

SICO ARAB FINANCIAL FUND
(A sub fund of SICO Funds Company II B.S.C (c))

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

SICO ARAB FINANCIAL FUND
(A sub fund of SICO Funds Company II B.S.C (c))

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

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Information about the Fund

Directors of the Fund Company	Anthony C. Mallis - Chairman Najla Al Shirawi - Director Shakeel Sarwar Butt - Director
Registered office	2nd Floor, BMB Centre PO Box 1331 Diplomatic Area Kingdom of Bahrain
Bankers	Saudi British Bank HSBC Bank Middle East Limited (Bahrain Branch)
Investment managers	Securities & Investment Company B.S.C (c) (SICO)
Administrators	HSBC Bank Middle East Limited (Bahrain Branch)
Custodians	HSBC Bank Middle East Limited (Bahrain Branch)
Registrars	KPMG Fakhro
Auditors	PricewaterhouseCoopers 9th Floor, BMB Centre PO Box 21144 Diplomatic Area Kingdom of Bahrain

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of SICO Arab Financial Fund (the Fund), a sub-fund of SICO Funds Company II 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

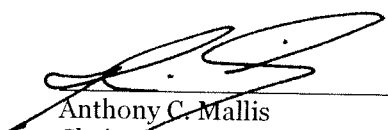
Manama, Kingdom of Bahrain

SICO ARAB FINANCIAL FUND
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Condensed interim statement of financial position
(Expressed in Bahraini Dinars unless otherwise stated)

	Note	30 June 2011 (Reviewed)	31 December 2010 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents	5	182,679	331,421
Financial assets at fair value through profit or loss	6	3,252,268	3,347,187
Prepayments and other receivables		844	25
Total assets		<u>3,435,791</u>	<u>3,678,633</u>
LIABILITIES			
Current liabilities			
Payables and accrued expenses		<u>17,096</u>	<u>137,784</u>
Liabilities (excluding net assets attributable to holders of redeemable units)		<u>17,096</u>	<u>137,784</u>
Net assets attributable to holders of redeemable units	7	<u>3,418,695</u>	<u>3,540,849</u>
Total liabilities		<u>3,435,791</u>	<u>3,678,633</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 11 form an integral part of this condensed interim financial information.

SICO ARAB FINANCIAL FUND

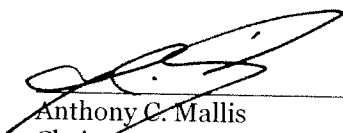
(A sub fund of SICO Funds Company II B.S.C (c))

Condensed interim statement of comprehensive income


(Expressed in Bahraini Dinars unless otherwise stated)

		Six month period ended	
	Note	30 June 2011	30 June 2010
		(Reviewed)	(Reviewed)
Income			
Net changes in fair value of financial assets at fair value through profit or loss		(212,647)	228,494
Dividend income		115,644	139,604
Interest income		1,026	416
Other income		811	12,800
		<u>(95,166)</u>	<u>381,314</u>
Expenses			
Management fee	8	(26,174)	(27,590)
Custody and administration fees	9	(6,219)	(11,790)
Other fees and commissions		(2,890)	(2,715)
General and administrative expenses		(2,393)	(2,364)
		<u>(37,676)</u>	<u>(44,459)</u>
Total operating expenses			
		<u>(37,676)</u>	<u>(44,459)</u>
(Decrease)/increase in net assets attributable to holders of redeemable units from operations		<u>(132,842)</u>	<u>336,855</u>

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Chairman
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SICO ARAB FINANCIAL FUND
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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)	Change in net assets attributable to holders of redeemable units	Total
At 1 January 2010	3,805,914	574,566	(684,079)	3,696,401
Redemption of units during the period being net decrease from unit transactions	(791,700)	(95,616)	-	(887,316)
Increase in net assets attributable to holders of redeemable units from operations	-	-	336,855	336,855
At 30 June 2010	<u>3,014,214</u>	<u>478,950</u>	<u>(347,224)</u>	<u>3,145,940</u>
At 1 January 2011	2,911,700	462,293	166,856	3,540,849
Subscription of units during the period	84,241	17,294	-	101,535
Redemption of units during the period	(73,979)	(16,868)	-	(90,847)
Net increase from unit transactions	<u>10,262</u>	<u>426</u>	<u>-</u>	<u>10,688</u>
Decrease in net assets attributable to holders of redeemable units from operations	-	-	(132,842)	(132,842)
At 30 June 2011	<u>2,921,962</u>	<u>462,719</u>	<u>34,014</u>	<u>3,418,695</u>

The notes on pages 7 to 11 form an integral part of this condensed interim financial information

SICO ARAB FINANCIAL FUND
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Condensed interim statement of cash flows
(Expressed in Bahraini Dinars unless otherwise stated)

	Note	Six month period ended 30 June 2011 (Reviewed)	30 June 2010 (Reviewed)
Operating activities			
Increase in net assets attributable to holders of redeemable units from operations		(132,842)	336,855
Adjustments for non-cash items:			
Unrealised fair value movements on financial assets at fair value through profit or loss		428,725	20,445
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		(333,806)	(23,996)
Prepayments and other receivables		(819)	1,305
Payables and accrued expenses		(120,688)	(2,528)
Net cash (used in)/provided by operating activities		<u>(159,430)</u>	<u>332,081</u>
Investing activities			
		-	-
Financing activities			
Subscriptions of units during the period		101,535	-
Redemption of units during the period		(90,847)	(887,316)
Net cash provided by/(used in) financing activities		<u>10,688</u>	<u>(887,316)</u>
Net decrease in cash and cash equivalents		(148,742)	(555,235)
Cash and cash equivalents at the beginning of the period		<u>331,421</u>	<u>920,103</u>
Cash and cash equivalents at the end of the period	5	<u><u>182,679</u></u>	<u><u>364,868</u></u>

The notes on pages 7 to 11 form an integral part of this condensed interim financial information.

SICO ARAB FINANCIAL FUND

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

Notes to the condensed interim 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 23 April 2007, SICO Funds Company II B.S.C. (c) (the Company) created the SICO Arab Financial Fund (SAFF or the Fund), an open-ended fund, which was launched with the principal objective of achieving long-term capital appreciation by investing in financial sector equity securities listed on the stock markets of Arab countries. From time to time, the Fund may also invest in equity related hybrid and debt securities listed on the stock markets of Arab countries. 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 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:

- 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 ARAB FINANCIAL FUND

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

Notes to the condensed interim 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 amendments to the published standards 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 ARAB FINANCIAL FUND

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

(Expressed in Bahraini Dinars unless otherwise stated)

5 Cash and cash equivalents

	30 June 2011 (Reviewed)	31 December 2010 (Audited)
Current account with custodian	182,679	331,421

6 Financial assets at fair value through profit or loss

The Fund held investments in the following countries:

	30 June 2011		31 December 2010	
	BHD	%	BHD	%
<u>Investments in equity securities:</u>				
- Saudi Arabia	1,260,897	38.77	812,613	24.28
- Qatar	830,117	25.524	1,080,429	32.28
- United Arab Emirates	534,052	16.421	321,348	9.60
- Kuwait	323,619	9.9505	327,354	9.78
- Oman	155,927	4.7944	304,965	9.11
- Bahrain	147,656	4.5401	203,118	6.07
- Egypt	-	-	297,360	8.88
Total financial assets designated at fair value through profit or loss	3,252,268	100.00	3,347,187	100.00

Financial assets at fair value through profit or loss as of 30 June 2011 represent 94.66% (31 December 2010: 90.99%) of the Fund's total assets.

The Fund held the following investment securities as at 30 June 2011:

Security	Qty	Cost	Market value	% of total assets
Abu Dhabi Islamic Bank	544,000	150,575	183,703	5.35
First Gulf Bank	116,368	202,216	212,605	6.19
National Bank of Abu Dhabi	122,000	129,760	137,744	4.01
Ahli United Bank	280,000	63,475	76,003	2.21
Arab Insurance Group Com	372,669	134,577	71,653	2.09
Kuwait Finance House	71,008	94,143	97,612	2.84
Kuwait Projects Co	143,450	83,439	71,976	2.09
National Bank of Kuwait	96,595	128,716	154,031	4.48
Bank Muscat SAOG	214,632	146,094	155,927	4.54
Commercial Bank of Qatar	12,950	96,571	96,664	2.81
Doha Bank	21,780	110,794	115,900	3.37
Masraf Al Rayan	42,317	92,524	101,815	2.96
Qatar Insurance	19,157	137,334	158,664	4.62
Qatar Islamic Bank	17,135	140,610	138,724	4.04
Qatar National Bank	14,958	176,790	218,350	6.36
Al Rajhi Bank	32,100	246,158	235,577	6.86
Alinma Bank	140,000	149,134	140,041	4.08
Arab National Bank	60,307	198,404	178,246	5.19
Banque Saudi Fransi	46,266	207,031	206,049	6.00
Riyad Bank	81,995	215,424	194,950	5.67
Samba Financial Group	40,450	215,793	203,326	5.92
Saudi British Bank	24,325	103,560	102,708	2.99
		3,223,122	3,252,268	94.66

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

(Expressed in Bahraini Dinars unless otherwise stated)

7 Net asset value per unitNominal value

The initial offer price of the Fund unit was USD 10 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:

	30 June 2011 (Review)	31 December 2010 (Audited)
Number of units subscribed	775,056	772,334
Nominal value of units subscribed (BD)	2,921,962	2,911,700
Nominal value per unit subscribed (BD)	3.77	3.770
Nominal value per unit subscribed (USD)	10.00	10.00
Net asset value of the Fund (BD) *	3,418,695	3,540,849
Net asset value per unit (BD)	4.41	4.584
Net asset value per unit (US Dollar)	11.70	12.16

* 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 II 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 unit holders of the Fund.

- (a) Trading securities for the Fund include the investments in equity securities of the following financial institutions which are also shareholders of SICO:

	30 June 2011		31 December 2010	
	Shares	BD	Shares	BD
National Bank of Bahrain B.S.C	-	-	83,800	51,956

- (b) Management fees, calculated at 1.5% per annum of the monthly net asset value of the Fund, is payable to SICO. The management fees for the period ended 30 June 2011 amounted to BHD 26,174 (2010: BHD 27,590).

At 30 June 2011 the amount of management fee payable to SICO was BHD 13,291 (31 December 2010: BHD 13,200).

SICO ARAB FINANCIAL FUND

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

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

Yearly NAV range	Annual administration fee percentage
\$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:

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