

**SICO GULF EQUITY FUND**  
**CONDENSED INTERIM**  
**FINANCIAL INFORMATION**  
**30 June 2014**

Fund Manager, Operator and Placement agent	Securities & Investment Company B.S.C. (c) PO Box 1331, Manama, Kingdom of Bahrain
Administrator	HSBC Bank Middle East Limited, Bahrain PO Box 57, Manama, Kingdom of Bahrain
Registrar	APEX Funds Services Bahrain WLL PO Box 10405, Manama, Kingdom of Bahrain
Directors	Najla Al Shirawi Hanan Y. Sater Samir Sami Anthony Mallis (up to 13 March 2014)
Fund Company	SICO Funds Company III B.S.C. (c) PO Box 1331, Manama, Kingdom of Bahrain
Registered office	SICO Funds Company III B.S.C (c) PO Box 1331, Manama, Kingdom of Bahrain
Custodian	HSBC Bank Middle East Limited, Bahrain PO Box 57, Manama, Kingdom of Bahrain
Auditor	Jalil Al A'ali, <i>Partner</i> KPMG Fakhro PO Box 710, Manama, Kingdom of Bahrain

**SICO Gulf Equity Fund**

**CONDENSED INTERIM FINANCIAL INFORMATION**  
**for the six-month period ended 30 June 2014**

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## **INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION**

The Unit Holders  
SICO Gulf Equity Fund  
Kingdom of Bahrain

24 August 2014

### **Introduction**

We have reviewed the accompanying 30 June 2014 condensed interim financial information of SICO Gulf Equity Fund (the "Fund") which comprises:

- the condensed statement of financial position as at 30 June 2014;
- the condensed statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2014;
- the condensed statement of changes in net assets attributable to unit holders for the six-month period ended 30 June 2014;
- the condensed statement of cash flows for the six-month period ended 30 June 2014; and
- notes to the condensed interim financial information.

The Board of Directors of the Fund is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed 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 condensed 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 June 2014 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

**SICO Gulf Equity Fund**

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
for the six-month period ended 30 June 2014

Bahraini dinars

	Note	Six months ended 30 June 2014 (reviewed)	Six months ended 30 June 2013 (reviewed)
Net change in fair value of investments at fair value through profit or loss	4	(812,343)	787,366
Gain on sale of investments at fair value through profit or loss		1,401,883	671,853
Dividend income		420,352	420,567
Interest income		308	326
Other income		5	85
<b>Total income</b>		<b>1,010,205</b>	<b>1,880,197</b>
Management fees	5a	116,450	95,307
Custody and administration fees		17,387	13,341
General and administrative expenses		392	832
Audit fees		1,513	1,488
Performance fees	5c	239,561	-
Registrar fees		1,589	1,589
Other fees and commissions		1,979	1,393
<b>Total expenses</b>		<b>378,871</b>	<b>113,950</b>
<b>Profit for the period</b>		<b>631,334</b>	<b>1,766,247</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>631,334</b>	<b>1,766,247</b>

Hanan Y. Sater  
Director

Najla Al Shirawi  
Director

The condensed interim financial information consisting of pages 2 to 9 were approved by the Board of Directors on 24 August 2014.

**SICO Gulf Equity Fund**

**CONDENSED STATEMENT OF FINANCIAL POSITION  
as at 30 June 2014**

Bahraini dinars

	Note	30 June 2014 (reviewed)	31 December 2013 (audited)
<b>Assets</b>			
Cash and cash equivalents		1,036,308	307,715
Investments at fair value through profit or loss	4	10,435,241	10,686,443
Dividend receivables		29,266	-
Prepayments and other receivables		-	83
<b>Total assets</b>		<b>11,500,815</b>	<b>10,994,241</b>
<b>Liabilities</b>			
Balance due to brokers		6,791	-
Other liabilities		371,194	68,260
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		<b>377,985</b>	<b>68,260</b>
<b>Net assets attributable to holders of:</b>			
- Class A units		888,974	795,958
- Class B units		10,233,856	10,130,023
<b>Net assets attributable to unit holders</b>		<b>11,122,830</b>	<b>10,925,981</b>
Net Asset Value ("NAV") per unit at book value based on 19,236 (31 December 2013: 16,106) units outstanding with respect to class A units.		46.214	49.419
Net Asset Value ("NAV") per unit at book value based on 209,312 units (31 December 2013: 209,312) units outstanding with respect to class B units.		48.893	48.397

Hanan Y. Sater  
Director

Najla Al Shirawi  
Director

The condensed interim financial information consisting of pages 2 to 9 were approved by the Board of Directors on 24 August 2014.

SICO Gulf Equity Fund

**CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS  
for the six-month period ended 30 June 2014**

Bahraini dinars

	Number of units	Unit capital	Unit surplus	Retained earnings	Total
<b>2014 (reviewed)</b>					
<b>Balance at 1 January 2014</b>	225,418	8,498,298	387,469	2,040,214	10,925,981
Total comprehensive income for the period	-	-	-	631,334	631,334
Issue of units during the period	3,130	117,992	(42,579)	-	75,413
Redemption of units during the period	-	-	-	-	-
Distribution to unit holders	-	-	-	(509,898)	(509,898)
<b>Total balance at 30 June 2014</b>	<b>228,548</b>	<b>8,616,290</b>	<b>344,890</b>	<b>2,161,650</b>	<b>11,122,830</b>

	Number of units	Unit capital	Unit surplus	Accumulated losses / retained earnings	Total
<b>2013 (reviewed)</b>					
<b>Balance at 1 January 2013</b>	226,872	8,553,097	399,832	(271,217)	8,681,712
Total comprehensive income for the period	-	-	-	1,766,247	1,766,247
Issue of units during the period	912	34,382	3,318	-	37,700
Redemption of units during the period	(1,325)	(49,953)	(5,022)	-	(54,975)
<b>Total balance at 30 June 2013</b>	<b>226,459</b>	<b>8,537,526</b>	<b>398,128</b>	<b>1,495,030</b>	<b>10,430,684</b>

The condensed interim financial information consist of pages 2 to 9.

**CONDENSED STATEMENT OF CASH FLOWS**  
 for the six-month period ended 30 June 2014

Bahraini dinars

	<b>Six months ended 30 June 2014 (reviewed)</b>	<b>Six months ended 30 June 2013 (reviewed)</b>
<b>Cash flows from operating activities</b>		
Profit for the period	631,334	1,766,247
<i>Adjustments for:</i>		
Decrease / (increase) in investments at fair value through profit or loss	251,202	(1,392,991)
Increase in due from brokers	-	(297,830)
Increase in dividend receivables	(29,266)	-
Decrease / (increase) in prepayments and other receivables	83	(12,252)
Increase / (decrease) in due to brokers	6,791	(155,211)
Increase in other liabilities	302,934	9,185
<b>Net cash generated from / (used in) operating activities</b>	<b>1,163,078</b>	<b>(82,852)</b>
<b>Cash flows from financing activities</b>		
Distribution to unit holders	(509,898)	-
Subscription of units during the period	75,413	37,700
Redemption of units during the period	-	(54,975)
<b>Net cash used in financing activities</b>	<b>(434,485)</b>	<b>(17,275)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>728,593</b>	<b>(100,127)</b>
Cash and cash equivalents at beginning of the period	307,715	303,191
<b>Cash and cash equivalents at end of the period</b>	<b>1,036,308</b>	<b>203,064</b>

The condensed interim financial information consist of pages 2 to 9.

**1. Reporting entity**

SICO Gulf Equity Fund ("The Fund") is an open ended sub-fund of SICO Gulf Equity Funds Company III B.S.C. (c) (the "Company" or the "Fund Manager"), a closed joint stock company incorporated in the Kingdom of Bahrain with commercial registration number 59294. The Fund commenced trading in May 2008. The Fund has been classified as an expert fund under the CIU Module, CBB Rule Book Volume 7. Although the Fund's units are listed on the Bahrain Bourse all unit transactions are carried out directly with the Fund.

The share capital of the Company is BD 1,000 and the shareholders of the Company are Securities & Investment Company B.S.C. (c) 99.9% and SICO Ventures Company SPC 0.1%.

The Fund has been established for an indefinite period by the Company, but the Company reserves the right to terminate the Fund at any time without penalty to any party involved. Under Bahrain law, termination of the Fund requires the prior written consent of the Central Bank of Bahrain and that reasonable notice be given to investors.

The principal investment objective of the Fund is to achieve long term capital appreciation for holders of units by investing principally in equity securities listed on the stock markets of Kuwait, Bahrain, Oman, Qatar and the UAE. The Fund may also invest in equity related, hybrid and debt securities listed in GCC countries excluding the Kingdom of Saudi Arabia in addition to unlisted debt securities issued by governments or quasi government institutions of the GCC countries excluding the Kingdom of Saudi Arabia.

The investment management activities of the Fund are undertaken by Securities & Investment Company B.S.C. (c) (the "Fund Manager"). The Fund's custody and administration activities are undertaken by HSBC Bank Middle East Limited Bahrain Branch.

The accompanying condensed interim financial information relates to SICO Gulf Equity Fund only.

**2. Basis of preparation**

**a) Statement of compliance**

This condensed interim financial information has been prepared in condensed form in accordance with the International Accounting Standard 34 - *Interim Financial Reporting*. The condensed interim financial information does not include all of the information required for complete set of financial statements, and should be read in conjunction with the complete set of annual financial statements of the Fund as at and 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 Fund's financial position and performance since the last audited financial statements as at and for the year ended 31 December 2013.

**b)** The condensed interim financial information for the six months period ended 30 June 2014 is unaudited but has been reviewed by KPMG and their report is set out on page 1. The corresponding figures for the condensed statement of financial position have been extracted from the 31 December 2013 audited financial statements and the corresponding figures for the condensed statements of income, comprehensive income, changes in net assets attributable to unit holders and cash flows have been extracted from the 30 June 2013 reviewed condensed interim financial information.

**c)** Due to the nature of the Fund's activities, the results for the six months period ended 30 June 2014, as reported in the condensed interim financial information, are not indicative of the results that may be expected for the year ending 31 December 2014.

**d) Estimates**

The preparation of condensed interim financial information requires management to make judgments, 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.



**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
for the six-month period ended 30 June 2014

Bahraini dinars

2. *Basis of preparation (continued)*

In preparing the condensed interim financial information, the significant judgments made by management in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2013.

e) **Financial risk management**

The Fund's financial risk management objectives and policies are consistent with those disclosed in the audited financial statements for the year ended 31 December 2013.

3. **Significant accounting policies**

The accounting policies applied in these condensed interim financial statements are the same as those applied in the Fund's financial statements as at and for the year ended 31 December 2013.

4. **Investments at fair value through profit or loss**

This represents investments in quoted equity securities. The fair value of these securities is based on their quoted market price as at the reporting date.

**Movements on portfolio investments**

	<b>30 June 2014 (reviewed)</b>	<b>31 December 2013 (audited)</b>
Opening balance	10,686,443	8,583,756
Additions	9,872,011	7,788,031
Disposals	(9,310,870)	(6,816,505)
Change in fair value of investments	(812,343)	1,131,161
	<b>10,435,241</b>	<b>10,686,443</b>

Details of the top ten securities are as follows:

**30 June 2014 (reviewed)**

	<b>Fair value</b>	<b>Value of investment as a percentage of NAV</b>
Emaar Properties	778,327	7.00%
Ahli United Bank	542,891	4.88%
Dubai Islamic Bank	513,104	4.61%
Bank Muscat SAOG	498,579	4.48%
Al-Meera Consumer Goods	469,573	4.22%
Mabane Co	404,098	3.63%
Mobile Telecommunications Co	386,248	3.47%
Agility	385,900	3.47%
Air Arabia	374,758	3.37%
First Gulf Bank	357,086	3.21%

## 4. Investments at fair value through profit or loss (continued)

31 December 2013 (audited)

	Fair value	Value of investment as a percentage of NAV
Bank Muscat SAOG	650,640	5.95%
Qatar Electricity & Water	603,001	5.52%
Oman Telecommunications	601,249	5.50%
Qatar Industries	544,045	4.98%
Al-Anwar Ceramic Tiles Company	515,912	4.72%
Ahli United Bank	486,547	4.45%
Renaissance Services	473,057	4.33%
Doha Bank	457,960	4.19%
Kuwait Food	453,994	4.16%
Mobile Telecommunications Co	424,185	3.88%

## 5. Related party balances and transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. Related parties include entities over which the Fund exercises significant influence, unit holders, directors and the Fund Manager of the Fund.

The Fund is a sub-fund of SICO Funds Company III B.S.C. (c), which is a wholly owned subsidiary of Securities & Investment Company B.S.C. (c) (SICO), which provides fund management services to the Fund.

Balances and transactions with related parties were as follows:

	30 June 2014 (reviewed)	31 December 2013 (audited)
<b>Due to related parties</b>		
Accrued management fees	116,450	55,621

**Transactions with related parties**

## a) Management fees

Securities and Investment Company B.S.C. (c) manages the Fund's operations for an annual fee of 1.5% and 2% per annum with respect to Class A units and Class B units respectively. Management fees are accrued on the dealing day monthly and payable on the second business day of each quarter. The management fees with respect to Class A units and Class B units for the six-month period ended 30 June 2014 amounted to BD 6,690 (30 June 2013: BD 5,660) and BD 109,760 (30 June 2013: BD 89,647) respectively.

## b) Performances fees

The Fund manager is entitled, out of the assets of the Fund, to a performance fee that equals 10% and 20% with respect to Class A and Class B units respectively over and above the hurdle total rate of return of 10% for each financial year. The performance fees for the six-month period ended 30 June 2014 amounted to BD 239,561 (30 June 2013: nil).

5. Related party balances and transactions *(continued)*

- c) Commission incurred on transactions through the Fund Manager during the period amounted to BD 17,724 (30 June 2013: BD 4,519)
- d) The Fund Manager did not earn or participate in any soft commission arrangements related to the Fund's assets.

## 6. Financial instruments

**Measurement of fair values**

When measuring fair value of an asset or a liability, the Fund uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Fund recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the changes has occurred.

The table below analyses financial instruments measured at fair value as at the end of the period, by level in the fair value hierarchy into which the fair value measurement is categorized:

	Level 1	Level 2	Level 3	Total
<b>30 June 2014 (reviewed)</b>				
Investments at fair value through profit or loss	10,435,241	-	-	10,435,241
	10,435,241	-	-	10,435,241
<b>31 December 2013 (audited)</b>				
Investments at fair value through profit or loss	10,686,443	-	-	10,686,443
	10,686,443	-	-	10,686,443

During the period / year, there were no transfer between Level 1 and Level 2 fair value measurements, and no transfer into or out of Level 3 fair value measurements.