

**KHALEEJ EQUITY 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	APEX Funds Services Bahrain WLL PO Box 10405, 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 B.S.C. (c) PO Box 1331, Manama, Kingdom of Bahrain
Registered office	SICO Funds Company 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 Al A'ali, <i>Partner</i> KPMG Fakhro PO Box 710, Manama, Kingdom of Bahrain

Khaleej Equity Fund

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

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

The Unit Holders
Khaleej Equity Fund
Kingdom of Bahrain

24 August 2014

Introduction

We have reviewed the accompanying 30 June 2014 condensed interim financial information of Khaleej Equity 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 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 2014 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Khaleej Equity 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		1,528,462	861,502
Investments at fair value through profit or loss	4	28,396,555	27,947,408
Subscriptions receivable		5,432,300	-
Due from brokers		288,575	-
Prepayments and other receivables		71,973	61,530
Total assets		35,717,865	28,870,440
Liabilities			
Redemption payable		5,432,297	456,883
Other liabilities		127,412	143,529
Total liabilities (excluding net assets attributable to unit holders)		5,559,709	600,412
Net assets attributable to holders of:			
- Class A units		11,900,663	19,795,660
- Class B units		10,722,804	-
- Class C units		7,534,689	8,474,368
Net assets attributable to unit holders		30,158,156	28,270,028
Net Asset Value ("NAV") per unit at book value based on 105,941 (31 December 2013: 188,790) units outstanding with respect to Class A units		112.33	104.86
Net Asset Value ("NAV") per unit at book value based on 96,350 (31 December 2013: NIL) units outstanding with respect to Class B units		111.29	-
Net Asset Value ("NAV") per unit at book value based on 65,209 (31 December 2013: 79,352) units outstanding with respect to Class C units		115.55	106.80



Hanan Y. Sater
Director



Najla Al Shirawi
Director

The condensed interim financial information consisting of pages 2 to 10 were approved by the Board of Directors on 24 August 2014.

Khaleej Equity Fund

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

Bahraini dinars

	Note	Six months ended 30 June 2014 (reviewed)	Six months ended 30 June 2013 (reviewed)
Net change in fair value of investments at fair value through profit or loss	4	1,428,167	3,484,476
Foreign exchange loss		(51,827)	-
Dividend income		886,747	869,559
Interest income		641	361
Other income		24,137	7,003
Total income		2,287,865	4,361,399
Management fees	5a	161,785	146,846
Custody and administration fees		39,076	27,981
General and administration expenses		1,933	537
Performance fees	5b	138,157	-
Audit fees		2,232	2,232
Registrar fees		1,589	1,589
Fees and commission		2,056	1,380
Total expenses		346,828	180,565
Profit for the period		1,941,037	4,180,834
Other comprehensive income		-	-
Total comprehensive income for the period		1,941,037	4,180,834

Hanan Y. Sater
Director

Najla Al Shirawi
Director

The condensed interim financial information consisting of pages 2 to 10 were approved by the Board of Directors on 24 August 2014.

Khaleej Equity Fund

**CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
for the six-month period ended 30 June 2014**

Bahraini dinars

2014 (reviewed)

Balance at 1 January 2014

Total comprehensive income for the period

Issue of units during the period

Redemption of units during the period

Balance at 30 June 2014

	Number of units	Unit capital	Unit surplus	Retained earnings	Total
Balance at 1 January 2014	268,142	10,108,924	7,514,457	10,646,647	28,270,028
Total comprehensive income for the period	-	-	-	1,941,037	1,941,037
Issue of units during the period	146,829	5,535,487	12,027,613	-	17,563,100
Redemption of units during the period	(147,471)	(5,559,699)	(12,056,310)	-	(17,616,009)
Balance at 30 June 2014	267,500	10,084,712	7,485,760	12,587,684	30,158,156

2013 (reviewed)

Balance at 1 January 2013

Total comprehensive income for the period

Issue of units during the period

Redemption of units during the period

Balance at 30 June 2013

	Number of units	Unit capital	Unit surplus	Retained earnings	Total
Balance at 1 January 2013	300,226	11,318,486	9,307,966	3,901,594	24,528,046
Total comprehensive income for the period	-	-	-	4,180,834	4,180,834
Issue of units during the period	14,036	529,157	792,021	-	1,321,178
Redemption of units during the period	(41,811)	(1,576,275)	(2,306,201)	-	(3,882,476)
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 10.

Khaleej Equity Fund

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

Bahraini dinars

	Six months ended 30 June 2014 (reviewed)	Six months ended 30 June 2013 (reviewed)
Cash flows from operating activities		
Profit for the period	1,941,037	4,180,834
<i>Adjustments for:</i>		
Increase in investments at fair value through profit or loss	(449,147)	(688,740)
Increase in due from brokers	(288,575)	-
Increase in prepayments and other receivables	(10,443)	(100,044)
Decrease in due to brokers	-	(94,250)
Decrease in other liabilities	(16,117)	(7,400)
Net cash generated from operating activities	1,176,755	3,290,400
Cash flows from financing activities		
Subscription of units during the period	12,130,800	1,321,178
Redemption of units during the period	(12,640,595)	(3,882,476)
Net cash used in financing activities	(509,795)	(2,561,298)
Net increase in cash and cash equivalents	666,960	729,102
Cash and cash equivalents at beginning of the period	861,502	311,912
Cash and cash equivalents at end of the period	1,528,462	1,041,014

The condensed interim financial information consists of pages 2 to 10

1. Reporting entity

Khaleej Equity Fund ("The Fund") is an open ended sub-fund of SICO Funds Company B.S.C. (c) (the "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 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 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 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 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.

2. *Basis of preparation (continued)*

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.

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 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 is 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 equity securities. The fair value of these securities is based on their quoted market price as at the reporting date.

Movements on portfolio investments

	30 June 2014 (reviewed)	31 December 2013 (audited)
Opening balance	27,947,408	24,394,066
Additions	37,286,785	22,208,991
Disposals	(38,265,805)	(24,684,805)
Net change in fair value of investments	1,428,167	6,029,156
Closing balance	28,396,555	27,947,408

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

Details of the top ten securities are as follows:

30 June 2014 (reviewed)

	Fair value	Value of investment as a percentage of NAV
Saudi Basic Industries	1,971,912	6.54%
Al Rajhi Bank	1,266,488	4.20%
Emaar Properties	1,179,123	3.91%
Samba Financial Group	997,322	3.31%
Ahli United Bank	961,481	3.19%
Mabane Co	926,508	3.07%
Bupa Arabia for Cooperative	905,450	3.00%
Dubai Islamic Bank	859,625	2.85%
United International Transportation	857,614	2.84%
Rabigh Refining And Petrochemicals	819,736	2.72%

31 December 2013 (audited)

	Fair value	Value of investment as a percentage of NAV
Saudi Basic Industries	2,303,269	8.15%
Al Rajhi Bank	1,517,406	5.37%
Etihad Etisalat	1,448,907	5.13%
Saudi Chemical	1,288,772	4.56%
Riyad Bank	1,240,057	4.39%
Bank Muscat	1,174,723	4.16%
Arab National Bank	1,114,580	3.94%
Samba Financial Group	1,079,201	3.82%
Emaar Properties	999,825	3.54%
Saudi Cement	975,021	3.45%

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.

5. Related party balances and transactions (*continued*)

The Fund is a sub-fund of SICO Funds 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 2014 (reviewed)	31 December 2013 (audited)
Due to related parties		
Accrued management fees	88,719	78,017

Transactions with related parties

- a) Securities and Investment Company B.S.C. (c) manages the Fund's operations for an annual fee of 1.5% and 2% per annum with respect to Class A units 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 units and Class B units for the six-month period ended 30 June 2014 amounted to BD 141,824 (30 June 2013: BD 146,846) and BD 19,961 (30 June 2013: BD nil).
- b) The Fund Manager is entitled, out of the assets of the Fund, to a performance fee that equals 10% and 20% with respect to Class A and Class B units respectively over and above the hurdle total rate of return 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 2014 amounted to BD 138,157. (30 June 2013: BD nil).
- c) At the reporting date, the Fund Manager holds 9,506 units – 3.55 % (31 December 2013: 9,506 – 3.53 %) in the Fund with corresponding NAV value of BD 1,084,536 (31 December 2013: 1,084,536).
- d) Commission incurred on transactions through the Fund Manager during the period amounted to BD 35,098 (30 June 2013: BD 4,772).
- e) The Fund Manager did not earn or participate in any soft commission arrangements related to the Fund's assets.

6. Financial instruments

Measurement of fair value

When measuring fair value of an asset or a liability, the Fund uses market observable date 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).

6. *Financial instruments (continued)*

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	28,396,555	-	-	28,396,555
	28,396,555	-	-	28,396,555
31 December 2013 (audited)				
Investments at fair value through profit or loss	27,947,408	-	-	27,947,408
	27,947,408	-	-	27,947,408

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.