

**SICO Gulf Equity Fund**

(A sub fund of SICO Funds Company III B.S.C. (c))

CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011

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

**Condensed interim financial information**  
**For the six month period ended 30 June 2011**

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**SICO GULF EQUITY FUND**

(A sub fund of NBK Gulf Equity Funds Company B.S.C. (c))

**Information about the Fund**

<b>Directors of the Fund Company</b>	Anthony C. Mallis - Chairman Najla Al Shirawi - Director Shakeel Sarwar Butt - Director Samir Sami - Director
<b>Registered office</b>	2 <sup>nd</sup> Floor, BMB Centre, PO Box 1331, Diplomatic Area, Kingdom of Bahrain
<b>Bankers</b>	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>Custodian</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 III B.S.C. (c) WITH RESPECT TO  
**SICO GULF EQUITY FUND**

**Introduction**

We have reviewed the accompanying condensed interim statement of financial position of SICO Gulf Equity Fund (the Fund), a sub-fund of SICO Funds Company III B.S.C. (c), (the Company) as at 30 June 2011 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 condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".



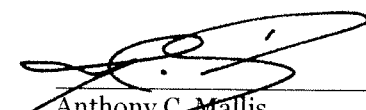
29 August 2011  
Manama, Kingdom of Bahrain

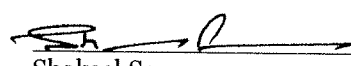
**SICO GULF EQUITY FUND**  
(A sub fund of SICO Funds Company III B.S.C. (c))

**Condensed interim statement of financial position**  
(Expressed in Bahraini Dinars unless otherwise stated)

	Note	30 June 2011 (Reviewed)	31 December 2010 (Audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	568,264	428,755
Financial assets at fair value through profit or loss	6	8,527,548	9,470,204
Other assets		16,801	13,849
<b>Total assets</b>		<u>9,112,613</u>	<u>9,912,808</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables and accrued expenses		<u>175,659</u>	296,001
<b>Liabilities (excluding net assets attributable to holders of redeemable units)</b>		<u>175,659</u>	296,001
<b>Net assets attributable to holders of redeemable units</b>	7	<u>8,936,954</u>	<u>9,616,807</u>
<b>Total liabilities</b>		<u>9,112,613</u>	<u>9,912,808</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  
SICO Funds Company B.S.C (c)

  
\_\_\_\_\_  
Shakeel Sarwar  
Director  
SICO Funds Company B.S.C (c)

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

**SICO GULF EQUITY FUND**

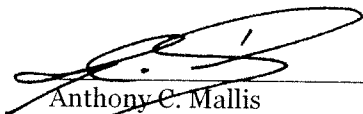
(A sub fund of SICO Funds Company III B.S.C. (c))

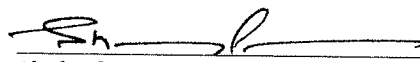
**Condensed interim statement of comprehensive income**

(Expressed in Bahraini Dinars unless otherwise stated)

		<b>Six month period ended</b>	
	<b>Note</b>	<b>30 June 2011</b>	<b>30 June 2010</b>
		(Reviewed)	(Reviewed)
<b>Income</b>			
Net changes in fair value of financial assets at fair value through profit or loss		(559,216)	(985,403)
Dividend income		357,815	437,153
Interest income		694	1,097
Other income		2,534	25,111
		<u>(198,173)</u>	<u>(522,042)</u>
<b>Expenses</b>			
Management fee	8	(90,861)	(92,985)
Custody and administration fees	9	(13,614)	(20,725)
Other fees and commissions		(6,299)	(3,707)
General and administrative expenses		<u>(2,120)</u>	<u>(2,548)</u>
<b>Total operating expenses</b>		<u>(112,894)</u>	<u>(119,965)</u>
<b>Decrease in net assets attributable to holders of redeemable units from operations</b>		<u>(311,067)</u>	<u>(642,007)</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  
SICO Funds Company B.S.C (c)

  
\_\_\_\_\_  
Shakeel Sarwar  
Director  
SICO Funds Company B.S.C (c)

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

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

**Condensed interim statement of changes in net assets attributable to holders of redeemable units**

(Expressed in Bahraini Dinars unless otherwise stated)

	Nominal value of units	Unit premium/ (discount)	Retained earnings	Total
At 1 January 2010	9,985,678	380,483	(480,009)	9,886,152
Issue of units during the year	175,983	12,213	-	188,196
Redemption of units during the year	(351,967)	(25,412)	-	(377,379)
	<hr/>			
Net decrease from unit transactions	(175,984)	(13,199)	-	(189,183)
	<hr/>			
Decrease in net assets attributable to holders of redeemable units from operations	-	-	(642,007)	(642,007)
	<hr/>			
At 30 June 2010	9,809,694	367,284	(1,122,016)	9,054,962
	<hr/>			
At 1 January 2011	8,727,456	436,317	453,034	9,616,807
Redemption of units during the year being net decrease from unit transactions	(338,024)	(30,762)	-	(368,786)
	<hr/>			
Decrease in net assets attributable to holders of redeemable units from operations	-	-	(311,067)	(311,067)
	<hr/>			
At 30 June 2011	8,389,432	405,555	141,967	8,936,954
	<hr/>			

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

**SICO GULF EQUITY FUND**

(A sub fund of SICO Funds Company III B.S.C. (c))

**Condensed interim statement of cash flows**

(Expressed in Bahraini Dinars unless otherwise stated)

	<b>Note</b>	<b>Six month period ended 30 June 2011 (Reviewed)</b>	<b>30 June 2010 (Reviewed)</b>
<b>Operating activities</b>			
Decrease in net assets attributable to holders of redeemable units from operations		(311,067)	(642,007)
Adjustments for non-cash items:			
Unrealised fair value movements on financial assets at fair value through profit or loss		1,012,249	861,379
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		(9,525,948)	145,744
Prepayments and other receivables		411,954	(6,713)
Payables and accrued expenses		(120,342)	(8,090)
Net cash (used in)/provided by operating activities		<u>(8,533,154)</u>	<u>350,313</u>
<b>Investing activities</b>			
		-	-
<b>Financing activities</b>			
Subscription of units during the period		-	188,196
Redemption of units during the period		(368,786)	(377,379)
Net cash used in financing activities		<u>(368,786)</u>	<u>(189,183)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>			
		(8,901,940)	161,130
Cash and cash equivalents at the beginning of the period		<u>9,470,204</u>	<u>2,039,299</u>
<b>Cash and cash equivalents at the end of the period</b>	<b>5</b>	<u>568,264</u>	<u>2,200,429</u>

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



## **SICO GULF EQUITY FUND**

(A sub fund of SICO Gulf Equity Funds Company III B.S.C. (c))

### **Notes to the interim condensed financial information for the six month period ended 30 June 2011**

(Expressed in Bahraini Dinars unless otherwise stated)

#### **1 Incorporation and background information**

In accordance with an instrument dated 26 September 2005, the Company created the SICO Gulf Equity Fund (SGEF 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 Kuwait, Bahrain, Oman, Qatar and the UAE.

The Fund may also invest in equity related hybrid debt securities listed in GCC countries excluding the Kingdom of Saudi Arabia in addition to unlisted debt securities issued by governments or quasi governments in the GCC countries excluding the Kingdom of Saudi Arabia. The Fund has no employees. The Fund's units are listed on the Bahrain Bourse.

#### **2 Accounting policies**

##### **Basis of preparation**

This condensed interim financial information for the six month period ended 30 June 2011 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 2010, which have been prepared in accordance with IFRSs.

##### **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 standards 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 standard have been issued but are not effective for the financial year beginning 1 January 2011 and has not been early adopted by the Fund:

- 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)

## **SICO GULF EQUITY FUND**

(A sub fund of SICO Gulf Equity Funds Company III B.S.C. (c))

### **Notes to the interim condensed financial information for the six month period ended 30 June 2011** (continued)

(Expressed in Bahraini Dinars unless otherwise stated)

#### **2 Accounting policies** (continued)

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

- 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.

#### **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.

**SICO GULF EQUITY FUND**

(A sub fund of SICO Gulf Equity Funds Company III B.S.C. (c))

**Notes to the interim condensed financial information for the six month period ended****30 June 2010** (continued)

(Expressed in Bahraini Dinars unless otherwise stated)

**5 Cash and cash equivalents**

	<b>30 June 2011</b>	<b>31 December 2010</b>
	(Reviewed)	(Audited)
Current account with custodian	568,259	428,755

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

The Fund held investments in the following countries:

	<b>30 June 2010</b>		<b>31 December 2010</b>	
	(Reviewed)		(Audited)	
	<b>BHD</b>	<b>%</b>	<b>BHD</b>	<b>%</b>
<u>Investments in equity securities:</u>				
- Qatar	2,916,934	34.21	4,086,718	43.15
- United Arab Emirates	2,225,875	26.10	1,379,769	14.57
- Kuwait	1,865,360	21.87	2,256,664	23.83
- Oman	675,885	7.93	1,471,028	15.53
- Bahrain	539,195	6.32	276,025	2.91
- United States of America	304,299	3.57	-	-
Total financial assets designated at fair value through profit or loss	<u>8,527,548</u>	<u>100.00</u>	<u>9,470,204</u>	<u>100.00</u>

Financial assets at fair value through profit or loss as of 30 June 2011 represent 93.58% (31 December 2010: 95.54%) of the Fund's total assets.

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>UAE</b>				
<i>Industrials</i>				
Aramex PJSC	301,089	54,527	54,393	0.60
DP World	70,773	336,238	327,648	3.60
Drake & Scull International	4,216,882	404,503	413,780	4.54
Emaar Properties	1,175,000	371,110	364,221	4.00
<i>Consumer Goods</i>				
Agthia Group	857,924	184,717	176,116	1.93
Depa Ltd	1,223,007	299,297	248,980	2.73
<i>Financials</i>				
Abu Dhabi Islamic Bank	831,583	268,305	280,816	3.08
First Gulf Bank	197,000	358,214	359,921	3.95
<b>Bahrain</b>				
<i>Basic materials</i>				
Aluminium Bahrain	305,000	274,609	274,500	3.01
<i>Financials</i>				
Ahli United Bank	975,150	268,961	264,695	2.90

**SICO GULF EQUITY FUND**

(A sub fund of SICO Gulf Equity Funds Company III B.S.C. (c))

**Notes to the interim condensed financial information for the six month period ended 30 June 2010** (continued)

(Expressed in Bahraini 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 (continued):

<b>Security</b>	<b>Qty</b>	<b>Cost</b>	<b>Market value</b>	<b>% of total assets</b>
<b>Kuwait</b>				
<i>Industrials</i>				
Mabanee Co	221,000	197,480	263,345	2.89
<i>Telecommunications</i>				
National mobile Telecom	152,500	367,609	409,393	4.49
<i>Financials</i>				
Kuwait Finance House	132,880	176,723	182,001	2.00
Kuwait Projects Co	396,987	228,117	198,465	2.18
National Bank of Kuwait	262,380	354,301	416,872	4.57
<i>Technoloav</i>				
Mobile Telecommunications Co	277,500	495,406	395,285	4.34
<b>Oman</b>				
<i>Telecommunications</i>				
Oman Telecommunications	233,000	293,224	250,290	2.75
<i>Financials</i>				
Bank Muscat SAOG	585,750	420,487	425,595	4.67
<b>Qatar</b>				
<i>Industrials</i>				
Qatar Industries	32,845	411,698	463,148	5.08
Qatar Navigation	50,000	429,380	414,126	4.54
<i>Utilities</i>				
Qatar Electricity & Water	27,707	262,978	413,645	4.54
<i>Financials</i>				
Commercial Bank of Qatar	24,424	175,655	182,316	2.00
Doha Bank	466,390	222,144	248,191	2.72
Masraf Al Rayan	1,158,970	238,325	278,857	3.06
Qatar Islamic Bank	44,500	363,413	360,280	3.95
Qatar National Bank	38,113	442,085	556,370	6.11
<b>United States of America</b>				
<i>Financials</i>				
SICO Money Market Fund	79,454	302,759	304,299	3.34
		<u>8,202,265</u>	<u>8,527,548</u>	<u>93.58</u>

## SICO GULF EQUITY FUND

(A sub fund of SICO Gulf Equity Funds Company III B.S.C. (c))

### Notes to the interim condensed financial information for the six month period ended 30 June 2010 (continued)

(Expressed in Bahraini 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> (Review)	<b>31 December 2010</b> (Audited)
Number of units subscribed	222,531	231,497
Nominal value of units subscribed (BD)	8,389,419	8,727,456
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>8,936,954</b>	<b>9,616,807</b>
Net asset value per unit (BD)	40.160	41.541
Net asset value per unit (US Dollar)	106.526	110.190

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

#### 8 Related parties

Parties are considered 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 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. Related parties comprise SICO and its shareholders, unit holders of the Fund and the shareholders of SICO Funds Company III B.S.C. (c).

- (a) Management fees with respect to Class A units, calculated at 1.5% per annum of the monthly net asset value of the Fund, prior to the deduction of management fees is payable to SICO. The management fees for Class A units for the period ended 30 June 2011 amounted to BHD 5,656 (2010: BHD 92,985).

At 30 June 2010 the amount of management fee related to Class A units payable to SICO was BHD 2,401 (31 December 2010: BHD 3,531).

- (b) Management fees with respect to Class B units, calculated at 2% per annum of the monthly net asset value of the Fund, prior to the deduction of management fees is payable to SICO. The management fees for Class B units for the period ended 30 June 2011 amounted to BHD 85,204 (2010: BHD 120,748).

At 30 June 2011 the amount of management fee related to Class B units payable to SICO was BHD 43,354 (31 December 2010: USD 42,120).

**SICO GULF EQUITY FUND**

(A sub fund of SICO Gulf Equity Funds Company III B.S.C. (c))

**Notes to the interim condensed financial information for the six month period ended 30 June 2011** (continued)

(Expressed in Bahraini Dinars unless otherwise stated)

**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