

**KHALEEJ 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 B.S.C. (c) P.O. Box 1331, Manama, Kingdom of Bahrain
Auditors	KPMG Fakhro Balasubramanian Mahesh, <i>Partner</i> P.O. Box 710, Manama, Kingdom of Bahrain

Khaleej 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 net assets attributable to unit holders	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
Khaleej Equity Fund
Kingdom of Bahrain

15 August 2016

Introduction

We have reviewed the accompanying 30 June 2016 condensed interim financial information of Khaleej 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 net assets attributable to unit holders 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		1,308,855	1,501,281
Investments at fair value through profit or loss	7	15,470,947	15,967,077
Other receivables		104,274	61,304
Total assets		16,884,076	17,529,662
Liabilities			
Due to brokers		106,731	249,426
Other payables		82,119	96,332
Total liabilities (excluding net assets attributable to unit holders)		188,850	345,758
Net assets attributable to holders of			
- Class A units		6,980,768	7,349,251
- Class B units		9,714,458	9,834,653
Net assets attributable to unit holders		16,695,226	17,183,904
Net Asset Value ("NAV") per unit based on 68,581 units (31 December 2015: 71,325) outstanding with respect to Class A units		101.79	103.04
Net Asset Value ("NAV") per unit based on 96,350 units (31 December 2015: 96,350) outstanding with respect to Class B units		100.92	102.10



 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 change in fair value of investments at fair value through profit or loss	7	(474,449)	3,483,297
Foreign exchange loss		(61,931)	(57,774)
Dividend income		440,447	516,986
Interest income		51	29
Other income		15,631	40,749
Total income		(80,251)	3,983,287
Management fees	8	119,862	178,972
Custody and administration fees		21,410	34,764
General and administrative expenses		4,661	15,031
Performance fees	8	-	217,817
Audit fees		2,263	2,256
Registrar fees		1,594	1,589
Fees and commission		1,921	3,413
Total expenses		151,711	453,842
(Loss) / profit for the period		(231,962)	3,529,445
Other comprehensive income		-	-
Total comprehensive income for the period		(231,962)	3,529,445



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 NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
for the six month period ended 30 June 2016

Bahraini dinars

	Number of units	Unit capital	Unit surplus	Retained earnings	Total
2016 (reviewed)					
At 1 January 2016	167,675	6,321,356	(677,813)	11,540,361	17,183,904
Total comprehensive income for the period				(231,962)	(231,962)
Issue of units during the period	9,506	358,382	559,040	-	917,422
Redemption of units during the period	(12,250)	(461,822)	(712,316)	-	(1,174,138)
Balance at 30 June 2016	164,931	6,217,916	(831,089)	11,308,399	16,695,226
	Number of units	Unit capital	Unit surplus	Retained earnings	Total
2015 (reviewed)					
At 1 January 2015	232,877	8,779,454	4,740,339	12,034,181	25,553,974
Total comprehensive income for the period				3,529,445	3,529,445
Issue of units during the period	28,093	1,059,115	2,248,460	-	3,307,575
Redemption of units during the period	(71,474)	(2,694,584)	(6,081,443)	-	(8,776,027)
Balance at 30 June 2015	189,496	7,143,985	907,356	15,563,626	23,614,967

The condensed interim financial information consists 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)
Cash flows from operating activities		
(Loss) / profit for the period	(231,962)	3,529,445
<i>Adjustments for:</i>		
Net change in fair value of investments at fair value through profit or loss	474,449	(3,483,297)
<i>Operating profit before changes in working capital</i>	242,487	46,148
Decrease in due from brokers	-	563,565
Increase in other receivables	(42,970)	(4,545)
Decrease in due to brokers	(142,695)	-
(Decrease) / increase in other payables	(14,213)	291,121
Net cash generated from operating activities	42,609	896,289
Cash flows from investing activities		
Purchase of investments	(23,875,630)	(38,046,595)
Disposal of investments	23,897,311	43,408,074
Net cash generated from investing activities	21,681	5,361,479
Cash flows from financing activities		
Proceeds of subscription for units	-	3,307,575
Payments for redemption of units	(256,716)	(8,731,692)
Net cash used in financing activities	(256,716)	(5,424,117)
Net (decrease) / increase in cash and cash equivalents	(192,426)	833,651
Cash and cash equivalents at beginning of the period	1,501,281	527,287
Cash and cash equivalents at end of the period	1,308,855	1,360,938

The condensed interim financial information consists 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

Khaleej Equity Fund ("The Fund") is an open ended fund launched by SICO Funds Company BSC (c) (the "Fund Company"), a closed joint stock company incorporated in the Kingdom of Bahrain with commercial registration number 40378. The Fund commenced trading in March 2008. The Fund has been classified as an open-ended 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 duration of the Fund is subject to the duration of the Fund Company, which is 25 years commencing from the date of registration of the Fund Company in the Commercial Registry. The duration may be extended by a resolution to be adopted by an extraordinary meeting of the general assembly, in the manner provided for in the Commercial Companies Law, of the Fund Company with the approval of the Ministry of Commerce of the Kingdom of Bahrain and the CBB.

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 GCC Countries. From time to time, the Fund may also invest in equity related hybrid and debt securities listed in the GCC Countries in addition to unlisted debt securities issued by the governments or quasi government institutions of GCC Countries in 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 operated and managed 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 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 month 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 profit or loss and other comprehensive income, changes in net assets attributable to unit holders 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 judgment 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 judgment 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 activities, the results for the six-month period ended 30 June 2016, as reported in the condensed interim financial information, are not indicative of the results that may be expected for the year ending 31 December 2016.

7. Investments at fair value through profit or loss

Movements on portfolio investments during the period as follow:

	30 June 2016 (reviewed)	31 December 2015 (audited)
Opening balance	15,967,077	24,514,796
Additions	23,875,630	58,745,511
Disposals	(23,897,311)	(66,513,609)
Net changes in fair value	(474,449)	(779,621)
Closing balance	15,470,947	15,967,077

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 over the Fund including unit holders, directors and the Fund Manager of the Fund.

a) Related party balances

	30 June 2015 (reviewed)	31 December 2015 (audited)
Management fees	62,424	76,304
Unit capital held by Fund Manager	967,631	979,498

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

Bahraini dinars

8. Related party balances and transaction (continued)

b) Related party transactions

1. Management fees

Securities and Investment Company B.S.C (c) manages the Fund's operation for an annual fee of 1.5% and 1.5% per annum with respect to Class A and Class B units respectively. No management fee is charged to Class C units. Management fees are accrued on the dealing day and payable monthly in arrears. The management fees of Class A and Class B units for the six-month period ended 30 June 2016 amounted to BD 50,410 (30 June 2015: BD 92,586) and BD 69,452 (30 June 2015: BD 86,386).

2. Performance fees

The Fund Manager is entitled, out of the assets of the Fund, to a performance fee that equals 10% and 10% with respect to Class A and Class B units respectively over and above the hurdle total rate of 10% for each financial year. No performance fees are charged in respect of Class C units. Performance fee for the six months period ended 30 June 2016 amounted to BD NIL (30 June 2015: BD 217,817).

3. Commission incurred on transactions through the Fund Manager during the period
amounted to BD 18,791 (30 June 2015: BD 19,702)

4. 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 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 as at the end of the period, by level in the fair value hierarchy into which the fair value measurement is categorized:

30 June 2016 (reviewed)	Level 1	Level 2	Level 3	Total
Investment at fair value through profit or loss	15,470,947	-	-	15,470,947
	15,470,947	-	-	15,470,947

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

Bahraini dinars

9. Financial Instruments (continued)

	Level 1	Level 2	Level 3	Total
31 December 2015 (audited)				
Investment at fair value through profit or loss	15,967,077	-	-	15,967,077
	15,967,077	-	-	15,967,077

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.