

SICO FIXED INCOME 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	HSBC Bank Middle East Limited, Bahrain PO Box 57, 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 VI B.S.C. (c) PO Box 1331, Manama, Kingdom of Bahrain
Registered office	SICO Funds Company VI 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 AlAali, <i>Partner</i> KPMG Fakhro PO Box 710, Manama, Kingdom of Bahrain

SICO Fixed Income Fund

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

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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 Fixed Income Fund
Kingdom of Bahrain

24 August 2014

Introduction

We have reviewed the accompanying 30 June 2014 condensed interim financial information of SICO Fixed Income 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 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 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 Fixed Income Fund

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

Bahraini dinars

	Note	30 June 2014 (reviewed)	31 December 2013 (audited)
Assets			
Cash and cash equivalents		34,221	217,368
Investments at fair value through profit or loss	4	3,209,987	3,531,295
Subscriptions receivable		2,383,922	-
Prepayments and other receivables		50,459	57,635
Total assets		5,678,589	3,806,298
Liabilities			
Redemptions payable		2,383,922	-
Other liabilities		10,581	9,870
Total liabilities (excluding net assets attributable to unit holders)		2,394,503	9,870
Net assets attributable to holders of:			
- Class A units		99,038	241,359
- Class B units		3,185,048	3,555,069
Net assets attributable to unit holders		3,284,086	3,796,428
Net Asset Value ("NAV") per unit			
- Class A units based on 2,499.5 (31 December 2013: 6,463) units outstanding		39.623	37.343
- Class B units based on 80,143 (31 December 2013: 95,036) units outstanding		39.742	37.408



Hanan Y. Sater
Director



Najfa 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 Fixed Income Fund

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

Bahraini dinars

	Note	Six months ended 30 June 2014 (reviewed)	Period from 2 April 2013 to 30 June 2013 (reviewed)
Net change in fair value of investments	4	112,845	(197,469)
Interest income		103,627	45,034
Total income / (loss)		216,472	(152,435)
Management fees	5a	12,530	6,777
Custody and administration fees		3,218	1,799
Registrar fees		622	356
Audit fees		1,329	163
Preliminary expenses		-	369
Other fees and commissions		1,564	1,437
Total expenses		19,263	10,901
Profit / (loss) for the period		197,209	(163,336)
Other comprehensive income		-	-
Total comprehensive income for the period		197,209	(163,336)

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 Fixed Income 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	Accumulated losses/ retained earnings	Total
2014 (reviewed)					
Balance at 1 January 2014	101,499	3,826,521	4,864	(34,957)	3,796,428
Total comprehensive income for the period	-	-	-	197,209	197,209
Issue of units during the period	60,000	2,262,000	121,922	-	2,383,922
Redemption of units during the period	(78,856)	(2,972,887)	(120,586)	-	(3,093,473)
Balance at 30 June 2014	82,643	3,115,634	6,200	162,252	3,284,086

	Number of units	Unit capital	Unit surplus	Accumulated losses	Total
2013 (reviewed)					
Balance at 1 January 2013	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(163,336)	(163,336)
Issue of units during the period	101,471	3,825,458	4,816	-	3,830,274
Balance at 30 June 2013	101,471	3,825,458	4,816	(163,336)	3,666,938

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

SICO Fixed Income Fund

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

Bahraini dinars

	Six months ended 30 June 2014 (reviewed)	Period from 2 April 2013 to 30 June 2013 (reviewed)
Cash flow from operating activities		
Profit / (loss) for the period	197,209	(163,336)
<i>Adjustments for:</i>		
Decrease / (increase) in fair value of investments	321,308	(3,238,551)
Decrease / (increase) in prepayments and other receivables	7,176	(68,542)
Increase in other liabilities	711	7,482
Net cash generated from / (used in) operating activities	526,404	(3,462,947)
Cash flow from financing activities		
Subscription of units during the period	2,383,922	3,830,274
Redemption of units during the period	(3,093,473)	-
Net cash (used in) / generated from financing activities	(709,551)	3,830,274
Net (decrease) / increase in cash and cash equivalents	(183,147)	367,327
Cash and cash equivalents at beginning of the period	217,368	-
Cash and cash equivalents at end of the period	34,221	367,327

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

1. Reporting entity

SICO Fixed Income Fund ("SFIF" or the "Fund") is an open ended expert sub-fund of SICO Funds Company VI B.S.C. (c) (the "Company"), a closed joint stock company incorporated in the Kingdom of Bahrain with commercial registration number 73587. 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 by 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 Company, which is twenty five calendar years from 15 December 2009, the date of registration of the Company. This period may be extended by resolution of the Company's shareholders with the prior approval of the Ministry of Industry and Commerce of Bahrain and the Central Bank of Bahrain. The Fund commenced operations on 2 April 2013.

The primary objective of the Fund is to generate income and seek capital appreciation over the medium to long term. The Fund will aim to achieve this investment objective by actively investing in diversified portfolio of Government and Corporate fixed income, sukuk, Repo, Reverse Repo, money market instruments, and other fixed income related instruments for hedging purposes.

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.

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 IFRS financial statements, and should be read in conjunction with the complete set of 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-month period ended 30 June 2014 is reviewed, not audited. 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 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 2013 reviewed condensed interim financial information.

c) Due to the nature of the Fund's activities, the results for the six-month 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, 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 information 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 debt securities. The fair value of these securities is based on their quoted market closing price as at the reporting date.

Movements on portfolio investments

	30 June 2014 (reviewed)	31 December 2013 (audited)
Opening Balance	3,531,295	-
Additions during the period	944,065	8,251,463
Disposals during the period	(1,378,218)	(4,562,550)
Change in fair value of investments	112,845	(157,618)
Closing balance	3,209,987	3,531,295

Details of top ten (10) investments in terms of market values are as follows:

30 June 2014 (reviewed)

	Fair Value	Value of investment as a percentage of NAV
Investcorp SA 8.25% 01/11/2017	603,026	18.36%
Albaraka Turk Suku 7.75% CV 07/05/2023	360,763	10.99%
Dubai Electric & Water 7.375% 21/10/2020	275,494	8.39%
Kingdom of Bahrain 6.125% 05/07/2022	274,924	8.37%
Emmar Sukuk Ltd 6.4% 18/07/2019	256,407	7.81%
Kuwait Projects 9.375% 15/07/2020	238,109	7.25%
Turkiye IS 2013 3 3/4% 10/10/18 REG.S	204,149	6.22%
Batelco Int Fin No 1 Ltd 4.25% 01/05/2020	167,833	5.11%
Dar Al-Akran Intl 10.75% 18/02/2015	125,643	3.83%
Arab Banking Corporation FRN 04/04/2017	114,679	3.49%

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

31 December 2013 (audited)

	Fair value	Value of investment as a percentage of NAV
Investcorp SA 8.25%01/11/2017	586,331	15.44%
Kuwait Projects 9.375% 15/07/2020	456,600	12.03%
Atlantic Finance 10.75% 27/05/2014	389,780	10.27%
Albaraka Turk Suku 7.75% CV 07/05/2023	352,446	9.28%
Turkiye IS Bankasi 3.75% 10/10/2018	282,144	7.43%
Dubai Electric and Water 7.375% 21/10/2020	264,111	6.96%
Emmar Sukuk ltd 6.4% 18/07/2019	247,537	6.52%
Batelco Int Fin No 1 Ltd 4.25% 01/05/2020	245,496	6.47%
Kingdom of Bahrain 6.125% 05/07/2022	176,964	4.66%
AK Finansal Kiralama 4.125% 17/04/2018	143,111	3.77%

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.

Balances and transactions with related parties were as follows

	30 June 2014 (reviewed)	31 December 2013 (audited)
Due from related parties		
Subscriptions received	2,383,932	-
Due to related parties		
Redemptions payable	2,383,932	-
Accrued management fees	6,413	7,629

Transactions with related parties

- Securities and Investments Company B.S.C. (c) manages the fund's operations for an annual fee of 1% and 0.75% on the NAV as of each dealing day with respect to Class A units and Class B units respectively. Management fees are accrued on the dealing day and payable quarterly in arrears. The management fees for the six-month period ended 30 June 2014 amounted to BD 12,530 (30 June 2013: BD 6,777).
- At the reporting date, the Fund Manager holds 60,099.48 – 72.72 % (31 December 2013: 60,099.48 – 59.21%) units in the Fund with a net asset value amounting to BD 2,388,247 (31 December 2013: BD 2,247,932).

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
30 June 2014 (reviewed)				
Investments at fair value through profit or loss	3,209,987	-	-	3,209,987
	3,209,987	-	-	3,209,987
31 December 2013 (audited)				
Investments at fair value through profit or loss	3,531,295	-	-	3,531,295
	3,531,295	-	-	3,531,295

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.