

**KHALEEJ EQUITY FUND**  
**(A sub fund of SICO Funds Company B.S.C. (c))**

CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

**Khaleej Equity Fund**  
**(A sub fund of SICO Funds Company B.S.C. (c))**

**Condensed interim financial information**  
**For the six month period ended 30 June 2012**

	Pages
Information about the Fund	1
Auditors' review report	2
Condensed interim statement of financial position	3
Condensed interim statement of comprehensive income	4
Condensed interim statement of changes in net assets attributable to holders of redeemable units	5
Condensed interim statement of cash flows	6
Notes to the condensed interim financial information	7 – 12

**Khaleej Equity Fund**  
**(A sub fund of SICO Funds Company B.S.C. (c))**

**Information about the Fund**

<b>Directors of the Fund Company</b>	Anthony C. Mallis Najla Al Shirawi Shakeel Sarwar Butt Samir Sami	- Chairman - Director - Director - Director
<b>Registered office</b>	2 <sup>nd</sup> Floor, BMB Centre, PO Box 1331, Diplomatic Area, Kingdom of Bahrain	
<b>Bankers</b>	Bank of Bahrain and Kuwait B.S.C. Mashreq Bank PSC National Bank of Kuwait Bank Muscat S.A.O.G Shuaa Capital PSC HSBC Bank Middle East Limited (Bahrain Branch)	
<b>Investment managers</b>	Securities & Investment Company B.S.C (c) (SICO)	
<b>Administrators</b>	HSBC Bank Middle East Limited (Bahrain Branch)	
<b>Custodians</b>	HSBC Bank Middle East Limited (Bahrain Branch)	
<b>Registrar</b>	APEX Funds Service Company	
<b>Auditors</b>	PricewaterhouseCoopers 13th Floor, T.J. Tower PO Box 21144 Seef District Kingdom of Bahrain	



**REPORT ON REVIEW OF FINANCIAL INFORMATION TO THE DIRECTORS OF  
SICO FUNDS COMPANY B.S.C. (c) WITH RESPECT TO  
KHALEEJ EQUITY FUND**

**Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Khaleej Equity Fund, a sub fund of SICO Funds Company B.S.C. (c), (the Company) as of 30 June 2012 and the related condensed interim statements of comprehensive income, cash flows and changes in net assets attributable to holders of redeemable units for the six month period then ended. The Company's Directors are responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 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 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 interim condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

  
29 August 2012

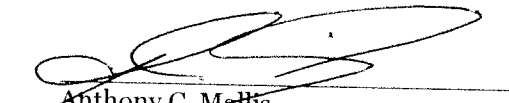
Manama, Kingdom of Bahrain

For PricewaterhouseCoopers:  
Mario Portelli  
License number 101

**Khaleej Equity Fund**  
**(A sub fund of SICO Funds Company B.S.C. (c))**  
**Condensed interim statement of financial position**  
(Expressed in Bahrain Dinars unless otherwise stated)

	<b>Note</b>	<b>30 June 2012</b>	<b>31 December 2011</b>
		(Reviewed)	(Audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Financial assets at fair value through profit or loss	6	24,695,353	23,591,678
Prepayments and other receivables		56,756	28,434
Cash and bank balances	5	<u>134,793</u>	<u>830,312</u>
<b>Total assets</b>		<u><b>24,886,902</b></u>	<u><b>24,450,424</b></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables and accrued expenses		<u>111,529</u>	<u>111,832</u>
Liabilities (excluding net assets attributable to holders of redeemable units)		<u>111,529</u>	<u>111,832</u>
<b>Net assets attributable to holders of redeemable units</b>	7	<u><b>24,775,373</b></u>	<u><b>24,338,592</b></u>
		<u><b>24,886,902</b></u>	<u><b>24,338,592</b></u>
Net assets attributable to holders of redeemable units		24,775,373	24,338,592
Number of units		320,548	315,025
Net asset value per unit		77.291	77.259

This condensed interim financial information has been approved for issue by the Board of Directors of the Company on 28 August 2012 and signed on its behalf by:

  
Anthony C. Mallis  
Chairman


  
Shakeel Sarwar Butt  
Director

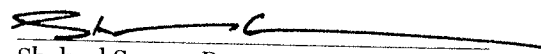
The notes on pages 7 to 12 form an integral part of this condensed interim financial information

**Khaleej Equity Fund**  
**(A sub fund of SICO Funds Company B.S.C. (c))**  
**Condensed interim statement of comprehensive income**  
(Expressed in Bahrain Dinars unless otherwise stated)

	Note	<u>Six month period ended</u>	
		<u>30 June</u>	<u>30 June</u>
		<b>2012</b>	<b>2011</b>
		(Reviewed)	(Reviewed)
<b>Income</b>			
Net changes in fair value of financial assets at fair value through profit or loss		(566,891)	(2,567,921)
Dividend income		948,968	1,075,149
Interest income		325	13,505
Other income		13,293	9,709
		<u>395,695</u>	<u>(1,469,558)</u>
<b>Expenses</b>			
Management fees	8	(205,516)	(216,985)
Custody and administration fees	9	(30,584)	(33,158)
General and administrative expenses		(4,727)	(2,641)
Audit fees		(2,900)	(2,900)
Fees and commission		(371)	(531)
		<u>(244,098)</u>	<u>(256,215)</u>
<b>Increase/(decrease) in net assets attributable to holders of redeemable units from operations</b>		<u>151,597</u>	<u>(1,725,773)</u>

This condensed interim financial information has been approved for issue by the Board of Directors of the Company on 28 August 2012 and signed on its behalf by:

  
Anthony C. Mallis  
Chairman

  
Shakeel Sarwar Butt  
Director

The notes on pages 7 to 12 form an integral part of this condensed interim financial information

**Khaleej Equity Fund**  
**(A sub fund of SICO Funds Company B.S.C. (c))**  
**Condensed interim statement of changes in net assets attributable to holders of**  
**redeemable units**  
(Expressed in Bahrain Dinars unless otherwise stated)

	Nominal value of units	Unit premium/ (discount)	Change in net assets attributable to holders of redeemable units	Total
At 1 January 2011	15,744,400	13,931,629	4,554,183	34,230,212
Subscription of units during the period	1,592,122	1,811,134	-	3,403,256
Redemption of units during the period	(4,444,679)	(4,612,710)	-	(9,057,389)
Net decrease from unit transactions	(2,852,557)	(2,801,576)	-	(5,654,133)
Decrease in net assets attributable to holders of redeemable units from operations	-	-	(1,725,773)	(1,725,773)
<b>At 30 June 2011</b>	<b>12,891,843</b>	<b>11,130,053</b>	<b>2,828,410</b>	<b>26,850,306</b>
At 1 January 2012	11,876,443	10,101,981	2,360,168	24,338,592
Subscriptions of units during the period	1,800,557	1,962,205	-	3,762,762
Redemption of units during the period	(1,592,340)	(1,885,238)	-	(3,477,578)
Net increase from unit transactions	208,217	76,967	-	285,184
Increase in net assets attributable to holders of redeemable units from operations	-	-	151,597	151,597
<b>At 30 June 2012</b>	<b>12,084,660</b>	<b>10,178,948</b>	<b>2,511,765</b>	<b>24,775,373</b>

The notes on pages 7 to 12 form an integral part of this condensed interim financial information

**Khaleej Equity Fund**  
**(A sub fund of SICO Funds Company B.S.C. (c))**  
**Condensed interim statement of cash flows**  
(Expressed in Bahrain Dinars unless otherwise stated)

		<b>Six month period ended</b>	
	<b>Note</b>	<b>30 June 2012 (Reviewed)</b>	<b>30 June 2011 (Reviewed)</b>
<b>Operating activities</b>			
Net increase/(decrease) in net assets attributable to holders of redeemable units from operations		151,597	(1,725,773)
Adjustments for non-cash items:			
Unrealised fair value movements on financial assets at fair value through profit or loss		922,003	697,337
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		(2,025,678)	7,402,880
Prepayments and other receivable		(28,322)	(29,904)
Payables and accrued expenses		(303)	(540,500)
Net cash (used in)/provided by operating activities		<u>(980,703)</u>	<u>5,804,040</u>
<b>Financing activities</b>			
Subscription of units during the period		3,762,762	3,403,256
Redemption of units during the period		<u>(3,477,578)</u>	<u>(9,057,389)</u>
Net cash provided by/(used in) financing activities		<u>285,184</u>	<u>(5,654,133)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(695,519)	149,907
Cash and cash equivalents at the beginning of the period		<u>830,312</u>	<u>1,746,666</u>
<b>Cash and cash equivalents at the end of the period</b>	5	<u>134,793</u>	<u>1,896,573</u>

The notes on pages 7 to 12 form an integral part of this condensed interim financial information



**Khaleej Equity Fund**  
**(A sub fund of SICO Funds Company B.S.C. (c))**  
**Notes to the condensed interim financial information for the six month period ended**  
**30 June 2012**  
(Expressed in Bahrain Dinars unless otherwise stated)

**1 Incorporation and background information**

Khaleej Equity Fund (KEF or the Fund) is an open ended sub-fund of SICO Gulf Equity Funds Company B.S.C. (c) (the Company), a closed joint stock company incorporated in the Kingdom of Bahrain with commercial registration number 40378 whose registered address is at 2<sup>nd</sup> Floor, BMB Center, Diplomatic Area, Kingdom of Bahrain. 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 Company, which is 25 Gregorian calendar years from 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 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 Fund's investment and administration activities are managed by Securities & Investment Company B.S.C (c) and HSBC Bank Middle East Limited (Bahrain Branch) respectively.

The accompanying condensed interim financial information relates to Khaleej Equity Fund only.

**2 Accounting policies**

This condensed interim financial information for the six month period ended 30 June 2012 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with IFRSs.

There are no standards, interpretations or amendments to existing standards that are effective that would be expected to have a significant impact on the Fund.

**Standards, new interpretations and amendments to standards and interpretations which have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:**

- Amendment to IFRS 7, 'Financial instruments: Disclosures', on offsetting financial assets and financial liabilities published in December 2011. This amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements. The new amendment is not expected to have any impact on the Fund's financial position or performance.
- Amendment to IAS 32, 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities published in December 2011. This amendment updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The new amendment is not expected to have any impact on the Fund's financial position or performance.

**Khaleej Equity Fund**  
**(A sub fund of SICO Funds Company B.S.C. (c))**  
**Notes to the interim condensed financial information for the six month period ended**  
**30 June 2012** (continued)  
(Expressed in Bahraini Dinars unless otherwise stated)

**2 Accounting policies** (continued)

**Basis of preparation** (continued)

**Standards, new interpretations and amendments to standards and interpretations which have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted** (continued):

- Annual improvements 2011 published in May 2012. These annual improvements include changes to IFRS 1, 'First time adoption', IAS 1, 'Financial statement presentation', IAS 16, 'Property plant and equipment', IAS 32, 'Financial instruments; Presentation', IAS 34, 'Interim financial reporting'. These annual improvements are not expected to have any impact on the Fund's financial position or performance.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Fund.

**3 Financial risk management**

**3.1 Financial risk factors**

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund's financial statements as at 31 December 2011.

There have been no changes in the risk management function since the year end or in any risk management policies.

**3.2 Liquidity risk**

There was no material change in the contractual undiscounted cash out flows for financial liabilities compared to the prior year end.

**3.3 Fair value estimation**

The estimated fair value of the Fund's other assets and liabilities are not significantly different from their respective carrying values.

In 2012 there were no reclassifications of financial assets.

**Khaleej Equity Fund**  
**(A sub fund of SICO Funds Company B.S.C. (c))**  
**Notes to the condensed interim financial information for the six month period ended**  
**30 June 2012** (continued)  
(Expressed in Bahrain Dinars unless otherwise stated)

**4 Estimates**

The preparation of the interim condensed 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 this interim condensed 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 for the year ended 31 December 2011.

**5 Cash and cash equivalents**

	<b>External credit rating</b>	<b>30 June 2012 (Reviewed)</b>	<b>31 December 2011 (Audited)</b>
Current account with banks	AA	181	(402,292)
Call deposits with banks	AA	134,612	1,232,604
		<u>134,793</u>	<u>830,312</u>

The external credit ratings are based on Fitch ratings or its equivalents.

**6 Financial assets at fair value through profit or loss**

The Fund held investments in the following countries:

	<b>30 June 2012 (Reviewed)</b>		<b>31 December 2011 (Audited)</b>	
	<b>BHD</b>	<b>%</b>	<b>BHD</b>	<b>%</b>
<u>Investments in equity securities:</u>				
- Saudi Arabia	15,491,571	62.73	12,549,352	53.19
- Qatar	3,105,186	12.57	5,473,728	23.20
- United Arab Emirates	2,701,648	10.94	2,621,268	11.11
- Kuwait	1,276,298	5.17	1,272,761	5.39
- Oman	1,552,530	6.29	1,276,589	5.41
- Bahrain	568,120	2.30	397,980	1.69
Total financial assets designated at fair value through profit or loss	<u>24,695,353</u>	<u>100.00</u>	<u>23,591,678</u>	<u>100.00</u>

Financial assets at fair value through profit or loss as of 30 June 2012 represent 99.23% (31 December 2011: 96.52%) of the Fund's total assets.

**Khaleej Equity Fund**  
**(A sub fund of SICO Funds Company B.S.C. (c))**  
**Notes to the condensed interim financial information for the six month period ended**  
**30 June 2012** (continued)  
(Expressed in Bahrain Dinars unless otherwise stated)

**6 Financial assets at fair value through profit or loss** (continued)

The Fund held the following investment securities:

	<b>30 June 2012</b>		<b>31 December 2011</b>	
	<b>(Reviewed)</b>		<b>(Audited)</b>	
	<b>BHD</b>	<b>%</b>	<b>BHD</b>	<b>%</b>
Etihad Etisalat	1,256,311	5.09	1,207,927	5.12
Saudi Basic Industries	1,207,390	4.89	1,121,390	4.75
Qatar Industries	1,158,637	4.69	1,232,485	5.22
Al Rajhi Bank	1,108,836	4.49	734,064	3.11
Arab National Bank	965,224	3.91	844,330	3.58
Bank Muscat SAOG	954,576	3.87	764,125	3.24
Qatar National Bank	843,140	3.41	987,264	4.18
Aramex PJSC	836,675	3.39	519,672	2.20
Saudi Arabian Fertilizer Company	820,265	3.32	-	-
Saudi Dairy & Foodstuff Company	816,909	3.31	1,004,257	4.26
Saudi Chemical	788,357	3.19	538,354	2.28
Mobile Telecommunications Co	779,789	3.16	404,726	1.72
Al Tayyar	773,485	3.13	-	-
Yanbu National Petrochemicals	760,755	3.08	733,150	3.11
Banque Saudi Fransi	757,106	3.07	628,260	2.66
First Gulf Bank	754,370	3.05	855,283	3.63
Samba Financial Group	742,467	3.01	599,187	2.54
Aldrees Petroleum	738,234	2.99	-	-
National Industrialization	656,652	2.66	891,243	3.78
Riyad Bank	655,391	2.65	799,606	3.39
Abdullah A M Al-Khodari Sons	630,989	2.56	-	-
Jarir Marketing	604,865	2.45	933,260	3.96
Oman Telecommunications	597,953	2.42	512,464	2.17
Drake & Scull International	583,219	2.36	746,437	3.16
Aluminium Bahrain	568,120	2.30	397,980	1.69
Qatar Electricity & Water	548,527	2.22	490,188	2.08
Emaar Properties	527,383	2.14	499,877	2.12
Yanbu Cement	505,867	2.05	-	-
Saudi Ceramic	499,580	2.02	706,304	2.99
National Bank of Kuwait	496,509	2.01	822,743	3.49
Saudi Industrial Investment	473,949	1.92	-	-
Saudi Cement	453,608	1.84	-	-
Commercial Bank of Qatar	277,745	1.12	724,962	3.07
Doha Bank	277,138	1.12	732,736	3.11
Yamamah Saudi Cement	275,332	1.11	-	-
Alinma Bank	-	-	514,201	2.18
Almarai	-	-	566,033	2.40
Kipco Asset Management Company	-	-	45,291	0.19
Qatar Islamic Bank	-	-	553,677	2.35
Qatar Navigation	-	-	752,416	3.19
Red Sea Housing	-	-	465,907	1.97
Taiba Holding	-	-	261,879	1.11
	<b>24,695,353</b>	<b>100.00</b>	<b>23,591,678</b>	<b>100.00</b>

**Khaleej Equity Fund**  
**(A sub fund of SICO Funds Company B.S.C. (c))**  
**Notes to the condensed interim financial information for the six month period ended**  
**30 June 2012** (continued)  
(Expressed in Bahrain Dinars unless otherwise stated)

**7 Net asset value per unit**

Nominal value

The initial offer price of the fund unit was USD 100 each. The subscription price following the initial offer and the redemption price is the price at which the units are offered to subscribers which is based upon the net asset value (NAV) per unit of the Fund at close of business on the relevant valuation day.

The net asset value per unit of the Fund is calculated as follows:

	<b>30 June 2012</b> (Reviewed)	<b>31 December 2011</b> (Audited)
Number of units subscribed	320,548	315,025
Nominal value of units subscribed (BD)	12,084,660	11,876,443
Nominal value per unit subscribed (BD)	37.700	37.700
Nominal value per unit subscribed (USD)	100.00	100.00
<b>Net asset value of the Fund (BD) *</b>	<b>24,775,373</b>	<b>24,338,592</b>
Net asset value per unit (BD)	77.291	77.259
Net asset value per unit (US Dollar)	205.0151	204.932

**8 Related parties**

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 operational decisions.

The Fund is a sub-fund of SICO Funds Company 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. Related parties comprise SICO and its shareholders and unitholders of the Fund.

The Fund had the following transactions with related parties:

- (a) Trading securities for the Fund includes the following investment in a fund which is managed by SICO:

	<b>30 June 2012</b> (Reviewed)		<b>31 December 2011</b> (Audited)	
	Units	BD	Units	BD
SICO	9,716	743,304	9,716	750,667
SICO – Market making portfolio	9,716	743,304	9,716	750,667

**Khaleej Equity Fund**  
**(A sub fund of SICO Funds Company B.S.C. (c))**  
**Notes to the condensed interim financial information for the six month period ended**  
**30 June 2012** (continued)  
(Expressed in Bahrain Dinars unless otherwise stated)

**8 Related parties** (continued)

- (b) Management fees, calculated at 1.5% per annum of the daily net asset value of the Fund, is payable to SICO. The management fees for the six months' period ended 30 June 2012 amounted to BHD 205,516 (2011: 216,985).

At 30 June 2012 the amount of management fees payable to SICO was BHD 103,227 (31 December 2011: BHD 99,933).

- (c) Performance fees, calculated at 10% profit sharing in incremental increases over 10% appreciation in net asset value per unit of the Fund for every fiscal year net of performance fees, as accrued on each valuation day, is payable to SICO. No Performance fee was paid to SICO for the period ended 30 June 2012 (2011: BHD Nil).

**9 Custody and administration fees**

- (a) A custodian fee is paid to HSBC Bank Middle East Limited (Bahrain Branch), the custodian and administrator of the Fund. This fee is payable at the higher of a minimum monthly fee of BD 377 (annual minimum fee of BD 4,524 discounted by 50% for the first 12 months starting 3 July 2011) and a percentage of the yearly net asset value of the Fund. The percentages applied are as follows:

<b>Yearly NAV range</b>	<b>Annual administration fee percentage</b>
\$0-10 million	15bps
\$10-25 million	14bps
\$25-50 million	13bps
\$50-100 million	12bps
Greater than \$100	11bps

- (b) An administration fee is paid to HSBC Bank Middle East Limited (Bahrain Branch), the custodian and administrator of the Fund. This fee is payable at the higher of a minimum monthly fee of BD 377 (annual minimum fee of BD 4,524 discounted by 50% for the first 12 months starting 3 July 2011) and a percentage of the yearly net asset value of the Fund. The percentages applied are as follows:

<b>Yearly NAV range</b>	<b>Annual administration fee percentage</b>
\$0-20 million	8bps
\$20-50 million	7bps
\$50-100 million	6bps
Greater than \$100	5bps

**10 Seasonal items**

Dividend income is unpredictable and is recognized when the Fund's entitlement to dividend income is established.