

**SICO Selected Securities Fund**

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

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

**SICO Selected Securities Fund**  
(A sub fund of SICO Funds Company VII 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

**SICO Selected Securities Fund**  
(A sub fund of SICO Funds Company VII 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
<b>Registered office</b>	2nd Floor, BMB Centre PO Box 1331 Diplomatic Area Kingdom of Bahrain
<b>Bankers</b>	Saudi British Bank 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>Registrars</b>	APEX Funds Service Company
<b>Auditors</b>	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 VII B.S.C. (c) WITH RESPECT TO  
**SICO Selected Securities Fund**

**Introduction**

We have reviewed the accompanying condensed interim statement of financial position of SICO Selected Securities Fund (the Fund), a sub-fund of SICO Funds Company VII 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".



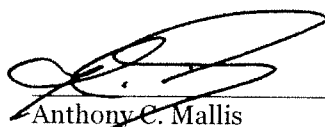
Manama, Kingdom of Bahrain  
29 August 2011

**SICO SELECTED SECURITIES FUND**  
(A sub fund of SICO Funds Company VII B.S.C. (c))

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

	<b>Note</b>	<b>30 June 2011 (Reviewed)</b>	<b>31 December 2010 (Audited)</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	118,617	100,053
Financial assets at fair value through profit or loss	6	2,591,596	2,682,840
Prepayments and other receivables		4,562	4,002
<b>Total assets</b>		<u>2,714,775</u>	<u>2,786,895</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables and accrued expenses		10,260	10,350
<b>Liabilities (excluding net assets attributable to holders of redeemable units)</b>		<u>10,260</u>	<u>10,350</u>
<b>Net assets attributable to holders of redeemable units</b>	7	<u>2,704,515</u>	<u>2,776,545</u>
<b>Total liabilities</b>		<u>2,714,775</u>	<u>2,786,895</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 VII B.S.C (c)

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


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

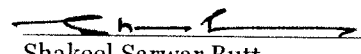
**SICO SELECTED SECURITIES FUND**  
(A sub fund of SICO Funds Company VII B.S.C. (c))

**Condensed interim statement of comprehensive income**  
(Expressed in Bahraini Dinars unless otherwise stated)

	<b>Note</b>	<b>Six month period ended</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		(165,508)	(64,655)
Dividend income		118,644	110,457
Interest income		10,650	9,181
Other income		465	250
		<u>(35,749)</u>	<u>55,233</u>
<b>Expenses</b>			
Management fee	8	(13,622 )	(13,975)
Custody and administration fees	9	(3,532 )	(6,539)
Fees and commission		(2,574 )	(2,242)
General and administrative expenses		<u>(2,234 )</u>	<u>(1,720)</u>
<b>Total operating expenses</b>		<u>(21,962 )</u>	<u>(24,476)</u>
<b>(Decrease)/increase in net assets attributable to holders of redeemable units from operations</b>		<u>(57,711)</u>	<u>30,757</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  
Vice Chairman  
SICO Funds Company VII B.S.C (c)

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

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

**SICO SELECTED SECURITIES FUND**  
(A sub fund of SICO Funds Company VII 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)	Change in net assets attributable to holders of redeemable units	Total
At 1 January 2010	1,595,903	(2,253,340)	3,334,492	2,677,055
Redemption of units during the period being net decrease from unit transactions	(514)	(422)	-	(936)
Increase in net assets attributable to holders of redeemable units from operations	-	-	30,757	30,757
<b>At 30 June 2010</b>	<b>1,595,389</b>	<b>(2,253,762)</b>	<b>3,365,249</b>	<b>2,706,876</b>
At 1 January 2011	1,576,265	(2,268,244)	3,468,524	2,776,545
Redemption of units during the period being net decrease from unit transactions	(8,138)	(6,181)	-	(14,319)
Decrease in net assets attributable to holders of redeemable units from operations	-	-	(57,711)	(57,711)
<b>At 30 June 2011</b>	<b>1,568,127</b>	<b>(2,274,425)</b>	<b>3,410,813</b>	<b>2,704,515</b>

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

**SICO SELECTED SECURITIES FUND**  
(A sub fund of SICO Funds Company VII 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</b>	<b>30 June</b>	<b>30 June</b>
		<b>2011</b>	<b>2010</b>	
		(Reviewed)	(Reviewed)	
<b>Operating activities</b>				
(Decrease)/increase in net assets attributable to holders of redeemable units from operations		(57,711)		30,757
Adjustments for non-cash items:				
Unrealised fair value movements on financial assets at fair value through profit or loss		(269,276)		-45,377
Changes in operating assets and liabilities:				
Financial assets at fair value through profit or loss		360,520		14,304
Prepayments and other receivables		(560)		(734)
Payables and accrued expenses		(90)		(354)
Net cash provided by/(used in) operating activities		<u>32,883</u>		<u>(1,404)</u>
<b>Investing activities</b>				
		-		-
<b>Financing activities</b>				
Redemption of units during the period being net cash used in financing activities		<u>(14,319)</u>		<u>(936)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>				
		18,564		(2,340)
Cash and cash equivalents at the beginning of the period		<u>100,053</u>		<u>124,486</u>
<b>Cash and cash equivalents at the end of the period</b>	5	<u>118,617</u>		<u>122,146</u>

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

## **SICO SELECTED SECURITIES FUND**

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

### **Notes to the 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 30 March 1998, SICO Funds Company B.S.C (c) (the Company) created SICO Selected Securities Fund (SSSF or the Fund), a close-ended fund, which was launched with the principal objective of achieving medium to long-term capital appreciation for holders of units by investing in equity and debt securities listed or expected to be listed on the Bahrain Stock Exchange. Pursuant to a decision by the shareholders of the Company in their extra-ordinary meeting held on 28 May 2001, the Company has changed the status of the Fund to an open-ended fund. After the change of the status, the units are available for issue and redemption at a price based on the prevailing net asset value per unit. The Fund has no employees. The Fund's units are listed on the Bahrain Bourse.

#### **2 Accounting policies**

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

The condensed interim financial information is prepared in accordance with International Accounting Standard 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 standard 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

## **SICO SELECTED SECURITIES FUND**

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

### **Notes to the 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 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)
- 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.

**SICO SELECTED SECURITIES FUND**  
(A sub fund of SICO Funds Company VII B.S.C. (c))

**Notes to the condensed financial information for the six month period ended 30 June 2011** (continued)  
(Expressed in Bahraini 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>30 June 2011</b> (Reviewed)	<b>31 December 2010</b> (Audited)
Current account with custodian	118,617	100,035

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

The Fund held investments in the following countries:

	<b>30 June 2011</b>		<b>31 December 2010</b>	
	<b>BHD</b>	<b>%</b>	<b>BHD</b>	<b>%</b>
<u>Investments in debt securities:</u>				
Oman	272,959	10.53	274,456	10.23
Bahrain	93,560	3.61	-	-
United States	-	-	95,080	3.54
<u>Investments in equity securities:</u>				
Bahrain	2,225,077	85.86	2,313,304	86.23
Total financial assets designated at fair value through profit or loss	2,591,596	100	2,682,840	100

Financial assets at fair value through profit or loss represent 95.46% (2010: 96.27%) of the Fund's total assets.

**SICO SELECTED SECURITIES FUND**  
(A sub fund of SICO Funds Company VII B.S.C. (c))

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

<b>Security</b>	<b>Qty</b>	<b>Cost</b>	<b>Market value</b>	<b>% of total assets</b>
<b>Banking sector</b>				
Ahli United Bank	1,123,502	433,427	304,963	11.23
Albaraka Banking Group	311,667	217,371	136,298.	5.02
Arab Insurance Group	445,000	149,342	85,560	3.15
BBK	339,681	207,966	141,987	5.23
Bahrain Commercial Facilities	4,419,900	311,030	185,636	6.84
Investcorp Bank	32	31,716	13,735	0.51
National Bank of Bahrain	353,646	236,410	205,115	7.56
Seef Properties	914,532	149,942	81,393	3.00
Sico Money Market fund	50,362	192,383	192,921	7.11
Bank Muscat 7%	248,917	228,475	272,959	10.05
Bahrain Mumtalakat Holding 5%	250,000	93,757.07	93,559	3.45
<b>Telecommunications</b>				
Bahrain Telecom	693,825	522,603	310,834	11.45
<b>Consumer Services</b>				
Bahrain Duty Free Complex	152,100	75,365	103,428	3.81
Bahrain Maritime and Merc Intl	321,833	195,855	183,445	6.76
<b>Basic Materials</b>				
Aluminium Bahrain	175,000	157,500	157,500	5.80
<b>Industrials</b>				
Nass Corporation	764,144	201,007	122,263	4.50
<b>Total</b>		<b>3,404,149</b>	<b>2,591,596</b>	<b>95.46</b>

**SICO SELECTED SECURITIES FUND**  
(A sub fund of SICO Funds Company VII B.S.C. (c))

**Notes to the condensed financial information for the six month period ended 30 June 2011** (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 BHD 0.100 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>
Number of units subscribed	15,681,279	15,762,650
Nominal value of units subscribed (BD)	1,568,127	1,576,265
Nominal value per unit subscribed (BD)	0.100	0.100
Nominal value per unit subscribed (fils)	100	100
<b>Net asset value of the Fund (BD) *</b>	<b>2,704,515</b>	<b>2,776,545</b>
Net asset value per unit (BD)	0.172	0.176
Net asset value per unit (fils)	172	176

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

**8 Related party transactions**

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 VII B.S.C. (c), which is a wholly owned subsidiary of Securities & Investment Company VII 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.

(a) Unitholders of the Fund include SICO and its shareholders who have subscribed as follows to the units of the Fund:

	<b>30 June 2011</b>		<b>31 December 2010</b>	
	<b>Units</b>	<b>BD</b>	<b>Units</b>	<b>BD</b>
Shareholders in SICO:				
Pension Fund Commission – Military	5,429,914	933,945	5,429,914	542,991
Pension Fund Commission – Civil	5,429,914	933,945	5,429,914	542,991
	10,859,828	1,867,890	10,859,828	1,085,982
SICO	915,697	157,500	2,500,000	250,000
	11,775,525	2,025,390	13,359,828	1,335,982

**SICO SELECTED SECURITIES FUND**  
(A sub fund of SICO Funds Company VII B.S.C. (c))

**SICO SELECTED SECURITIES FUND**

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

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

(Expressed in Bahraini Dinars unless otherwise stated)

**8 Related party transactions** (continued)

- (b) Trading securities of the Fund includes the following investment in equity securities of the following financial institutions, which are also shareholders of SICO:

	<b>30 June 2011</b>		<b>31 December 2010</b>	
	<b>Shares</b>	<b>BD</b>	<b>Shares</b>	<b>BD</b>
Ahli United Bank BSC	1,501,422	350,942	1,123,502	300,728
Bank of Bahrain and Kuwait BSC	339,681	135,193	-	-
National Bank of Bahrain BSC	321,496	192,898	321,496	199,328
Arab Banking Corporation BSC	181,889	38,400	181,889	34,972
		<u>717,433</u>		<u>535,028</u>

- (c) Management fees, calculated at 1.5% per annum of the weekly net asset value of the Fund, is payable to SICO. The management fees for the period ended 30 June 2011 amounted to BHD 13,622 (2010: BHD 13,975).

At 30 June 2011 the amount of management fee payable to SICO was BHD 6,830 (31 December 2010: BHD 6,753).

- (d) Performance fees, calculated at 20% over and above the hurdle total rate of return of 10% for each class of units for each financial year, is payable to SICO. No performance fee was paid to SICO for the year ended 31 December 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