

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

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL INFORMATION  
30 September 2014**

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 &amp; Corporate Governance Committee</i>  Mahmoud Zewam <i>Member of the Audit Committee</i>  Anwar Abdulla Ghuloom <i>Member of Nominations, Remuneration &amp; Corporate Governance Committee</i>  Fahad Murad <i>Chairman Of Nominations, Remuneration &amp; Corporate Governance Committee</i>  Walid Al Braikan <i>Vice chairman of the Audit Committee</i>  Yousif Saleh Khalaf <i>Chairman of the Audit Committee</i>
Chief Executive Officer	:	Najla M. Al Shirawi
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 2014**

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

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

11 November 2014

### **Introduction**

We have reviewed the accompanying 30 September 2014 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 2014;
- the condensed consolidated statement of profit or loss for the three-month and nine-month periods ended 30 September 2014;
- the condensed consolidated statement of comprehensive income for the three-month and nine-month periods ended 30 September 2014;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2014;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2014; 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 2014 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 30 September 2014**

Bahraini Dinars '000

	<b>30 September 2014 (reviewed)</b>	31 December 2013 (audited)
<b>ASSETS</b>		
Cash and cash equivalents	55,470	32,799
Investments at fair value through profit or loss	17,048	19,815
Available-for-sale investments	32,822	32,743
Fees receivable	776	1,980
Other assets	8,106	5,046
Furniture, equipment and intangibles	1,583	1,812
<b>Total assets</b>	<b>115,805</b>	<b>94,195</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Short-term bank borrowings	15,635	7,094
Customer accounts	29,638	19,620
Other liabilities	3,002	3,244
Payable to other unit holders in consolidated funds	2,644	2,373
<b>Total liabilities</b>	<b>50,919</b>	<b>32,331</b>
<b>Equity</b>		
Share capital	42,849	42,849
Statutory reserve	5,567	5,567
General reserve	2,642	2,100
Available-for-sale investments fair value reserve	1,869	2,456
Retained earnings	11,959	8,892
<b>Total equity (page 5)</b>	<b>64,886</b>	<b>61,864</b>
<b>Total liabilities and equity</b>	<b>115,805</b>	<b>94,195</b>

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 13 on 11 November 2014 and signed on its behalf by:

Shaikh Abdulla Bin Khalifa Al Khalifa  
Chairman

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

Najla M. Al Shirawi  
Chief Executive Officer

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**for the nine months ended 30 September 2014**

Bahraini Dinars '000

	Note	Nine months ended 30 September		Three months ended 30 September	
		2014 (reviewed)	2013 (reviewed)	2014 (reviewed)	2013 (reviewed)
Investment income	10	5,555	3,351	1,844	1,435
Net fee and commission income		3,140	1,845	826	734
Brokerage and other income		2,014	915	443	230
Interest income		1,026	1,039	369	337
<b>Total income</b>		<b>11,735</b>	<b>7,150</b>	<b>3,482</b>	<b>2,736</b>
Staff and related expenses		3,009	2,511	999	838
Interest expense		36	65	17	18
Other operating expenses		1,349	1,129	423	411
Impairment on available-for-sale investments		-	76	-	20
Share of profit of other unit holders in consolidated funds		495	104	270	88
<b>Total expenses</b>		<b>4,889</b>	<b>3,885</b>	<b>1,709</b>	<b>1,375</b>
<b>Profit for the period</b>		<b>6,846</b>	<b>3,265</b>	<b>1,773</b>	<b>1,361</b>
<b>Basic and diluted earnings per share (fils)</b>		<b>15.84</b>	<b>7.63</b>	<b>4.14</b>	<b>3.18</b>

Shaikh Abdulla Bin Khalifa Al Khalifa  
Chairman

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

Najla M. Al Shirawi  
Chief Executive Officer

The condensed consolidated interim financial information consists of pages 2 to 13.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
 for the nine months ended 30 September 2014

Bahraini Dinars '000

	Nine months ended 30 September		Three months ended 30 September	
	2014 (reviewed)	2013 (reviewed)	2014 (reviewed)	2013 (reviewed)
<b>Profit for the period</b>	<b>6,846</b>	3,265	<b>1,773</b>	1,361
<b>Other comprehensive income</b>				
<b>Items to be reclassified to profit or loss in subsequent periods:</b>				
Fair value reserve (available-for-sale investments):				
- Net change in fair value	1,754	1,840	719	862
- Net amount transferred to profit or loss on sale / impairment	(2,341)	(1,345)	(494)	(477)
- Profit on part disposal of consolidated fund	-	(161)	-	-
<b>Total other comprehensive income for the period</b>	<b>(587)</b>	334	<b>225</b>	385
<b>Total comprehensive income for the period</b>	<b>6,259</b>	3,599	<b>1,998</b>	1,746

The condensed consolidated interim financial information consists of pages 2 to 13.

Securities and Investment Company BSC (c)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
for the nine months ended 30 September 2014

Bahraini Dinars '000

2014 (reviewed)

	Share capital	Statutory reserve	General reserve	Available-for-sale investments fair value reserve	Retained earnings	Total equity
Balance at 1 January 2014	42,849	5,567	2,100	2,456	8,892	61,864
- Transfer to general reserve	-	-	542	-	(542)	-
<b>Comprehensive income for the period:</b>						
Profit for the period	-	-	-	-	6,846	6,846
<b>Other comprehensive income:</b>						
Revaluation reserve (available-for-sale investments):						
Net change in fair value	-	-	-	1,754	-	1,754
Net amount transferred to profit or loss on sale / impairment	-	-	-	(2,341)	-	(2,341)
Profit on part disposal of consolidated fund	-	-	-	-	-	-
Unrealized gain on consolidated funds transferred to retained earnings	-	-	-	-	(23)	(23)
<b>Total other comprehensive income</b>	-	-	-	<b>(587)</b>	-	<b>(587)</b>
<b>Total comprehensive income for the period</b>	-	-	-	<b>(587)</b>	<b>6,823</b>	<b>6,236</b>
<b>Transaction with owners recognized directly in equity:</b>						
- Dividends declared for 2013	-	-	-	-	(3,214)	(3,214)
<b>Balance at 30 September 2014</b>	<b>42,849</b>	<b>5,567</b>	<b>2,642</b>	<b>1,869</b>	<b>11,959</b>	<b>64,886</b>

The condensed consolidated interim financial information consists of pages 2 to 13

Securities and Investment Company BSC (c)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
for the nine months ended 30 September 2014 (continued)

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
<i>Other comprehensive income:</i>						
Revaluation reserve (available-for-sale investments):						
Net change in fair value	-	-	-	1,840	-	1,840
Net amount transferred to profit or loss on sale / impairment	-	-	-	(1,345)	-	(1,345)
Profit on part disposal of consolidated fund	-	-	-	(161)	161	-
Unrealized gain on consolidated funds transferred to retained earnings	-	-	-	-	(102)	(102)
<i>Total other comprehensive income</i>	-	-	-	334	-	334
Total comprehensive income for the period	-	-	-	334	3,324	3,658
Transaction with owners recognized directly in equity:						
- Dividends declared	-	-	-	-	(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 13.



Securities and Investment Company BSC (c)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the nine months ended 30 September 2014

Bahraini Dinars '000

	<b>30 September 2014 (reviewed)</b>	30 September 2013 (reviewed)
<b>Operating activities</b>		
Net interest received	875	784
Sale of investments at fair value through profit or loss	28,079	125,243
Purchase of investments at fair value through profit or loss	(26,407)	(126,216)
Sale of available-for-sale investments	139,799	20,889
Purchase of available-for-sale investments	(134,503)	(23,933)
Net increase in customer accounts	10,018	10,047
Dividends received	906	667
Brokerage and other fees received	3,422	4,126
Payments for staff and related expenses	(3,236)	(2,454)
Payments for other operating expenses	(1,330)	(3,420)
<b>Net cash from operating activities</b>	<b>17,623</b>	5,733
<b>Investing activities</b>		
Net capital expenditure on furniture and equipment	(35)	(62)
<b>Net cash used in investing activities</b>	<b>(35)</b>	(62)
<b>Financing activities</b>		
Net proceeds from short-term bank borrowings	8,541	1,785
Net (payment) / proceeds from (redemption) / issue of units	(244)	1,952
Dividends paid	(3,214)	-
<b>Net cash from financing activities</b>	<b>5,083</b>	3,737
<b>Net increase in cash and cash equivalents</b>	<b>22,671</b>	9,408
Cash and cash equivalents at the beginning of the period	32,799	32,544
<b>Cash and cash equivalents at the end of the period</b>	<b>55,470</b>	41,952
Represented by:		
Cash and bank	21,390	17,468
Call deposits	4,691	1,812
Short-term placements with original maturities of 3 months or less	29,389	22,672
	<b>55,470</b>	41,952

**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 a wholesale 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 2013. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2013.

**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 2013 except for the adoptions of new standards and interpretations effective 1 January 2014. The adoption of these standards did not have a significant impact on the condensed consolidated interim financial information.

4. The condensed consolidated interim financial information is reviewed, not audited. The comparatives for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2013 and the comparatives for the condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows have been extracted from the reviewed condensed consolidated interim financial information for the nine months ended 30 September 2013.

**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 consolidated financial statements for the year ended 31 December 2013.

**6. Financial risk management**

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

There have been no changes in the risk management department or in any risk management policies since 31 December 2013.

**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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the nine months ended 30 September 2014**

Bahraini Dinars '000

**8. Appropriations**

At the shareholders Annual General Meeting for the year 2013 held on 24 March 2014, the shareholders resolved to make the following appropriations of the profit for the year ended 31 December 2013 which were effected during the period. These include cash dividend of BD 3,214 representing 7.5% of paid up capital and transfer of BD 542 to general reserve.

**9. Contingent and memorandum accounts**

Assets under custody  
 Assets under management  
 Commitments

1,771,984	1,258,081
389,037	316,913
115	730

**10. Investment income**

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

Nine months ended	
30 September 2014	30 September 2013
2,308	1,263
2,341	1,421
403	290
503	377
<b>5,555</b>	<b>3,351</b>

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

Realized gain  
 Unrealized gain

Nine months ended	
30 September 2014	30 September 2013
1,626	745
682	518
<b>2,308</b>	<b>1,263</b>

The realized gain from investments at fair value through profit or loss represents the difference between the carrying amount of investments at the beginning of the reporting period, or the transaction price if it was purchased in the current reporting period, and its sale or settlement price.

The unrealized gain represents the difference between the carrying amount of investments at the beginning of the period, or the transaction price if it was purchased in the current reporting period, and its carrying amount at the end of the period.

## Securities and Investment Company BSC (c)

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the nine months ended 30 September 2014

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 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.

	Nine months ended	
	30 September 2014	30 September 2013
Fee income	636	442

	As at 30 September 2014	As at 31 December 2013
	Fee receivable	193
Funds under management	60,575	53,076
Investments in own funds	2,624	2,341

#### Transactions with shareholders

	Nine months ended	
	30 September 2014	30 September 2013
Fee income	974	164

	As at 30 September 2014	As at 31 December 2013
	Funds under management	85,230

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

## 12. Fair value

- (i) Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 30 September 2014:

	30 September 2014		31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>				
Investments at fair value through profit or loss	17,048	17,048	19,815	19,815
Available-for-sale investments	32,822	32,822	32,743	32,743
<b>Total assets</b>	<b>49,870</b>	<b>49,870</b>	<b>52,558</b>	<b>52,558</b>
<b>Liabilities</b>				
Short-term bank borrowings	15,635	15,635	7,094	7,094
Payable to other unit holders in consolidated funds	2,644	2,644	2,373	2,373
<b>Total liabilities</b>	<b>18,279</b>	<b>18,279</b>	<b>9,467</b>	<b>9,467</b>

Except for available-for-sale investment of BD 1,885 (31 December 2013: 1,885) that is carried at cost less impairment in the absence of a reliable measure of fair value, all available-for-sale 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 nine months ended 30 September 2014

Bahraini Dinars '000

11. 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
<b>As at 30 September 2014</b>				
<b>Available-for-sale investments:</b>				
- Funds	6,404	6,024	549	12,977
- Equities	8,198	-	312	8,510
- Debt instruments	9,144	306	-	9,450
<b>At fair value through profit or loss:</b>				
- Funds	1,187	-	-	1,187
- Equities	7,417	-	-	7,417
- Debt instruments	8,444	-	-	8,444
<b>Liabilities</b>				
- Payable to other unit holders in consolidated funds	2,644	-	-	2,644
<b>Total</b>	<b>38,150</b>	<b>6,330</b>	<b>861</b>	<b>45,341</b>

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

	Level 3 30 September 2014
<b>At 1 January 2014</b>	2,131
Total gain :	
- in statement of profit or loss	142
- in other comprehensive income	(70)
Purchases	-
Settlements	(1,342)
Transfers into / (out) of level 3	-
<b>At 30 September 2014</b>	<b>861</b>
<b>Total gain / (loss) for the period included in statement of profit or loss for assets / liabilities held as at 30 September 2014</b>	<b>-</b>

	Level 1	Level 2	Level 3	Total
As at 31 December 2013 (restated)				
<b>Assets</b>				
<b>Available-for-sale investments:</b>				
- Funds	7,009	6,483	1,747	15,239
- Equities	7,904	-	384	8,288
- Debt Instruments	7,034	298	-	7,332
<b>At fair value through profit or loss:</b>				
- Funds	1,180	-	-	1,180
- Equities	9,473	-	-	9,473
- Debt Instruments	9,162	-	-	9,162
<b>Liabilities</b>				
- Payable to unit other unit holders in consolidated funds	2,373	-	-	2,373
<b>Total</b>	<b>39,389</b>	<b>6,781</b>	<b>2,131</b>	<b>48,301</b>

11. Fair value (continued)

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

	Level 3 30 September 2013 (restated)
At 1 January 2013	2,746
Total loss :	
- in statement of profit or loss	(76)
- in other comprehensive income	(152)
Purchases	-
Settlements	(259)
Transfers into / (out) of level 3	-
At 30 September 2013	2,259
Total gain / (loss) for the period included in statement of profit or loss for assets / liabilities held as at 30 September 2013	(76)

13. Comparatives

Certain comparatives have been regrouped where necessary to conform to the current period's presentation. The regrouping did not affect previously reported profit, comprehensive income or equity of the Group.