

SICO GULF 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 III 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

SICO Gulf Equity Fund

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

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**KPMG Fakhro
Audit**
12th Floor
Fakhro Tower
PO Box 710, Manama
Kingdom of Bahrain

CR No. 6220
Tel +973 17 224807
Fax +973 17 227443
Internet www.kpmg.com.bh

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

The Unit Holders
SICO Gulf Equity Fund
Kingdom of Bahrain

28 August 2013

Introduction

We have reviewed the accompanying 30 June 2013 condensed interim financial information of SICO Gulf 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.

SICO Gulf 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		203,064	303,191
Investments at fair value through profit or loss	4	9,976,747	8,583,756
Due from brokers		297,830	-
Prepayments and other receivables		14,736	2,484
Total assets		10,492,377	8,889,431
Liabilities			
Due to brokers		-	155,211
Payables and other liabilities		61,693	52,508
		61,693	207,719
Net assets attributable to holders of:			
- Class A units		797,549	681,087
- Class B units		9,633,135	8,000,625
Net assets attributable to unit holders		10,430,684	8,681,712
Net Asset Value ("NAV") per unit at book value based on 17,147 (31 December 2012: 17,560) units outstanding with respect to Class A units		46.814	38.786
Net Asset Value ("NAV") per unit at book value based on 209,312 (31 December 2012: 209,312) units outstanding with respect to Class B units		45.998	38.223


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


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

The condensed interim financial information consisting of pages 2 to 13 were approved by the Board of Directors on 28 August 2013.


SICO Gulf Equity Fund

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

Bahraini dinars

	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	787,366	(247,717)
Gain / (loss) on sale of investments at fair value through profit or loss	671,853	(41,263)
Dividend income	420,567	366,508
Interest income	326	80
Other income	85	873
Total income	1,880,197	78,481
Management fees	(95,307)	(84,502)
Custody and administration fees	(13,341)	(11,553)
General and administrative expenses	(832)	(2,057)
Audit fees	(1,488)	(1,500)
Registrar fees	(1,589)	(1,591)
Other fees and commissions	(1,393)	(994)
Total expenses	(113,950)	(102,197)
Profit / (loss) for the period	1,766,247	(23,716)
Other comprehensive income	-	-
Total comprehensive income for the period	1,766,247	(23,716)


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


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

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SICO Gulf 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	17,560	662,012	40,067	(20,992)	681,087
Profit for the period	-	-	-	133,737	133,737
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	133,737	133,737
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)
Net assets attributable to Class A unit holders	17,147	646,441	38,363	112,745	797,549
	Class B units				
Balance at 1 January 2013	209,312	7,891,085	359,765	(250,225)	8,000,625
Profit for the period	-	-	-	1,632,510	1,632,510
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	1,632,510	1,632,510
Issue of units during the period	-	-	-	-	-
Redemption of units during the period	-	-	-	-	-
Net assets attributable to Class B unit holders	209,312	7,891,085	359,765	1,382,285	9,633,135
Total balance at 30 June 2013	226,459	8,537,526	398,128	1,495,030	10,430,684

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

SICO Gulf 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	13,219	498,348	30,820	(20,810)	508,358
Loss for the period	-	-	-	(1,337)	(1,337)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(1,337)	(1,337)
Issue of units during the period	605	22,808	482	-	23,290
Redemption of units during the period	(1,318)	(49,689)	(4,159)	-	(53,848)
Net assets attributable to Class A unit holders	12,506	471,467	27,143	(22,147)	476,463
	Class B units				
Balance at 1 January 2012	209,312	7,891,084	374,735	(329,509)	7,936,310
Loss for the period	-	-	-	(22,379)	(22,379)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(22,379)	(22,379)
Issue of units during the period	-	-	-	-	-
Redemption of units during the period	-	-	-	-	-
Net assets attributable to Class B unit holders	209,312	7,891,084	374,735	(351,888)	7,913,931
Distributions to unit holders	-	-	-	(419,543)	(419,543)
Total balance at 30 June 2012	221,818	8,362,551	401,878	(793,578)	7,970,851

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

SICO Gulf Equity Fund

CONDENSED STATEMENT OF CASH FLOWS
for the six months 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 / (loss) for the period	1,766,247	(23,716)
<i>Adjustments for:</i>		
(Increase) / decrease in investments at fair value through profit or loss	(1,392,991)	589,029
Increase in due from brokers	(297,830)	-
(Increase) / decrease in prepayments and other receivables	(12,252)	5,178
Decrease in due to brokers	(155,211)	-
Increase in payables and other liabilities	9,185	18,130
Net cash (used in) / generated from operating activities	(82,852)	588,621
Cash flows from financing activities		
Distribution to unit holders	-	(419,543)
Subscription of units during the period	37,700	23,290
Redemption of units during the period	(54,975)	(53,848)
Net cash used in financing activities	(17,275)	(450,101)
Net (decrease) / increase in cash and cash equivalents	(100,127)	138,520
Cash and cash equivalents at beginning of the period	303,191	147,910
Cash and cash equivalents at end of the period	203,064	286,430

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

1. Reporting entity

SICO Gulf Equity Fund ("SGEF" or the "Fund") is an open ended sub-fund of SICO Gulf Equity Funds Company III B.S.C. (c) (the "Company"), a closed joint stock company incorporated in the Kingdom of Bahrain with commercial registration number 59294 whose registered address is at 2nd Floor, BMB Center, Diplomatic Area, Kingdom of Bahrain. 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 directors will endeavor to give unit holders three (3) months' notice before terminating the Fund. Neither the death, bankruptcy or incapacity of an investor in the Fund nor the bankruptcy or resignation or the investment manager will terminate the Fund or in any way affect its continuity.

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 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 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 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 statements of income, 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 are 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 interim financial information 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.

Movements in portfolio investments

	30 June 2013 (reviewed)	31 December 2012 (audited)
Opening balance	8,583,756	8,329,089
Additions	4,877,375	4,887,311
Disposals	(4,271,750)	(4,913,831)
Net change in fair value of investments at fair value through profit or loss	787,366	281,187
	9,976,747	8,583,756

The Fund held investments in the following countries:

	30 June 2013 (reviewed)		31 December 2012 (audited)	
	Amount	%	Amount	%
<i>Investments in equity securities</i>				
Kuwait	3,119,007	31.26	1,482,568	17.27
United Arab Emirates	1,929,309	19.34	2,612,096	30.43
Qatar	1,799,566	18.04	2,206,832	25.71
Oman	1,631,517	16.35	1,763,381	20.54
Bahrain	1,497,348	15.01	518,879	6.05
	9,976,747	100.00	8,583,756	100.00

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

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
SICO Money Market Fund	648,561	6.22%
Qatar Electricity & Water	584,457	5.60%
Mobile Telecommunications Co	573,068	5.49%
Oman Telecommunications	542,602	5.20%
Kuwait Projects Co	526,329	5.05%
Ahli United Bank	456,347	4.38%
National Bank of Kuwait	397,888	3.81%
Mabanee Co	394,436	3.78%
Bank Muscat SAOG	383,581	3.68%
Al-Anwar Ceramic Tiles Company	363,558	3.49%
	4,870,827	46.70%

31 December 2012 (audited)

Description	Fair value	Value of investment as a percentage of NAV
Qatar Industries	652,964	7.52%
Mobile Telecommunications Co	582,892	6.71%
Qatar National Bank	564,894	6.51%
Bank Muscat SAOG	558,224	6.43%
First Gulf Bank	481,618	5.55%
Aramex PJSC	453,303	5.22%
Qatar Electricity & Water	425,229	4.90%
Emaar Properties	411,082	4.73%
Oman Telecommunications	377,364	4.35%
Union National Bank	328,112	3.78%
	4,835,682	55.70%

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 2013 (reviewed)	31 December 2012 (audited)
Due to related parties		
Accrued management fees	52,653	44,119

Transactions with related parties

- a) Management fees with respect to Class A units, calculated at 1.5% per annum of the monthly net asset value of the Fund, prior to the deduction of management fees is payable to SICO. The management fees for Class A units for the six months period ended 30 June 2013 amounted to BD 5,660 (2012: BD 3,695).
- b) Management fees with respect to Class B units, calculated at 2% per annum of the monthly net asset value of the Fund, prior to the deduction of management fees is payable to SICO. The management fees for Class B units for the six months period ended 30 June 2013 amounted to BD 89,647 (2012: BD 80,807).
- c) At the statement of financial position date, the Fund Manager does not hold any units in the Fund.
- d) Commission incurred on transactions through the Fund Manager during the period amounted to BD 4,519.

6. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

6. Fair value (continued)

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:

	Carrying amount	Fair value
Financial assets		
Cash and cash equivalents	203,064	203,064
Investments at fair value through profit or loss	9,976,747	9,976,747
Due from brokers	297,830	297,830
Other receivables	14,736	14,736
	10,492,377	10,492,377
Financial liabilities		
Payables and other liabilities	61,693	61,693
	61,693	61,693

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.

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
Investments at fair value through profit or loss	9,976,747	-	-	9,976,747
	9,976,747	-	-	9,976,747

SICO Gulf Equity Fund

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

Bahraini dinars

7. Subsequent event

As per CBB letter dated 23 July 2013, the CBB approved the cash dividends distribution of USD 85,739 for Class A units and USD 1,046,562 for Class B units of the Fund as of 30 June 2013.

8. 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.