

SICO GULF EQUITY FUND

CONDENSED INTERIM FINANCIAL INFORMATION 30 June 2016

Fund Manager, Operator and Placement agent	Securities & Investment Company B.S.C. (c) P.O. Box 1331, Manama, Kingdom of Bahrain
Administrator and custodian	HSBC Bank Middle East Limited, Bahrain P.O. Box 57, Manama, Kingdom of Bahrain
Registrar	APEX Funds Services Bahrain WLL P.O. Box 10405, Manama, Kingdom of Bahrain
Directors	Najla Mohammed Qassim Alshirawi Hanan Yusuf Hasan Sater Amal Ahmed Yusuf Alnaser Anantha Narayanan
Fund Company	SICO Funds Company III B.S.C. (c) P.O. Box 1331, Manama, Kingdom of Bahrain
Auditor	KPMG Fakhro Balasubramanian Mahesh, <i>Partner</i> P.O. Box 710, Manama, Kingdom of Bahrain

SICO Gulf Equity Fund

**CONDENSED INTERIM FINANCIAL INFORMATION
for the six month period ended 30 June 2016**

<i>Contents</i>	<i>Page</i>
Independent auditors' report on review of condensed interim financial information	1
Condensed interim financial information	
Condensed statement of financial position	2
Condensed statement of profit or loss and other comprehensive income	3
Condensed statement of changes in equity	4
Condensed statement of cash flows	5
Notes to the condensed interim financial information	6-9



INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

The Unit holders
SICO Gulf Equity Fund
Kingdom of Bahrain

15 August 2016

Introduction

We have reviewed the accompanying 30 June 2016 condensed interim financial information of SICO Gulf Equity Fund (the "Fund"), which comprises:

- the condensed statement of financial position as at 30 June 2016;
- the condensed statement of profit or loss and other comprehensive income for the six month period ended 30 June 2016;
- the condensed statement of changes in equity for the six month period ended 30 June 2016;
- the condensed statement of cash flows for the six month period ended 30 June 2016; 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 2016 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

CONDENSED STATEMENT OF FINANCIAL POSITION
as at 30 June 2016

Bahraini dinars

	Note	30 June 2016 (reviewed)	31 December 2015 (audited)
Assets			
Cash and cash equivalents		455,325	865,330
Investments at fair value through profit or loss	7	4,598,956	8,688,260
Due from brokers		-	212,964
Other assets		11,508	-
Total assets		5,065,789	9,766,554
Liabilities			
Due to brokers		-	45,820
Payables and other liabilities		36,719	57,318
Total liabilities		36,719	103,138
Equity			
Unit capital		4,133,206	7,903,206
Unit (deficit) / surplus		(284,513)	291,166
Retained earnings		1,180,377	1,469,044
Total Equity		5,029,070	9,663,416
Net Asset Value ("NAV") per unit at book value based on 9,634 units (31 December 2015: 9,634) outstanding with respect to class A units.		42.886	43.018
Net Asset Value ("NAV") per unit at book value based on 100,000 units (31 December 2015: 200,000) outstanding with respect to class B units.		46.159	46.245



Anantha Narayanan
Director



Amal Al Nasser
Director

The condensed interim financial information consisting of pages 2 to 9 were approved by the Board of Directors on 15 August 2016.

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six month period ended 30 June 2016 Bahraini dinars

	Note	Six months ended 30 June 2016 (reviewed)	Six months ended 30 June 2015 (reviewed)
Net changes in fair value of investments at fair value through profit or loss	7	(378,712)	1,156,882
Dividend income		143,609	383,203
Interest income		129	79
Other income		-	1
Total income		(234,974)	1,540,165
Management fees	8	39,282	83,013
Custody and administration fees		8,250	15,020
General and administrative expenses		472	556
Audit fees		1,517	1,513
Performance fees	8	654	94,379
Registrar fees		1,594	1,589
Other fees and commissions		1,924	3,371
Total expenses		53,693	199,441
(Loss) / profit for the period		(288,667)	1,340,724
Other comprehensive income		-	-
Total comprehensive income for the period		(288,667)	1,340,724



Anantha Narayanan
Director



Amal Al Nasser
Director

The condensed interim financial information consisting of pages 2 to 9 were approved by the Board of Directors on 15 August 2016.

CONDENSED STATEMENT OF CHANGES IN EQUITY
for the six month period ended 30 June 2016

Bahraini dinars

	Number of units	Unit capital	Unit deficit	Retained earnings	Total
2016 (reviewed)					
At 1 January 2016	209,634	7,903,206	291,166	1,469,044	9,663,416
Total comprehensive income for the period	-	-	-	(288,667)	(288,667)
Redemption of units during the period	(100,000)	(3,770,000)	(575,679)	-	(4,345,679)
At 30 June 2016	109,634	4,133,206	(284,513)	1,180,377	5,029,070
2015 (reviewed)					
At 1 January 2015	228,258	8,605,345	429,532	1,847,980	10,882,857
Total comprehensive income for the period	-	-	-	1,340,724	1,340,724
Redemption of units during the period	(7,812)	(294,513)	(60,922)	-	(355,435)
Distribution to unit holders	-	-	-	(602,374)	(602,374)
At 30 June 2015	220,446	8,310,832	368,610	2,586,330	11,265,772

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

CONDENSED STATEMENT OF CASH FLOWS
for the six month period ended 30 June 2016

Bahraini dinars

	Six months ended 30 June 2016 (reviewed)	Six months ended 30 June 2015 (reviewed)
OPERATING ACTIVITIES		
(Loss) / profit for the period	(288,667)	1,340,724
<i>Adjustments for:</i>		
Net changes in fair value of investments at fair value through profit or loss	378,712	(1,156,882)
<i>Operating profit before changes in working capital</i>	90,045	183,842
Decrease in due from brokers	212,964	887,944
Increase in other assets	(11,508)	(7,933)
Decrease in due to brokers	(45,820)	-
(Decrease) / increase in payables and other liabilities	(20,599)	15,057
Net cash from operating activities	225,082	1,078,910
INVESTING ACTIVITIES		
Purchase of investments at fair value through profit or loss	(4,348,323)	(9,903,665)
Sale of investments at fair value through profit or loss	8,058,915	10,396,522
Net cash from investing activities	3,710,592	492,857
FINANCING ACTIVITIES		
Distribution to unit holders	-	(602,374)
Payment for redemption of units	(4,345,679)	(355,435)
Net cash used in financing activities	(4,345,679)	(957,809)
Net (decrease) / increase in cash and cash equivalents	(410,005)	613,958
Cash and cash equivalents at beginning of the period	865,330	601,043
Cash and cash equivalents at end of the period	455,325	1,215,001

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
for the six month period ended 30 June 2016**

Bahraini dinars

1. Reporting entity

SICO Gulf Equity Fund ("The Fund") is an open ended Fund launched by SICO Gulf Equity Funds Company III BSC (c) (the "Fund Company"), 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 Volume 7 of the CBB Rule Book. Although the Fund's units are listed on the Bahrain Bourse, all unit transactions are carried out directly with the Fund.

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. In addition, the Fund may invest up to 10% of the net asset value of the Fund in Middle Eastern Countries.

The Fund is managed and operated 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.

2. Basis of preparation

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 2015. 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 2015.

The condensed interim financial information for the six months period ended 30 June 2016 is reviewed, not audited. The corresponding figures for the condensed statement of financial position have been extracted from the 31 December 2015 audited financial statements and the corresponding figures for the condensed statements of income, comprehensive income, changes in equity and cash flows have been extracted from the 30 June 2015 reviewed condensed interim financial information.

3. Significant accounting policies

The accounting policies applied in this condensed interim financial information are the same as those applied in the Fund's audited financial statements as at and for the year ended 31 December 2015.

4. Significant judgement and 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 2016

Bahraini dinars

4. Significant judgement and estimates (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 2015.

5. 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 2015.

6. Seasonality

Due to the nature of the Fund's operations, the six month period results reported in this condensed interim financial information may not represent a proportionate share of the overall annual results.

7. 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.

	30 June 2016 (reviewed)	31 December 2015 (audited)
Opening balance	8,688,260	9,316,709
Additions	4,348,323	12,907,606
Disposals	(8,058,915)	(13,544,472)
Change in fair value	(378,712)	8,417
Closing balance	4,598,956	8,688,260

8. 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 they exercises significant influence on the Fund, such as directors and 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.

a) Related party balances

	30 June 2016 (reviewed)	31 December 2015 (audited)
Accrued management fees	19,203	38,302

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
for the six month period ended 30 June 2016

Bahraini dinars

8. Related party balances and transactions (continued)

b) Related party transactions

a) Management fees

Securities and Investment Company B.S.C. (c) manages the Fund's operations for an annual fee of 1.5% for both Class A units and Class B units. 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 2016 amounted to BD 3,037 (30 June 2015: BD 5,642) and BD 36,245 (30 June 2015: BD 77,371) respectively.

b) Performance fees

The Fund manager is entitled, out of the assets of the Fund, to a performance fee that equals 10% for both Class A and Class B units 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 2016 amounted to BD 654 (30 June 2015: BD 94,379).

c) Commission incurred on transactions through the Fund Manager during the period amounted to BD 15,933 (30 June 2015: BD 17,331)

d) The Fund Manager did not earn or participate in any soft commission arrangements related to the Fund's assets.

9. 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).

The Fund recognises 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 at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized:

	Level 1	Level 2	Level 3	Total
30 June 2016 (reviewed)				
Investments at fair value through profit or loss	4,598,956	-	-	4,598,956
	4,598,956	-	-	4,598,956

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
for the six month period ended 30 June 2016

Bahraini dinars

9. Financial instruments (continued)

31 December 2015 (audited)	Level 1	Level 2	Level 3	Total
Investments at fair value through profit or loss	8,688,260	-	-	8,688,260
	8,688,260	-	-	8,688,260

There were no transfers between levels of the fair value hierarchy during the year.

Financial instruments not measured at fair value

The fair value of all other financial instruments approximate their respective book value due to their short-term nature.

10. Comparatives

Certain regroupings have been made in the comparative figures in order to conform to the current period's presentation. Such regroupings did not affect previously reported comprehensive income or total equity.