

## **SICO FIXED INCOME FUND**

### **CONDENSED INTERIM FINANCIAL INFORMATION 30 June 2015**

Fund Manager, Operator and Placement agent	Securities & Investment Company B.S.C. (c) P.O. Box 1331, Manama, Kingdom of Bahrain
Administrator	HSBC Bank Middle East Limited, Bahrain P.O. Box 57, Manama, Kingdom of Bahrain
Registrar	HSBC Bank Middle East Limited, Bahrain P.O. Box 57, Manama, Kingdom of Bahrain
Directors	Najla Mohammed Qassim Alshirawi Amal Ahmed Yusuf Alnaser Anantha Narayanan
Fund Company	SICO Funds Company VI B.S.C. (c) P.O. Box 1331, Manama, Kingdom of Bahrain
Registered office	SICO Funds Company VI B.S.C. (c) P.O. Box 1331, Manama, Kingdom of Bahrain
Custodian	HSBC Bank Middle East Limited, Bahrain P.O. Box 57, Manama, Kingdom of Bahrain
Auditor	KPMG Fakhro Jalil AlAali, <i>Partner</i> P.O. Box 710, Manama, Kingdom of Bahrain

**SICO Fixed Income Fund**

**CONDENSED INTERIM FINANCIAL INFORMATION**  
**for the six-month period ended 30 June 2015**

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## **INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION**

The Unit Holders  
SICO Fixed Income Fund  
Kingdom of Bahrain

30 August 2015

### **Introduction**

We have reviewed the accompanying 30 June 2015 condensed interim financial information of SICO Fixed Income Fund (the "Fund"), a fund established by SICO Funds Company VI B.S.C. (c) which comprises:

- the condensed statement of financial position as at 30 June 2015;
- the condensed statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2015;
- the condensed statement of changes in net assets attributable to unit holders for the six month period ended 30 June 2015;
- the condensed statement of cash flows for the six-month period ended 30 June 2015; and
- notes to the interim financial information.

The Board of Directors of the Company 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 2015 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 2015**

Bahraini dinars

	Note	30 June 2015 (reviewed)	31 December 2014 (audited)
<b>Assets</b>			
Cash and cash equivalents		691,406	749,811
Investments at fair value through profit or loss	4	3,527,369	3,204,170
Prepayments and other receivables		47,622	58,186
<b>Total assets</b>		<b>4,266,397</b>	<b>4,012,167</b>
<b>Liabilities</b>			
Short-term borrowings		761,041	693,552
Payables and accruals		9,740	10,129
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		<b>770,781</b>	<b>703,681</b>
<b>Net assets attributable to holders of:</b>			
- Class A units		240,601	99,051
- Class B units		3,255,015	3,209,435
<b>Net assets attributable to unit holders</b>		<b>3,495,616</b>	<b>3,308,486</b>
<b>Net Asset Value ("NAV") per unit</b>			
- Class A units based on 6,023.51 (31 December 2014: 2499.50) units outstanding		39.943	39.628
- Class B units based on 81,003.90 (31 December 2014: 80,631.05) units outstanding		40.184	39.804



Anantha Narayanan  
Director



Najla Al Shirawi  
Director

The condensed interim financial information consisting of pages 2 to 9 were approved by the Board of Directors on 30 August 2015.

**SICO Fixed Income Fund**

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
for the six-month period ended 30 June 2015

Bahraini dinars

	Note	Six months ended 30 June 2015 (reviewed)	Six months ended 30 June 2014 (reviewed)
Net change in fair value of investments at fair value through profit or loss	4	7,972	112,845
Interest income		103,064	103,627
<b>Total income</b>		<b>111,036</b>	<b>216,472</b>
Management fees	6a	12,805	12,530
Custody and administration fees		3,584	3,218
Registrar fees		1,079	622
Audit fees		1,289	1,329
Operating expenses		3,084	-
Other fees and commissions		1,626	1,564
<b>Total expenses</b>		<b>23,467</b>	<b>19,263</b>
<b>Profit for the period</b>		<b>87,569</b>	<b>197,209</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>87,569</b>	<b>197,209</b>



Anantha Narayanan  
Director



Najla Al Shirawi  
Director

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SICO Fixed Income Fund

**CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS**  
for the six-month period ended 30 June 2015

Bahraini dinars

	Number of units	Unit capital	Unit surplus	Retained earnings	Total
<b>2015 (reviewed)</b>					
Balance at 1 January 2015	83,131	3,134,022	7,140	167,324	3,308,486
Total comprehensive income for the period	-	-	-	87,569	87,569
Issue of units during the period	3,897	146,912	7,505	-	154,417
Distribution to unit holders	-	-	-	(54,856)	(54,856)
<b>Balance at 30 June 2015</b>	<b>87,028</b>	<b>3,280,934</b>	<b>14,645</b>	<b>200,037</b>	<b>3,495,616</b>

	Number of units	Unit capital	Unit surplus	Retained earnings	Total
<b>2014 (reviewed)</b>					
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

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 2015

Bahraini dinars

	<b>Six months ended 30 June 2015 (reviewed)</b>	<b>Six months ended 30 June 2014 (reviewed)</b>
<b>Cash flow from operating activities</b>		
Profit for the period	87,569	197,209
<i>Adjustments for:</i>		
(Increase) / decrease in fair value of investments	(323,199)	321,308
Decrease in prepayments and other receivables	10,564	7,176
Increase in short-term borrowings	67,489	-
(Decrease) / increase in payables and accruals	(389)	711
<b>Net cash (used in) / generated from operating activities</b>	<b>(157,966)</b>	<b>526,404</b>
<b>Cash flow from financing activities</b>		
Subscription of units during the period	154,417	2,383,922
Redemption of units during the period	-	(3,093,473)
Distribution to unit holders	(54,856)	-
<b>Net cash generated from / (used in) financing activities</b>	<b>99,561</b>	<b>(709,551)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(58,405)</b>	<b>(183,147)</b>
Cash and cash equivalents at beginning of the period	749,811	217,368
<b>Cash and cash equivalents at end of the period</b>	<b>691,406</b>	<b>34,221</b>

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

## SICO Fixed Income Fund

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION for the six-month period ended 30 June 2015

Bahraini dinars

#### 1. Reporting entity

SICO Fixed Income Fund ("SFIF" or the "Fund") is an open ended expert fund launched by 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 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 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 2014. 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 2014.

b) The condensed interim financial information for the six-month period ended 30 June 2015 is reviewed, not audited. The corresponding figures for the condensed statement of financial position have been extracted from the 31 December 2014 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 2014 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 2015, as reported in the condensed interim financial information, are not indicative of the results that may be expected for the year ending 31 December 2015.

##### 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.



**SICO Fixed Income Fund**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
for the six-month period ended 30 June 2015**

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 2014.

**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 2014.

**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 2014.

**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 in portfolio investments**

	<b>30 June 2015 (reviewed)</b>	<b>31 December 2014 (audited)</b>
Opening Balance	3,204,170	3,531,295
Additions during the period / year	510,530	944,064
Disposals during the period / year	(195,437)	(1,377,829)
Change in fair value of investments	8,106	106,640
<b>Closing balance</b>	<b>3,527,369</b>	<b>3,204,170</b>

Investment at fair value through profit or loss as at 30 June 2015 and 31 December 2014 include securities amounting to BD 761,041 (31 December 2014: 693,552) sold under agreement to repurchase (note 5).

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

**30 June 2015 (reviewed)**

	Fair Value	Value of investment as a percentage of NAV
Investcorp SA 8.25% 01/11/2017	587,195	16.80%
Albaraka Turk Suku 7.75% CV 07/05/2023	375,812	10.75%
Dubai Electric & Water 7.375% 21/10/2020	272,958	7.81%
Kingdom Of Bahrain 6.125% 05/07/2022	272,920	7.81%
Emmar Sukuk Ltd 6.4% 18/07/2019	255,221	7.30%
Kuwait Projects 9.375% 15/07/2020	239,212	6.84%
Batelco Intl Fin 1 Ltd 4.25% 01/05/2020	170,113	4.87%
Arab Banking Corporation FRN 04/04/2017	155,492	4.45%
Emirates NBD PJSC FRN 31/03/2024	153,932	4.40%
Dar Al-Akran International 5.75% 25/11/2016	153,386	4.39%

**SICO Fixed Income Fund**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
for the six-month period ended 30 June 2015**

Bahraini dinars

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

31 December 2014 (audited)

	Fair value	Value of investment as a percentage of NAV
Investcorp SA 8.25% 01/11/2017	591,606	17.88%
Albaraka Turk Suku 7.75% CV 07/05/2023	374,429	11.32%
Dubai Electric and Water 7.375% 21/10/2020	273,811	8.28%
Kingdom Of Bahrain 6.125% 05/07/2022	269,994	8.16%
Emmar Sukuk Ltd 6.4% 18/07/2019	256,083	7.74%
Kuwait Projects 9.375% 15/07/2020	237,495	7.18%
Turkiye IS Bankasi 3.75% 10/10/2018	206,394	6.24%
Batelco Int Fin No 1 Ltd 4.25% 01/05/2020	166,891	5.04%
Dar Al-Akran Intl 10.75% 18/02/2015	121,533	3.67%
DIP sukuk Limited 4.291% 20/02/2019	114,990	3.48%

**5. Short-term borrowing**

Short-term borrowings include funding under repurchase agreements BD 761,041 (31 December 2014: 693,552). The fair value of the investments at fair value through profit or loss pledged as collateral amounts to BD 761,041 (31 December 2014: 693,552) (note 4).

**6. 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:

Due to related parties	30 June 2015 (reviewed)	31 December 2014 (audited)
Accrued management fees	6,952	6,655

**Transactions with related parties**

- a) 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 2015 amounted to BD 12,805 (30 June 2014: 12,530).
- b) At the reporting date, the Fund Manager holds 60,099.47 – 69.06% (31 December 2014: 60,099.47 – 72.3%) units in the Fund with a net asset value amounting to BD 2,417,329 (31 December 2014: BD 2,392,179).
- c) The Fund Manager did not earn or participate in any soft commission arrangements related to dealings in the Fund's assets.

## 7. 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:

30 June 2015 (reviewed)	Level 1	Level 2	Level 3	Total
Investments at fair value through profit or loss	3,527,369	-	-	3,527,369
	<b>3,527,369</b>	-	-	<b>3,527,369</b>

31 December 2014 (audited)	Level 1	Level 2	Level 3	Total
Investments at fair value through profit or loss	3,204,170	-	-	3,204,170
	<b>3,204,170</b>	-	-	<b>3,204,170</b>

During the period / year, there were no transfer between Level 1 and Level 2 fair value measurements, and no transfer into or out Level 3 fair value measurements.

The fair value of all other financial instruments approximate their respective book value due to their short-term nature.