments at fair value through profit or loss	18,485	18,485	16,123	16,123
Available-for-sale investments	26,716	26,716	21,832	21,832
Total assets	45,201	45,201	37,955	37,955
Liabilities				
Short-term bank borrowings	6,684	6,684	4,899	4,899
Payable to unit holders	2,242	2,242	82	82
Total liabilities	8,926	8,926	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 assets and financial liabilities 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 nine months ended 30 September 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.

	Level 1	Level 2	Level 3	Total
As at 30 September 2013				
Available-for-sale investments:				
- Funds	3,520	9,237	-	12,757
- Equities	5,059	-	425	5,484
- Debt instruments	4,664	1,926	-	6,590
At fair value through profit or loss:				
- Funds	-	2,528	-	2,528
- Equities	7,549	-	-	7,549
- Debt instruments	8,408	-	-	8,408
Total	29,200	13,691	425	43,316

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

	Level 3 30 September 2013
At 1 January 2013	425
Total loss :	
- in income statement	-
- in other comprehensive income	-
Purchases	-
Settlements	-
Transfers into / (out) of level 3	-
At 30 September 2013	425
Total gain / (loss) for the period included in income statement for assets / liabilities held as at 30 September 2013	-

	Level 1	Level 2	Level 3	Total
As at 31 December 2012 (restated)				
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

12. Fair value (continued)

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

	Level 3 30 September 2012
At 1 January 2012	430
Total gains :	
- in income statement	-
- in other comprehensive income	(5)
Purchases	-
Settlements	-
Transfers into / (out) of level 3	-
At 30 September 2012	425
Total gain / (loss) for the period included in income statement for assets / liabilities held as at 30 September 2012	-

13. Contingencies, commitments and memorandum accounts

Investment commitment

The Group has committed to invest in SICO Selected Securities Fund a minimum of 5% of the fund's net asset value and 10% of the net assets value of the Khaleej Equity Fund at any time throughout its life.

Funds under management

Funds under management include funds owned and managed by the Bank and discretionary portfolio management accounts. These also include assets held in SICO Kingdom Equity Fund and SICO Fixed Income Fund which have been consolidated.