

**Al Rajhi Commodities Mudaraba Fund –  
Saudi Riyal  
(Managed by Al Rajhi Capital)**

UNAUDITED INTERIM FINANCIAL STATEMENTS

30 JUNE 2009

## LIMITED REVIEW REPORT TO THE UNITHOLDERS OF AL RAJHI COMMODITIES MUDARABA FUND - SAUDI RIYAL

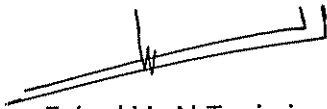
### Scope of review

We have reviewed the accompanying balance sheet of Al Rajhi Commodities Mudaraba Fund - Saudi Riyal (the Fund) as of 30 June 2009, and the related statements of operations, cash flows and changes in net assets for the six month period then ended. These interim financial statements are the responsibility of the Fund's management and have been prepared by them and submitted to us together with the information and explanations which we required. We conducted our limited review in accordance with the Saudi Organization for Certified Public Accountants auditing standard on interim financial reporting. A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

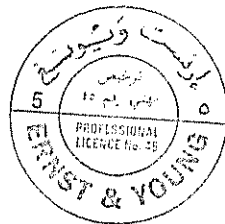
### Conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young



Fahad M. Al-Toaimi  
Certified Public Accountant  
Registration No. 354



Riyadh: 27 Rajab 1430H  
(20 July 2009)

Al Rajhi Commodities Mudaraba Fund – Saudi Riyal

BALANCE SHEET

|                         | <i>Note</i> | <b>30 June<br/>2009<br/>(Unaudited)<br/>SR</b> | <b>31 December<br/>2008<br/>(Audited)<br/>SR</b> | <b>30 June<br/>2008<br/>(Unaudited)<br/>SR</b> |
|-------------------------|-------------|--|--|--|
| <b>ASSETS</b>           |             |  |  |  |
| Bank balance            |             | <b>10,140,890</b>                              | 119,221,581                                      | 4,150,638                                      |
| Trading investments     | 5           | -  | -  | 201,895,645                                    |
| Money market placements | 6           | <b>3,902,935,727</b>                           | 2,174,913,344                                    | 2,584,761,031                                  |
| Accrued income          |             | <b>17,286,329</b>                              | 15,618,982                                       | 34,601,790                                     |
|                         |             | <u><b>3,930,362,946</b></u>                    | <u>2,309,753,907</u>                             | <u>2,825,409,104</u>                           |
| <b>LIABILITY</b>        |             |  |  |  |
| Accrued expenses        |             | <u><b>2,090,606</b></u>                        | 1,896,064  | 4,164,685                                      |
| <b>NET ASSETS</b>       |             | <u><b>3,928,272,340</b></u>                    | <u>2,307,857,843</u>                             | <u>2,821,244,419</u>                           |
| Units in issue          |             | <u><b>29,302,041</b></u>                       | <u>17,383,043</u>                                | <u>21,561,093</u>                              |
| Per unit value          |             | <u><b>SR 134.06</b></u>                        | <u>SR 132.76</u>                                 | <u>SR 130.85</u>                               |

The accompanying notes 1 to 9 form part of these interim financial statements.

# Al Rajhi Commodities Mudaraba Fund – Saudi Riyal

## STATEMENT OF OPERATIONS

For the six month period ended 30 June 2009

|                                   | <i>Note</i> | <b>2009<br/>(Unaudited)<br/>SR</b> | <b>2008<br/>(Unaudited)<br/>SR</b> |
|-----------------------------------|-------------|------------------------------------|------------------------------------|
| <b>INVESTMENT INCOME</b>          |             |                                    |                                    |
| Special commission income         |             | <b>33,584,558</b>                  | 44,715,822                         |
| Trading income                    | 7           | -                                  | 2,046,900                          |
|                                   |             | <u><b>33,584,558</b></u>           | <u>46,762,722</u>                  |
| <b>EXPENSES</b>                   |             |                                    |                                    |
| Management fees                   | 4           | <b>(4,028,899)</b>                 | (5,365,570)                        |
| Others                            |             | <b>(19,458)</b>                    | (16,069)                           |
|                                   |             | <u><b>(4,048,357)</b></u>          | <u>(5,381,639)</u>                 |
| <b>NET INCOME FROM OPERATIONS</b> |             | <u><b>29,536,201</b></u>           | <u>41,381,083</u>                  |

The accompanying notes 1 to 9 form part of these interim financial statements.

# Al Rajhi Commodities Mudaraba Fund – Saudi Riyal

## STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2009

|   | <i>Note</i> | 2009<br>(Unaudited)<br>SR   | 2008<br>(Unaudited)<br>SR |
|---|-------------|-----------------------------|---------------------------|
| <b>OPERATING ACTIVITIES</b>   |             |                             |                           |
| Net income from operations  |             | 29,536,201                  | 41,381,083                |
| Adjustments for:  |             |                             |                           |
| Movement in unrealized gain on trading investments                  |             | -                           | (746,773)                 |
|   |             | <u>29,536,201</u>           | <u>40,634,310</u>         |
| Changes in operating assets and liabilities                         |             |                             |                           |
| Trading investment  |             | -                           | (181,118,341)             |
| Money market placement  |             | 849,930,930                 | (699,919,331)             |
| Accrued income  |             | (1,667,347)                 | (1,540,137)               |
| Accrued expenses  |             | 194,542                     | 180,499                   |
|   |             | <u>877,994,326</u>          | <u>(841,763,000)</u>      |
| <b>FINANCING ACTIVITIES</b>   |             |                             |                           |
| Proceeds from units sold  |             | 2,836,359,689               | 2,543,508,170             |
| Value of units redeemed   |             | (1,245,481,393)             | (1,929,121,074)           |
|   |             | <u>1,590,878,296</u>        | <u>614,387,096</u>        |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>             |             | <u>2,468,872,622</u>        | <u>(227,375,904)</u>      |
| Cash and cash equivalents at the beginning of the period            |             | <u>599,214,786</u>          | <u>716,519,477</u>        |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>           | 8           | <u><u>3,068,087,408</u></u> | <u><u>489,143,573</u></u> |
| <b><u>Operational cash flows from special commission income</u></b> |             |                             |                           |
| Special commission income received                                  |             | <u><u>31,917,211</u></u>    | <u><u>43,175,685</u></u>  |

The accompanying notes 1 to 9 form part of these interim financial statements

# Al Rajhi Commodities Mudaraba Fund – Saudi Riyal

## STATEMENT OF CHANGES IN NET ASSETS

For the six month period ended 30 June 2009

|  | 2009<br>(Unaudited)<br>SR   | 2008<br>(Unaudited)<br>SR   |
|--|-----------------------------|-----------------------------|
| <b>NET ASSETS AT THE BEGINNING OF THE PERIOD</b> | <u>2,307,857,843</u>        | <u>2,165,476,240</u>        |
| <b>NET INCOME FROM OPERATIONS</b>                |                             |                             |
| Net income from operations                       | <u>29,536,201</u>           | <u>41,381,083</u>           |
| <b>CHANGES FROM UNIT TRANSACTIONS</b>            |                             |                             |
| Proceeds from units sold                         | 2,836,359,689               | 2,543,508,170               |
| Value of units redeemed                          | <u>(1,245,481,393)</u>      | <u>(1,929,121,074)</u>      |
| Net change from unit transactions                | <u>1,590,878,296</u>        | <u>614,387,096</u>          |
| <b>NET ASSETS AT THE END OF THE PERIOD</b>       | <u><u>3,928,272,340</u></u> | <u><u>2,821,244,419</u></u> |

### UNIT TRANSACTIONS

Transactions in units for the period ended 30 June are summarized as follows:

|   | 2009<br>(Unaudited)<br>Units | 2008<br>(Unaudited)<br>Units |
|---|------------------------------|------------------------------|
| <b>UNITS AT THE BEGINNING OF THE PERIOD</b> | <u>17,383,043</u>            | <u>16,811,604</u>            |
| Units sold                                  | 21,241,850                   | 19,583,298                   |
| Units redeemed                              | <u>(9,322,852)</u>           | <u>(14,833,809)</u>          |
| Net increase in units                       | <u>11,918,998</u>            | <u>4,749,489</u>             |
| <b>UNITS AT THE END OF THE PERIOD</b>       | <u><u>29,302,041</u></u>     | <u><u>21,561,093</u></u>     |

The accompanying notes 1 to 9 form part of these interim financial statements.

**1 GENERAL**

Al Rajhi Commodities Mudaraba Fund - Saudi Riyal (the Fund) is an open ended fund created by an agreement between Al Rajhi Banking and Investment Corporation (the Bank) and investors (the Unitholders) in the Fund, and is designed for investors seeking current income consistent with the preservation of capital and liquidity. The assets of the Fund are invested in Mudaraba funds and in Mudaraba transactions executed in accordance with Sharia principles. Mudaraba comprises purchases of goods and commodities from approved suppliers against immediate payment and selling them to reputed organisations on deferred payment terms, thereby generating a profit. All the trading profits are reinvested in the Fund. The Fund was established on 28 June 1999.

In accordance with the Capital Market Authority's (CMA) decision No. 1-83-2005 dated 21 Jumada Awal 1426H corresponding to 28 June 2005 issued by the CMA Board in connection with the regulations relating to "Authorised Persons", the Bank transferred its asset management operations to Al Rajhi Capital (the Fund Manager) a wholly owned subsidiary of the Bank, with effect from 1 January 2008. Accordingly, the Fund is managed by the Fund Manager from 1 January 2008. The Fund Manager was previously known as Al Rajhi Financial Services Company. As of 23 March 2009, the name was changed to Al Rajhi Capital pursuant to an approval from relevant authority.

The books and records of the Fund are maintained in Saudi Riyals (SR).

The interim results may not be indicator of the annual results of the operations.

**2 REGULATING AUTHORITY**

The fund is governed by the Investment Fund Regulations (the regulations) published by CMA on 22 Dhul Hijja 1427H (corresponding to 12 January 2007) detailing requirements for all funds within the Kingdom of Saudi Arabia.

**3 SIGNIFICANT ACCOUNTING POLICIES**

These interim financial statements have been prepared in accordance with the standard of accounting for interim financial reporting issued by the Saudi Organization of Certified Public Accountants (SOCPA).

The significant accounting policies used in the preparation of these interim financial statements are consistent with those used and disclosed in the annual financial statements for the year ended 31 December 2008.

The significant accounting policies adopted are as follows:

***Accounting convention***

The interim financial statements are prepared under the historical cost convention modified to include the measurement at fair value of trading investments.

***Revenue recognition***

Special commission income from Mudaraba investment is recognized on an effective yield basis.

Trading income includes all unrealized gains and losses from changes in fair value. Realised gains and losses on trading investments sold are determined on the weighted average cost basis.

***Investment valuation***

Money market placements are carried at cost.

Investments which are purchased for trading purposes are valued at their market price. Unrealised gains and losses on the revaluation of trading investments and realised gains and losses on the disposal of trading investments are recognised in the statement of operations.

***Investment transactions***

Investments transactions are accounted for as of the trade date.

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)*****Zakat and income tax***

Zakat and income tax are the obligations of the Unitholders and are not provided for in the accompanying interim financial statements.

***Cash and cash equivalents***

For the purposes of statement of cash flows, cash and cash equivalents consist of bank balances and Mudaraba investments with an original maturity of three months or less.

**4 TRANSACTIONS WITH RELATED PARTIES**

The Fund pays to the Fund Manager a management fee calculated at an annual rate of 12% per annum of the Fund's gross income at each valuation date. The fee is intended to compensate the Fund Manager for administration of the Fund. The management fees reflected in the statement of operations represent the fees charged by the Fund Manager during the period.

In addition, the Fund Manager has the right to collectively charge the Fund at any time with any charges relating to the Fund.

In the normal course of business, the Fund places Mudaraba investments with the Bank at prevailing market rates. Mudaraba investments involve typically the purchase of a commodity by the Fund for the purpose of its re-sale. The re-sale and the related mark up over cost is agreed with the counter party at the inception of the Mudaraba transaction.

At the period end, Mudaraba investments placed with the Bank amounted to SR 725 million (30 June 2008: SR 1,300 million).

The Bank acts as the Fund's banker.

The Unitholders account at 30 June 2009 included 21,537.72 units (30 June 2008: Nil) held by the employees of the Fund Manager

**5 TRADING INVESTMENTS**

Trading investments comprised the investments in Al Rajhi Commodities Mudaraba Fund - United States Dollar.

**6 MONEY MARKET PLACEMENTS**

|                                       | <b>30 June<br/>2009<br/>(Unaudited)<br/>SR</b> | <b>31 December<br/>2008<br/>(Audited)<br/>SR</b> | <b>30 June<br/>2008<br/>(Unaudited)<br/>SR</b> |
|---------------------------------------|--|--|--|
| Mudaraba investments with the Bank    | 724,987,428                                    | 1,299,931,991                                    | 2,584,761,031                                  |
| Mudaraba investments with other banks | 3,177,948,299                                  | 874,981,353                                      | -  |
|                                       | <u>3,902,935,727</u>                           | <u>2,174,913,344</u>                             | <u>2,584,761,031</u>                           |

30 June 2009

**7 TRADING INCOME, NET**

|                              | <b>30 June<br/>2009<br/>(Unaudited)<br/>SR</b> | <b>30 June<br/>2008<br/>(Unaudited)<br/>SR</b> |
|------------------------------|--|--|
| Realised gains               | -  | 1,300,127                                      |
| Movement in unrealised gains | -  | 746,773  |
|                              | <u>-</u>                                       | <u>2,046,900</u>                               |

**8 CASH AND CASH EQUIVALENTS**

|   | <b>30 June<br/>2009<br/>(Unaudited)<br/>SR</b> | <b>31 December<br/>2008<br/>(Audited)<br/>SR</b> | <b>30 June<br/>2008<br/>(Unaudited)<br/>SR</b> |
|---|--|--|--|
| Bank balances   | <b>10,140,890</b>                              | 119,221,581                                      | 4,150,638                                      |
| Mudaraba investment with an original maturity of three months or less | <b>3,057,946,518</b>                           | 479,993,205                                      | 484,992,935                                    |
|   | <u><b>3,068,087,408</b></u>                    | <u>599,214,786</u>                               | <u>489,143,573</u>                             |

**9 LAST VALUATION DAY**

The last valuation day of the period was 30 June 2009 (2008: 30 June 2008).