

SICO GULF EQUITY 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	APEX Funds Services Bahrain WLL P.O. Box 10405, Manama, Kingdom of Bahrain
Directors	Najla Mohammed Qassim Alshirawi Amal Ahmed Yusuf Alnaser Anantha Narayanan
Fund Company	SICO Funds Company III B.S.C. (c) P.O. Box 1331, Manama, Kingdom of Bahrain
Registered office	SICO Funds Company III 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 Al A'ali, <i>Partner</i> P.O. Box 710, Manama, Kingdom of Bahrain

SICO Gulf Equity 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 Gulf Equity Fund
Kingdom of Bahrain

30 August 2015

Introduction

We have reviewed the accompanying 30 June 2015 condensed interim financial information of SICO Gulf Equity Fund (the "Fund"), a fund established by SICO Funds Company III 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 condensed 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 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 2015 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

SICO Gulf Equity Fund

CONDENSED STATEMENT OF FINANCIAL POSITION
as at 30 June 2015

Bahraini dinars

	Note	30 June 2015 (reviewed)	31 December 2014 (audited)
Assets			
Cash and cash equivalents		1,215,001	601,043
Investments at fair value through profit or loss	4	9,980,734	9,316,709
Balances due from brokers		219,277	1,107,221
Dividend receivables		7,933	-
Total assets		11,422,945	11,024,973
Liabilities			
Payables and other liabilities		157,173	142,116
Total liabilities (excluding net assets attributable to unit holders)		157,173	142,116
Net assets attributable to holders of:			
- Class A units		528,711	848,246
- Class B units		10,737,061	10,034,611
Net assets attributable to unit holders		11,265,772	10,882,857
Net Asset Value ("NAV") per unit at book value based on 11,134 (31 December 2014: 18,946) units outstanding with respect to class A units.		47.487	44.772
Net Asset Value ("NAV") per unit at book value based on 209,312 units (31 December 2014: 209,312) units outstanding with respect to class B units.		51.298	47.941



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 Gulf Equity 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 changes in fair value of investments at fair value through profit or loss	4	1,156,882	589,540
Dividend income		383,203	420,352
Interest income		79	308
Other income		1	5
Total income		1,540,165	1,010,205
Management fees	5a	83,013	116,450
Custody and administration fees		15,020	17,387
General and administrative expenses		556	392
Audit fees		1,513	1,513
Performance fees	5b	94,379	239,561
Registrar fees		1,589	1,589
Other fees and commissions		3,371	1,979
Total expenses		199,441	378,871
Profit for the period		1,340,724	631,334
Other comprehensive income		-	-
Total comprehensive income for the period		1,340,724	631,334



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 Gulf Equity 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
2015 (reviewed)					
Balance at 1 January 2015	228,258	8,605,345	429,532	1,847,980	10,882,857
Total comprehensive income for the period	-	-	-	1,340,724	1,340,724
Issue of units during the period	-	-	-	-	-
Redemption of units during the period	(7,812)	(294,513)	(60,922)	-	(355,435)
Distribution to unit holders	-	-	-	(602,374)	(602,374)
Total balance at 30 June 2015	220,446	8,310,832	368,610	2,586,330	11,265,772

	Number of units	Unit capital	Unit surplus	Retained earnings	Total
2014 (reviewed)					
Balance at 1 January 2014	225,418	8,498,298	387,469	2,040,214	10,925,981
Total comprehensive income for the period	-	-	-	631,334	631,334
Issue of units during the period	3,130	117,992	(42,579)	-	75,413
Redemption of units during the period	-	-	-	-	-
Distribution to unit holders	-	-	-	(509,898)	(509,898)
Total balance at 30 June 2014	228,548	8,616,290	344,890	2,161,650	11,122,830

The condensed interim financial information consist of pages 2 to 9

SICO Gulf Equity Fund

CONDENSED STATEMENT OF CASH FLOWS
for the six-month period ended 30 June 2015

Bahraini dinars

	Six months ended 30 June 2015 (reviewed)	Six months ended 30 June 2014 (reviewed)
Cash flows from operating activities		
Profit for the period	1,340,724	631,334
<i>Adjustments for:</i>		
(Increase) / decrease in investments at fair value through profit or loss	(664,025)	251,202
Decrease in balances due from brokers	887,944	-
Increase in dividend receivables	(7,933)	(29,266)
Decrease in prepayments and other receivables	-	83
Increase in due to brokers	-	6,791
Increase in payables and other liabilities	15,057	302,934
Net cash generated from operating activities	1,571,767	1,163,078
Cash flows from financing activities		
Distribution to unit holders	(602,374)	(509,898)
Subscription of units during the period	-	75,413
Redemption of units during the period	(355,435)	-
Net cash used in financing activities	(957,809)	(434,485)
Net increase in cash and cash equivalents	613,958	728,593
Cash and cash equivalents at beginning of the period	601,043	307,715
Cash and cash equivalents at end of the period	1,215,001	1,036,308

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

SICO Gulf Equity Fund

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

Bahraini dinars

1. Reporting entity

SICO Gulf Equity Fund ("The Fund") is an open ended Fund launched by SICO Gulf Equity Funds Company III B.S.C. (c) (the "Company" or the "Fund Manager"), a closed joint stock company incorporated in the Kingdom of Bahrain with commercial registration number 59294. The Fund commenced trading in May 2008. 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 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 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 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.

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 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 months period ended 30 June 2015 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 2014 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 2014 reviewed condensed interim financial information.

c) Due to the nature of the Fund's activities, the results for the six months 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 Gulf Equity Fund

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

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2. Basis of preparation (continued)

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 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 statements 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 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 2015 (reviewed)	31 December 2014 (audited)
Opening balance	9,316,709	10,686,443
Additions	9,903,665	23,850,995
Disposals	(10,396,522)	(25,465,968)
Change in fair value of investments	1,156,882	245,239
	9,980,734	9,316,709

Details of the top ten securities are as follows:

30 June 2015 (reviewed)

	Fair value	Value of investment as a percentage of NAV
Emaar Properties	885,349	7.86%
Dubai Parks And Resorts	730,057	6.48%
Viva Kuwait Telecom Company	614,032	5.45%
National Bank of Kuwait	573,024	5.09%
Jazeera Airways	507,502	4.50%
Qatar National Bank	485,321	4.31%
Al Meera Consumer Goods	457,862	4.06%
Dubai Islamic Bank	448,625	3.98%
Tabreed	411,658	3.65%
Air Arabia	399,240	3.54%

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

31 December 2014 (audited)

	Fair value	Value of investment as a percentage of NAV
Al Meera Consumer Goods	554,891	5.10%
Viva Kuwait Telecom Company	538,729	4.95%
Mobile Telecommunications Co	518,619	4.77%
Emaar Properties	411,044	3.78%
Air Arabia	392,596	3.61%
Medicare Group	391,302	3.60%
First Gulf Bank	364,315	3.35%
Agthia Group	342,250	3.14%
Qatar National Bank	330,605	3.04%
Ahli United Bank	320,589	2.95%

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 2015 (reviewed)	31 December 2014 (audited)
Due to related parties		
Accrued management fees	44,903	63,613

Transactions with related parties

a) Management fees

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. Management fees are accrued on the dealing day monthly and payable on the second business day of each quarter. The management fees with respect to Class A units and Class B units for the six-month period ended 30 June 2015 amounted to BD 5,642 (30 June 2014: 6,690) and BD 77,371 (30 June 2014: 109,760) respectively.

b) Performance fees

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. The performance fees for the six-month period ended 30 June 2015 amounted to BD 94,379 (30 June 2014: 239,561).

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

- c) Commission incurred on transactions through the Fund Manager during the period amounted to BD 17,331 (30 June 2014: BD 17,724)
- d) 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 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 2015 (reviewed)				
Investments at fair value through profit or loss	9,980,734	-	-	9,980,734
	9,980,734	-	-	9,980,734
31 December 2014 (audited)				
Investments at fair value through profit or loss	9,316,709	-	-	9,316,709
	9,316,709	-	-	9,316,709

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.

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

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Bahraini dinars

7. Subsequent events

Subsequent to 30 June 2015, the NAV of the fund have decreased by 9% from BD 11,265,772 as of June 2015 to BD 10,284,232 as of 27 August 2015.