

**KHALEEJ 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 Hanan Yusuf Hasan Sater Amal Ahmed Yusuf Alnaser Anantha Narayanan
Fund Company	SICO Funds Company B.S.C. (c) P.O. Box 1331, Manama, Kingdom of Bahrain
Registered office	SICO Funds Company 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

Khaleej Equity Fund

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

<i>Contents</i>	<i>Page</i>
Independent auditors' report on review of condensed interim financial information	1
Condensed interim financial information	
Condensed statement of financial position	2
Condensed statement of profit or loss and other comprehensive income	3
Condensed statement of changes in net assets attributable to unit holders	4
Condensed statement of cash flows	5
Notes to the condensed interim financial information	6 - 9



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
Khaleej Equity Fund
Kingdom of Bahrain

30 August 2015

Introduction

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

- the condensed statement of financial position as at 30 June 2015;
- the condensed statement of profit or loss and 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'.

Khaleej 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		1,360,938	527,287
Investments at fair value through profit or loss	4	22,636,614	24,514,796
Due from brokers		-	563,565
Other receivables		65,849	61,304
Total assets		24,063,401	25,666,952
Liabilities			
Redemption payable		44,335	-
Other payables		404,099	112,978
Total liabilities (excluding net assets attributable to unit holders)		448,434	112,978
Net assets attributable to holders of			
- Class A units		11,587,879	11,599,556
- Class B units		12,027,088	10,451,596
- Class C units		-	3,502,822
Net assets attributable to unit holders		23,614,967	25,553,974
Net Asset Value ("NAV") per unit at book value based on 93,146 (31 December 2014: 105,647) units outstanding with respect to Class A units		124.41	109.80
Net Asset Value ("NAV") per unit at book value based on 96,350 (31 December 2014: 96,350) units outstanding with respect to Class B units		124.84	108.48
Net Asset Value ("NAV") per unit at book value based on NIL (31 December 2014: 30,880) units outstanding with respect to Class C units		-	113.43



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.

Khaleej 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 change in fair value of investments at fair value through profit or loss	4	3,483,297	1,428,167
Foreign exchange loss		(57,774)	(51,827)
Dividend income		515,696	886,747
Interest income		29	641
Other income		40,749	24,137
Total income		3,981,997	2,287,865
Management fees	5a	178,972	161,785
Custody and administration fees		34,764	39,076
General and administrative expenses		13,741	1,933
Performance fees	5b	217,817	138,157
Audit fees		2,256	2,232
Registrar fees		1,589	1,589
Fees and commission		3,413	2,056
Total expenses		452,552	346,828
Profit for the period		3,529,445	1,941,037
Other comprehensive income		-	-
Total comprehensive income for the period		3,529,445	1,941,037



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.

Khaleej 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	232,877	8,779,454	4,740,339	12,034,181	25,553,974
Total comprehensive income for the period	-	-	-	3,529,445	3,529,445
Issue of units during the period	28,093	1,059,115	2,248,460	-	3,307,575
Redemption of units during the period	(71,474)	(2,694,584)	(6,081,443)	-	(8,776,027)
Balance at 30 June 2015	189,496	7,143,985	907,356	15,563,626	23,614,967
2014 (reviewed)					
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

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

Khaleej 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	3,529,445	1,941,037
<i>Adjustments for:</i>		
Decrease / (increase) in investments at fair value through profit or loss	1,878,182	(449,147)
Decrease / (increase) in due from brokers	563,565	(288,575)
Decrease in other receivables	(4,545)	(10,443)
Increase / (decrease) in other payables	291,121	(16,117)
Net cash generated from operating activities	6,257,768	1,176,755
Cash flows from financing activities		
Subscription of units during the period	3,307,575	12,130,800
Redemption of units during the period	(8,731,692)	(12,640,595)
Net cash used in financing activities	(5,424,117)	(509,795)
Net increase in cash and cash equivalents	833,651	666,960
Cash and cash equivalents at beginning of the period	527,287	861,502
Cash and cash equivalents at end of the period	1,360,938	1,528,462

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

1. Reporting entity

Khaleej Equity Fund ("The Fund") is an open ended fund launched by 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 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% and SICO Ventures Company S.P.C. 1%.

The duration of the Fund is subject to the duration of the Company, which is twenty five calendar years commencing from the date of registration of the Fund Company in the Commercial Registry. The 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 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-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 statements 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.

Khaleej Equity 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, 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 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 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	24,514,796	27,947,408
Additions during the period / year	38,046,595	97,386,360
Disposals during the period / year	(43,408,074)	(101,508,662)
Change in fair value of investments at fair value through profit or loss	3,483,297	689,690
Closing balance	22,636,614	24,514,796

Details of the top ten securities are as follows:

30 June 2015 (reviewed)

	Fair value	Value of investment as a percentage of NAV
Mefic IPO Fund	1,304,405	5.52%
Dubai Parks And Resorts	1,119,086	4.74%
Samba Financial Group	1,053,673	4.46%
Saudi British Bank	1,019,092	4.32%
Bupa Arabia For Cooperative	1,008,338	4.27%
Viva Kuwait Telecom Company	945,244	4.00%
Medicare Group	916,159	3.88%
National Shipping Company of Saudi	835,035	3.54%
Jazeera Airways	820,564	3.47%
National Commercial Bank	751,916	3.18%

Khaleej Equity 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
Abdullah Al Othaim Markets	1,073,488	4.20%
Bupa Arabia for Cooperative	988,604	3.87%
Air Arabia	954,560	3.74%
Samba Financial Group	866,989	3.39%
Viva Kuwait Telecom Company	836,634	3.27%
Emaar Properties	815,090	3.19%
Saudi British Bank	805,391	3.15%
Dallah Healthcare Holding Company	788,387	3.09%
Mobile Telecommunications Company	753,807	2.95%
Al Meera Consumer Goods	742,580	2.91%

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 B.S.C. (c), which is a wholly owned subsidiary of Securities & Investment Company B.S.C. (c) (SICO), which provides management services of 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	178,972	96,453

Transactions with related parties

- a) Securities and Investment Company B.S.C (c) manages the Fund's operation for an annual fee of 1.5% and 2% per annum with respect to Class A 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 and Class B units for the six-month period ended 30 June 2015 amounted to BD 92,586 (30 June 2014: BD 141,824 and BD 86,386 (30 June 2014: BD 19,961).
- 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 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 2015 amounted to BD 217,817. (30 June 2014: 138,157)

Khaleej Equity Fund

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

Bahraini dinars

5. Related party balances and transactions (continued)

- c) At the reporting date, the Fund Manager holds 9,506 units -5% (31 December 2014: 9,506 units - 4.08%) in the Fund with corresponding NAV value of BD 1,182,625 (31 December 2014: 1,043,752).
- d) Commission incurred on transactions through the Fund Manager during the period amounted to BD 19,702 (30 June 2014: BD 35,098)
- 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 values

When measuring fair value of an asset or a liability, the Fund uses 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	22,636,614	-	-	22,636,614
	22,636,614	-	-	22,636,614
31 December 2014 (audited)				
Investments at fair value through profit or loss	24,514,796	-	-	24,514,796
	24,514,796	-	-	24,514,796

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.

Khaleej Equity Fund

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

Bahraini dinars

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

7. Subsequent events

Subsequent to 30 June 2015, Investments at fair value through profit or loss have decreased by 13% from BD 22,636,614 as of June 2015 to BD 19,769,408 as of 27 August 2015.