

KHALEEJ EQUITY FUND

30 June 2013

CONDENSED INTERIM FINANCIAL INFORMATION

| | |
|--|---|
| Fund Manager / Sponsor / Placement agent | Securities & Investment Company B.S.C. (c) (SICO) PO Box 1331, Manama, Kingdom of Bahrain |
| Administrator | HSBC Bank Middle East Limited (Bahrain Branch) PO Box 57, Manama, Kingdom of Bahrain |
| Registrar | APEX Funds Services Bahrain WLL PO Box 10405, Manama, Kingdom of Bahrain |
| Directors | Anthony C. Mallis Najla Al Shirawi Hanan Y. Sater Samir Sami |
| Fund Company | SICO Funds Company B.S.C. (c) PO Box 1331, Manama, Kingdom of Bahrain |
| Registered office | 2 nd Floor, BMB Centre PO Box 1331, Diplomatic Area Kingdom of Bahrain |
| Custodian | HSBC Bank Middle East Limited (Bahrain Branch) PO Box 57, Manama, Kingdom of Bahrain |
| Auditor | Jalil Al A'ali, <i>Partner</i> KPMG Fakhro P O Box 710, Manama, Kingdom of Bahrain |

Khaleej Equity Fund

**CONDENSED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2013**

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

The Unit Holders
Khaleej Equity Fund
Kingdom of Bahrain

28 August 2013

Introduction

We have reviewed the accompanying 30 June 2013 condensed interim financial information of Khaleej Equity Fund (the "Fund") which comprises:

- the condensed statement of financial position as at 30 June 2013;
- the condensed statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2013;
- the condensed statement of changes in net assets attributable to unit holders for the six-month period ended 30 June 2013;
- the condensed statement of cash flows for the six-month period ended 30 June 2013; 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 2013 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Other Matter

The financial statements of the Fund as at and for the year ended 31 December 2012 and the condensed interim financial information for the six month period ended 30 June 2012 were audited and reviewed by another auditor who expressed an unmodified opinion on those financial statements and condensed interim financial information on 29 April 2013 and 29 August 2012, respectively.


Khaleej Equity Fund

**CONDENSED STATEMENT OF FINANCIAL POSITION
as at 30 June 2013**

Bahraini dinars

| | Note | 30 June 2013 (reviewed) | 31 December 2012 (audited) |
|---|------|-------------------------------|----------------------------------|
| Assets | | | |
| Cash and cash equivalents | | 1,041,014 | 311,912 |
| Investments at fair value through profit or loss | 4 | 25,082,806 | 24,394,066 |
| Prepayments and other receivables | | 113,365 | 13,321 |
| Total assets | | 26,237,185 | 24,719,299 |
| Liabilities | | | |
| Due to brokers | | - | 94,250 |
| Payables and other liabilities | | 89,603 | 97,003 |
| Total liabilities | | 89,603 | 191,253 |
| Net assets attributable to holders of: | | | |
| - Class A units | | 18,746,013 | 18,758,652 |
| - Class C units | | 7,401,569 | 5,769,394 |
| Net assets attributable to unit holders | | 26,147,582 | 24,528,046 |
| Net Asset Value ("NAV") per unit at book value based on 196,810 (31 December 2012: 229,661) units outstanding with respect to Class A units | | 95.75 | 81.68 |
| Net Asset Value ("NAV") per unit at book value based on 75,641 (31 December 2012: 70,565) units outstanding with respect to Class C units | | 96.55 | 81.76 |


 Anthony C. Mallis,
 Chairman and Managing Director
 SICO Funds Company B.S.C. (c)


 Hanan Y. Sater
 Director
 SICO Funds Company B.S.C. (c)


The condensed interim financial information consisting of pages 2 to 12 were approved by the Board of Directors on 28 August 2013.


Khaleej Equity Fund

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six months ended 30 June 2013

Bahraini dinars

| | Note | Six months ended 30 June 2013 (reviewed) | Six months ended 30 June 2012 (reviewed) |
|--|------|---|---|
| Net change in fair value of investments at fair value through profit or loss | | 3,484,476 | (566,891) |
| Dividend income | | 869,559 | 948,968 |
| Interest income | | 361 | 325 |
| Other income | | 7,003 | 13,293 |
| Total income | | 4,361,399 | 395,695 |
| Management fees | 5 | (146,846) | (205,516) |
| Custody and administration fees | | (27,981) | (30,584) |
| General and administration expenses | | (537) | (3,133) |
| Audit fees | | (2,232) | (2,900) |
| Registrar fees | | (1,589) | (1,594) |
| Fees and commission | | (1,380) | (371) |
| Total expenses | | (180,565) | (244,098) |
| Profit for the period | | 4,180,834 | 151,597 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the period | | 4,180,834 | 151,597 |


Anthony C. Mallis,
Chairman and Managing Director
SICO Funds Company B.S.C. (c)


Hanan Y. Sater
Director
SICO Funds Company B.S.C. (c)

The condensed interim financial information consisting of pages 2 to 12 were approved by the Board of Directors on 28 August 2013.

Khaleej Equity Fund

**CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
for the six months ended 30 June 2013**

Bahraini dinars

| | Class A units | | | | Total |
|--|-----------------|-------------------|------------------|-------------------|-------------------|
| | Number of units | Unit capital | Unit surplus | Retained earnings | |
| 2013 (reviewed) | | | | | |
| Balance at 1 January 2013 | 229,661 | 8,658,185 | 7,115,709 | 2,984,565 | 18,758,459 |
| Profit for the period | - | - | - | 3,020,102 | 3,020,102 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income for the period | | | | 3,020,102 | 3,020,102 |
| Issue of units during the period | 8,960 | 337,792 | 512,136 | - | 849,928 |
| Redemption of units during the period | (41,811) | (1,576,275) | (2,306,201) | - | (3,882,476) |
| Net assets attributable to Class A unit holders | 196,810 | 7,419,702 | 5,321,644 | 6,004,667 | 18,746,013 |
| | Class C units | | | | |
| Balance at 1 January 2013 | 70,565 | 2,660,301 | 2,192,257 | 917,029 | 5,769,587 |
| Profit for the period | - | - | - | 1,160,732 | 1,160,732 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income for the period | | | | 1,160,732 | 1,160,732 |
| Issue of units during the period | 5,076 | 191,365 | 279,885 | - | 471,250 |
| Redemption of units during the period | - | - | - | - | - |
| Net assets attributable to Class C unit holders | 75,641 | 2,851,666 | 2,472,142 | 2,077,761 | 7,401,569 |
| Total balance at 30 June 2013 | 272,451 | 10,271,368 | 7,793,786 | 8,082,428 | 26,147,582 |

The condensed interim financial information consists of pages 2 to 12.

Khaleej Equity Fund

**CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
for the six months ended 30 June 2013**

Bahraini dinars

| | Class A units | | | | Total |
|---|-----------------|--------------|--------------|-------------------|-------------|
| | Number of units | Unit capital | Unit surplus | Retained earnings | |
| 2012 (reviewed) | | | | | |
| Balance at 1 January 2012 | 315,025 | 11,876,398 | 10,102,026 | 2,360,168 | 24,338,592 |
| Profit for the period | - | - | - | 151,597 | 151,597 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | 151,597 | 151,597 |
| Issue of units during the period | 47,760 | 1,800,557 | 1,962,205 | - | 3,762,762 |
| Redemption of units during the period | (42,237) | (1,592,295) | (1,885,283) | - | (3,477,578) |
| Net assets attributable to Class A unit holders | 320,548 | 12,084,660 | 10,178,948 | 2,511,765 | 24,775,373 |
| | Class C units | | | | |
| Balance at 1 January 2012 | - | - | - | - | - |
| Profit for the period | - | - | - | - | - |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | - | - |
| Issue of units during the period | - | - | - | - | - |
| Redemption of units during the period | - | - | - | - | - |
| Net assets attributable to Class C unit holders | - | - | - | - | - |
| Total balance at 30 June 2012 | 320,548 | 12,084,660 | 10,178,948 | 2,511,765 | 24,775,373 |

The condensed interim financial information consists of pages 2 to 12.

Khaleej Equity Fund

**CONDENSED STATEMENT OF CASH FLOWS
for the six months period ended 30 June 2013**

Bahraini dinars

| | Six months ended 30 June 2013 (reviewed) | Six months ended 30 June 2012 (reviewed) |
|---|---|---|
| Cash flows from operating activities | | |
| Profit for the period | 4,180,834 | 151,597 |
| <i>Adjustments for:</i> | | |
| Increase in investments at fair value through profit or loss | (688,740) | (1,103,675) |
| Increase in prepayments and other receivables | (100,044) | (28,322) |
| Decrease in due to brokers | (94,250) | - |
| Decrease in payables and other liabilities | (7,400) | (303) |
| Net cash generated from / (used in) operating activities | 3,290,400 | (980,703) |
| Cash flows from financing activities | | |
| Subscription of units during the period | 1,321,178 | 3,762,762 |
| Redemption of units during the period | (3,882,476) | (3,477,578) |
| Net cash (used in) / generated from financing activities | (2,561,298) | 285,184 |
| Net increase / (decrease) in cash and cash equivalents | 729,102 | (695,519) |
| Cash and cash equivalents at beginning of the period | 311,912 | 830,312 |
| Cash and cash equivalents at end of the period | 1,041,014 | 134,793 |

The condensed interim financial information consists of pages 2 to 12.

1. Reporting entity

Khaleej Equity Fund ("KEF" or the "Fund") is an open ended sub-fund of SICO Gulf Equity Funds Company B.S.C. (c) (the "Company"), a closed joint stock company incorporated in the Kingdom of Bahrain with commercial registration number 40378 whose registered address is at 2nd Floor, BMB Center, Diplomatic Area, Kingdom of Bahrain. The Fund commenced trading in March 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% and SICO Ventures Company SPC 1%.

The duration of the Fund is subject to the duration of the Fund Company, which is twenty five calendar years commencing from the date of registration of the Fund Company in the Commercial Registry. This 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.

The Fund's investment and administration activities are managed by Securities & Investment Company B.S.C (c) and HSBC Bank Middle East Limited (Bahrain Branch) respectively.

The accompanying condensed interim financial information relates to Khaleej 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 2012. 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 2012.

The condensed interim financial information for the six months period ended 30 June 2013 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 2012 audited financial statements and the corresponding figures for the condensed statement 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 2012 reviewed condensed interim financial information.

Due to the nature of the Fund's activities, the results for the six months period ended 30 June 2013, as reported in the condensed interim financial information, are not indicative of the results that may be expected for the year ending 31 December 2013.

2. Basis of preparation (continued)

b) 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.

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 2012.

3. Significant accounting policies

Except as described below, the accounting policies applied in these condensed interim financial information is the same as those applied in the Fund's financial statements as at and for the year ended 31 December 2012. The following changes in accounting policies are also expected to be reflected in the Fund's financial statements as at and for the year ending 31 December 2013.

Change in accounting policies

The Fund has adopted the IFRS 13 - *Fair Value Measurement* with effective from 1 January 2013.

Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required in condensed interim financial statements for financial instruments; accordingly, the Fund has included additional disclosures in this regard (see note 6).

In accordance with the transitional provisions of IFRS 13, which has consequential amendments to IAS 34, the Fund has applied the new fair value measurement guidance applicable for interim periods prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Fund's assets and liabilities.

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 2012.

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.

Khaleej Equity Fund

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2013**

Bahraini dinars

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

Movements in portfolio investments

| | 30 June 2013 (reviewed) | 31 December 2012 (audited) |
|---|--|---|
| Opening balance | 24,394,066 | 23,591,678 |
| Additions | 8,793,285 | 21,001,149 |
| Disposals | (11,589,021) | (20,982,753) |
| Net change in fair value of investments | 3,484,476 | 783,992 |
| | 25,082,806 | 24,394,066 |

The Fund held investments in the following countries:

| | 30 June 2013 (reviewed) | | 31 December 2012 (audited) | |
|---|--------------------------------|---------------|-----------------------------------|---------------|
| | Amount | % | Amount | % |
| <i>Investments in equity securities</i> | | | | |
| Saudi Arabia | 15,265,404 | 60.86 | 15,575,585 | 63.85 |
| Kuwait | 3,297,844 | 13.15 | 1,587,630 | 6.51 |
| United Arab Emirates | 2,302,653 | 9.18 | 2,928,575 | 12.01 |
| Oman | 2,047,902 | 8.16 | 1,547,663 | 6.34 |
| Qatar | 1,900,394 | 7.58 | 2,442,318 | 10.01 |
| Bahrain | 268,609 | 1.07 | 312,295 | 1.28 |
| | 25,082,806 | 100.00 | 24,394,066 | 100.00 |

Investment portfolio:

Details of the top ten securities are as follows:

30 June 2013 (reviewed)

| Description | Fair value | Value of investment as a percentage of NAV |
|------------------------------|-------------------|---|
| Al Rajhi Bank | 1,883,780 | 7.21% |
| Etihad Etisalat | 1,881,613 | 7.20% |
| Saudi Basic Industries | 1,761,429 | 6.74% |
| Oman Telecommunications | 1,028,611 | 3.93% |
| Mobile Telecommunications Co | 994,606 | 3.80% |
| Bank Muscat SAOG | 994,338 | 3.80% |
| Aramex PJSC | 969,378 | 3.71% |
| Al-Hassan GI Shaker | 879,330 | 3.36% |
| Riyad Bank | 857,242 | 3.28% |
| Samba Financial Group | 818,130 | 3.13% |
| | 12,068,457 | 46.16% |

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

31 December 2012 (audited)

| Description | Fair value | Value of investment as a percentage of NAV |
|------------------------------|-------------------|--|
| Etihad Etisalat | 1,750,756 | 7.14% |
| Al Rajhi Bank | 1,455,546 | 5.93% |
| Saudi Basic Industries | 1,447,996 | 5.90% |
| Qatar Industries | 1,116,249 | 4.55% |
| Bank Muscat SAOG | 1,056,029 | 4.31% |
| Saudi Chemical | 1,003,058 | 4.09% |
| Aramex PJSC | 988,342 | 4.03% |
| Mobile Telecommunications Co | 931,225 | 3.80% |
| First Gulf Bank | 912,818 | 3.72% |
| Qatar National Bank | 861,112 | 3.51% |
| | 11,523,131 | 46.98% |

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 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 2013 (reviewed) | 31 December 2012 (audited) |
|-------------------------------|----------------------------|-------------------------------|
| Due to related parties | | |
| Accrued management fees | 77,359 | 86,323 |

Transactions with related parties

- Management fees, calculated at 1.5% per annum of the daily net asset value of the Class A units only, is payable to SICO. The management fees for the six months period ended 30 June 2013 amounted to BD 146,846 (2012: BD 205,516). Management fee for Class C units is not applicable.
- Performance fees, calculated at 10% profit sharing in incremental increases over 10% appreciation in net asset value per unit of the Fund for every fiscal year net of performance fees, as accrued on each valuation day, is payable to SICO. No performance fee was paid to SICO for the period ended 30 June 2013 (2012: BD Nil).
- At the statement of financial position date, the Fund Manager holds 9,506 unites (3.48%) of the Fund.

5 Related party balances and transactions (continued)

- d) Commission incurred on transactions through the Fund Manager during the period amounted to BD 4,772.

6. Fair value

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The fair values of the financial assets and financial liabilities, together with the carrying amounts in the condensed statements of financial position, are as follows:

30 June 2013

Financial assets

Cash and cash equivalents
Investments at fair value through profit or loss
Prepayments and other receivables

| | Carrying amount | Fair value |
|--------------------------------|------------------------|-------------------|
| | 1,041,014 | 1,041,014 |
| | 25,082,806 | 25,082,806 |
| | 113,365 | 113,365 |
| | 26,237,185 | 26,237,185 |
| Financial liabilities | | |
| Payables and other liabilities | 89,603 | 89,603 |
| | 89,603 | 89,603 |

31 December 2012

Financial assets

Cash and cash equivalents
Investments at fair value through profit or loss
Prepayments and other receivables

| | Carrying amount | Fair value |
|--------------------------------|------------------------|-------------------|
| | 311,912 | 311,912 |
| | 24,394,066 | 24,394,066 |
| | 13,321 | 13,321 |
| | 24,719,299 | 24,719,299 |
| Financial liabilities | | |
| Due to brokers | 94,250 | 94,250 |
| Payables and other liabilities | 97,003 | 97,003 |
| | 191,253 | 191,253 |

At 30 June 2013, the fair values of the Fund's financial assets and financial liabilities are not materially different from their carrying values due to their short term in nature.

6 *Fair value (continued)*

Fair value hierarchy

The Fund measures fair values 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 that the Fund can access at the measurement date.
- Level 2: valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. as 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 active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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 |
|--|-------------------|---------|---------|-------------------|
| 30 June 2013 | | | | |
| Investments at fair value through profit or loss | 25,082,806 | - | - | 25,082,806 |
| | 25,082,806 | - | - | 25,082,806 |
| 31 December 2012 | | | | |
| Investments at fair value through profit or loss | 24,394,066 | - | - | 24,394,066 |
| | 24,394,066 | - | - | 24,394,066 |

7. **Comparative figures**

The corresponding figures for the previous year have been regrouped where necessary, in order to make them comparable with the current year's figures.