

**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 2011

**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 2011**

	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 9 <sup>th</sup> Floor, BMB Centre, PO Box 21144, Diplomatic Area, 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 2011 and the related condensed interim statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows 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 has not been prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".



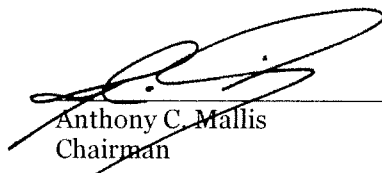
29 August 2011

Manama, Kingdom of Bahrain

**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 2011</b> (Reviewed)	<b>31 December 2010</b> (Audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	1,896,573	1,746,666
Financial assets at fair value through profit or loss	6	25,293,702	33,393,919
Prepayments and other receivables		29,909	5
<b>Total assets</b>		<b><u>27,220,184</u></b>	<b><u>35,140,590</u></b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables and accrued expenses		369,878	910,378
Liabilities (excluding net assets attributable to holders of redeemable units)		369,878	910,378
<b>Net assets attributable to holders of redeemable units</b>	7	<b><u>26,850,306</u></b>	<b><u>34,230,212</u></b>
		<b><u>27,220,184</u></b>	<b><u>35,140,590</u></b>

This condensed interim financial information has been approved for issue by the Board of Directors of the Company on 29 August 2011 and signed on its behalf by:

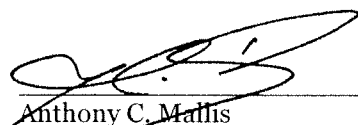
  
\_\_\_\_\_  
Anthony C. Mallis  
Chairman

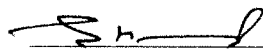
  
\_\_\_\_\_  
Shakeel Sarwar Butt  
Director

**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	Six month period ended	
		30 June 2011 (Reviewed)	30 June 2010 (Reviewed)
<b>Income</b>			
Net changes in fair value of financial assets at fair value through profit or loss		(2,567,921)	(2,008,213)
Dividend income		1,075,149	1,170,950
Interest income		13,505	61,314
Other income		9,709	14,488
		<u>(1,469,558)</u>	<u>(761,461)</u>
<b>Expenses</b>			
Management fees	8	(216,985)	(236,604)
Custody and administration fees	9	(33,158)	(56,324)
Fees and commission		(3,431)	(3,859)
General and administrative expenses		(2,641)	(1,936)
		<u>(256,215)</u>	<u>(298,723)</u>
<b>Total operating expenses</b>		<u>(256,215)</u>	<u>(298,723)</u>
<b>Decrease in net assets attributable to holders of redeemable units from operations</b>		<u>(1,725,773)</u>	<u>(1,060,184)</u>

This condensed interim financial information has been approved for issue by the Board of Directors of the Company on 29 August 2011 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 2010	16,228,815	14,009,866	691,990	30,930,671
Subscription of units during the period	2,636,422	2,841,725	-	5,478,147
Redemption of units during the period	(2,254,181)	(2,096,960)	-	(4,351,141)
Net increase from unit transactions	382,241	744,765	-	1,127,006
Decrease in net assets attributable to holders of redeemable units from operations	-	-	(1,060,184)	(1,060,184)
<b>At 30 June 2010</b>	<b>16,611,056</b>	<b>14,754,631</b>	<b>(368,194)</b>	<b>30,997,493</b>
At 1 January 2011	15,744,400	13,931,629	4,554,183	34,230,212
Subscriptions 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>

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 2011 (Reviewed)</b>	<b>30 June 2010 (Reviewed)</b>
<b>Operating activities</b>			
Net decrease in net assets attributable to holders of redeemable units from operations		(1,725,773)	(1,060,184)
Adjustments for non-cash items:			
Unrealised fair value movements on financial assets at fair value through profit or loss		697,337	(2,008,213)
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		7,402,880	1,054,513
Prepayments and other receivable		(29,904)	(17,975)
Payables and accrued expenses		(540,500)	11,296
Net cash provided by/(used in) operating activities		<u>5,804,040</u>	<u>(2,020,563)</u>
<b>Financing activities</b>			
Subscription of units during the period		3,403,256	5,478,147
Redemption of units during the period		(9,057,389)	(4,351,141)
Net cash (used in)/provided by financing activities		<u>(5,654,133)</u>	<u>1,127,006</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the period		149,907	(893,557)
		<u>1,746,666</u>	<u>7,207,541</u>
<b>Cash and cash equivalents at the end of the period</b>	<b>5</b>	<u><u>1,896,573</u></u>	<u><u>6,313,984</u></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 2011**  
(Expressed in Bahrain Dinars unless otherwise stated)

**1 Incorporation and background information**

In accordance with an instrument dated 13 January 2004, SICO Funds Company B.S.C. (the Company) created Khaleej Equity Fund (KEF or the Fund), an open-ended fund, which was launched with the principal objective of achieving 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. The Fund does not have any employees. The Fund's units are listed on the Bahrain Bourse.

**2 Accounting policies**

The condensed interim financial information is prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The condensed interim financial information is prepared under the historical cost convention as modified by the revaluation of investments at fair value through profit or loss.

The accounting policies applied in the preparation of the condensed interim financial information are consistent with those applied in the annual financial statements for the year ended 31 December 2010 except for new accounting policies and change in accounting policy stated below.

Costs that occur unevenly during the financial year are anticipated or deferred in the condensed interim financial information only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

**New and amended standards and interpretations effective for the Fund's accounting period beginning on 1 January 2011:**

The following new standard and amendments to existing standards have been published and are effective for the Fund's accounting periods beginning on 1 January 2011.

- Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2012
- Amendment to IFRIC 14, IAS 19 – The limit on defined benefit assets, minimum funding requirements and their interaction. The amendment to periods beginning 1 January 2011.
- Revised IAS 24, 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011.

Management has assessed the impact of the above new standard and amendments to published standards on the Fund's financial statements and has concluded that the effect on the Fund's financial statements is not material.

**Standards issued and amendments to the published standards which are not yet effective and have not been early adopted by the Fund:**

The following applicable new standards and amendments to the published standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted by the Fund:

**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 2011** (continued)  
(Expressed in Bahrain Dinars unless otherwise stated)

**2 Accounting policies** (continued)

**Standards issued and amendments to the published standard which are not yet effective and have not been early adopted by the Fund:** (continued)

- IFRS 9, 'Financial instruments', The Fund will apply this standard for the financial reporting period beginning on or after 1 January 2015
- Amendments to IFRS 7, " Financial instruments: Disclosures " – Disclosure on transfers of financial assets (effective 1 July 2011 and early adoption is permitted)
- IFRS 13 – 'Fair value measurement'. This standard is applicable beginning on or after 1 January 2013. Early application is permitted
- Amendment to IAS 19, 'Employee benefits'. This standard is applicable beginning on or after 1 January 2013. Early application is permitted
- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income (effective 1 July 2012 and early adoption is permitted)
- Management is still assessing the impact the above new standard will have on the Fund's financial statements in the year of initial application

**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 2010.

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 2011 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 2011** (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 2010.

**5 Cash and cash equivalents**

	<b>External credit rating</b>	<b>30 June 2011 (Reviewed)</b>	<b>31 December 2010 (Audited)</b>
Current account with banks	AA	193,855	946,846
Call deposits with banks	AA	1,702,718	799,820
		<b>1,896,573</b>	<b>1,746,666</b>

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 2011 (Reviewed)</b>		<b>31 December 2010 (Audited)</b>	
	<b>BHD</b>	<b>%</b>	<b>BHD</b>	<b>%</b>
<u>Investments in equity securities:</u>				
- Saudi Arabia	12,611,269	49.86	16,744,761	50.14
- Qatar	6,998,598	27.67	8,958,995	26.83
- United Arab Emirates	2,423,690	9.58	2,375,146	7.11
- Kuwait	1,735,322	6.86	2,464,822	7.39
- Oman	732,823	2.90	2,144,295	6.42
- Bahrain	792,000	3.13	705,900	2.11
Total financial assets designated at fair value through profit or loss	<b>25,293,702</b>	<b>100</b>	<b>33,393,919</b>	<b>100</b>

Financial assets at fair value through profit or loss as of 30 June 2011 represent 92.92% (31 December 2010: 95.03%) 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 2011** (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 as at 30 June 2011:

<b>Security</b>	<b>Qty</b>	<b>Cost</b>	<b>Market value</b>	<b>% of total assets</b>
<b>Banking sector</b>				
First Gulf Bank.	454,830	777,968	830,978	3.05
National Bank of Kuwait	478,150	662,284	762,460	2.80
Bank Muscat SAOG	1,008,720	746,933	732,822	2.69
Commercial Bank of Qatar	90,198	640,150	673,276	2.47
Doha Bank	1,542,040	777,320	820,578	3.01
Qatar Islamic Bank	1,022,210	872,602	827,576	3.04
Masraf Al Rayan	220,000	507,993	529,322	1.94
Qatar National Bank	91,311	918,611	1,332,917	4.90
Al Rajhi Bank	187,066	1,521,634	1,372,847	5.04
Arab National Bank	274,310	899,220	810,762	2.98
Banque Saudi Fransi	162,925	791,278	725,597	2.67
Ryad bank	338,471	877,105	804,742	2.96
Samba Bank	163,457	859,365	821,633	3.02
<b>Investment sector</b>				
National Industrialization	159,185	513,218	696,139	2.56
Kipco Asset Management Company	137,250	139,112	47,168	0.17
<b>Industrial sector</b>				
Drake & Scull International.	8,334,025	782,285	817,774	3.00
Emaar Properties.	2,500,000	829,460	774,939	2.85
Qatar Industries	92,507	1,213,784	1,304,406	4.79
Qatar Navigation	1,025,000	923,809	848,936	3.12
Aluminium Bahrain	880,000	792,344	792,000	2.91
Saudi Ceramic	61,684	757,552	875,922	3.22
Saudi Basic Industries	157,000	1,531,613	1,641,486	6.03
Yanbu National Petrochemicals	165,000	715,754	784,602	2.88
<b>Consumer Goods</b>				
Red Sea Housing	141,061	781,802	733,874	2.70
Jarir Marketing	46,636	741,783	826,332	3.04
<b>Services sector</b>				
Qatar Electricity & Water	44,316	481,023	661,587	2.43
Mobile Telecommunication Co.	647,500	1,179,161	925,695	3.40
Etihad Etisalat	329,968	1,521,052	1,741,547	6.40
Saudi Telecom	212,000	840,148	775,785	2.85
<b>Total</b>		<b>24,596,363</b>	<b>25,293,702</b>	<b>92.92</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 2011** (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 assets 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 2011</b>	<b>31 December 2010</b>
	(Reviewed)	(Audited)
Number of units subscribed	341,959	417,623
Nominal value of units subscribed (BD)	12,891,843	15,744,400
Nominal value per unit subscribed (BD)	37.7	37.700
Nominal value per unit subscribed (USD)	100	100.00
<b>Net asset value of the Fund (BD) *</b>	<b>26,850,306</b>	<b>34,230,212</b>
Net asset value per unit (BD)	78.52	82.497
Net asset value per unit (US Dollar)	208.27	218.825

\* Net asset value is determined based upon the accounting policies contained in these financial statements

**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 2011</b>		<b>31 December 2010</b>	
	(Reviewed)		(Audited)	
	Units	BD	Units	BD
SICO	1,081	225,200	8,635	325,540
SICO – Market making portfolio	8,635	1,798,411	-	-

**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 2011** (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 2011 amounted to BHD 216,985 (2010: 236,604).

At 30 June 2011 the amount of management fees payable to SICO was BHD 102,646 (30 December 2010: BHD 123,509).

- (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 2011 (2010: 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) and a percentage of the yearly net asset value of the Fund. The percentage applies 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) 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