

**Al Rajhi Local Share Fund**  
**(Managed by Al Rajhi Capital)**

UNAUDITED INTERIM FINANCIAL STATEMENTS

30 JUNE 2009

## LIMITED REVIEW REPORT TO THE UNITHOLDERS OF AL RAJHI LOCAL SHARE FUND

### Scope of review

We have reviewed the accompanying balance sheet of Al Rajhi Local Share Fund (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 Local Share Fund

## BALANCE SHEET

	<i>Note</i>	<b>30 June 2009 (Unaudited) SR</b>	<b>31 December 2008 (Audited) SR</b>	<b>30 June 2008 (Unaudited) SR</b>
<b>ASSETS</b>				
Bank balance		<b>14,512,608</b>	23,862,722	5,376,624
Trading investments	4	<b>459,658,550</b>	427,830,218	825,973,346
Dividend receivable		<b>5,640,582</b>	9,241,626	14,605,507
Other assets		-	-	8,913,554
		<b>479,811,740</b>	460,934,566	854,869,031
<b>LIABILITY</b>				
Accrued expenses		<b>35,729</b>	30,000	14,000
<b>NET ASSETS</b>		<b>479,776,011</b>	460,904,566	854,855,031
Units in issue		<b>2,158,162</b>	2,221,472	2,329,397
Per unit value		<b>SR 222.31</b>	SR 207.48	SR 366.98

The accompanying notes 1 to 7 form part of these interim financial statements.

# Al Rajhi Local Share Fund

## STATEMENT OF OPERATIONS

For the six month period ended 30 June 2009

	<i>Note</i>	<b>30 June 2009 (Unaudited) SR</b>	<b>30 June 2008 (Unaudited) SR</b>
<b>INVESTMENT INCOME (LOSS)</b>			
Trading income (loss), net	5	<u>37,919,701</u>	<u>(3,555,836)</u>
<b>EXPENSES</b>			
Management fees	6	<u>(4,102,230)</u>	<u>(8,081,157)</u>
Others		<u>(1,042,274)</u>	<u>(1,131,845)</u>
		<u>(5,144,504)</u>	<u>(9,213,002)</u>
<b>NET INCOME (LOSS) FROM OPERATIONS</b>		<u><u>32,775,197</u></u>	<u><u>(12,768,838)</u></u>

The accompanying notes 1 to 7 form part of these interim financial statements.

# Al Rajhi Local Share Fund

## STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2009

	2009 (Unaudited) SR	2008 (Unaudited) SR
<b>OPERATING ACTIVITIES</b>		
Net income (loss) from operations	32,775,197	(12,768,838)
Adjustment for:		
Movement in unrealized (gain) loss on trading investments	(229,008,818)	58,313,122
	<u>(196,233,621)</u>	<u>45,544,284</u>
Changes in operating assets and liabilities:		
Trading investments	197,180,486	28,498,870
Dividend receivable	3,601,044	(12,827,187)
Other assets	-	(7,000,000)
Accrued expenses	5,729	(1,000)
	<u>4,553,638</u>	<u>54,214,967</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from units sold	27,275,440	61,914,870
Value of units redeemed	(41,179,192)	(200,752,956)
	<u>(13,903,752)</u>	<u>(138,838,086)</u>
<b>DECREASE IN BANK BALANCE</b>	<b>(9,350,114)</b>	<b>(84,623,119)</b>
Bank balances at the beginning of the period	<u>23,862,722</u>	<u>89,999,743</u>
<b>BANK BALANCE AT THE END OF THE PERIOD</b>	<b><u>14,512,608</u></b>	<b><u>5,376,624</u></b>
<b><u>Operational cash flows from dividends</u></b>		
Dividends received	<u>11,884,523</u>	<u>998,429</u>

The accompanying notes 1 to 7 form part of these interim financial statements.

# Al Rajhi Local Share Fund

## STATEMENT OF CHANGES IN NET ASSETS

For the six month period ended 30 June 2009

	2009 <i>(Unaudited)</i> SR	2008 <i>(Unaudited)</i> SR
<b>NET ASSET VALUE AT THE BEGINNING OF THE PERIOD</b>	<u>460,904,566</u>	<u>1,006,461,955</u>
<b>CHANGES FROM OPERATIONS</b>		
Net income (loss) from operations	<u>32,775,197</u>	<u>(12,768,838)</u>
<b>CHANGES FROM UNIT TRANSACTIONS</b>		
Proceeds from units sold	27,275,440	61,914,870
Value of units redeemed	<u>(41,179,192)</u>	<u>(200,752,956)</u>
Net change from unit transactions	<u>(13,903,752)</u>	<u>(138,838,086)</u>
<b>NET ASSET VALUE AT THE END OF THE PERIOD</b>	<u><u>479,776,011</u></u>	<u><u>854,855,031</u></u>

### UNIT TRANSACTIONS

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

	2009 <i>(Unaudited)</i> Units	2008 <i>(Unaudited)</i> Units
<b>UNITS AT THE BEGINNING OF THE PERIOD</b>	<u>2,221,472</u>	<u>2,713,746</u>
Units sold	130,788	170,088
Units redeemed	<u>(194,098)</u>	<u>(554,437)</u>
Net decrease in units	<u>(63,310)</u>	<u>(384,349)</u>
<b>UNITS AT THE END OF THE PERIOD</b>	<u><u>2,158,162</u></u>	<u><u>2,329,397</u></u>

The accompanying notes 1 to 7 form part of these interim financial statements.

**1 GENERAL**

Al Rajhi Local Shares Fund (the Fund) is an open ended fund created by agreement between Al Rajhi Banking and Investment Corporation (the Bank) and investors (the Unitholders) in the Fund, and is designed for investors seeking capital appreciation. The assets of the Fund are invested in diversified local equity transactions and in mutual funds in accordance with Sharia principles. All the trading profits are reinvested in the fund. The Fund was established on 10 June 1998.

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 Riyal (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***

Dividend income is recognized when declared (i.e. when the Fund's right to receive the dividend is established).

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

***Investment valuation***

Investments which are purchased for trading purposes are valued at their market price as at the balance sheet date. 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.

***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.

# Al Rajhi Local Share Fund

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

30 June 2009

### 4 TRADING INVESTMENTS

The composition of the trading investment portfolio on the last valuation day of the period is summarised below:

<i>Description</i>	<i>Cost SR</i>	<i>Market value SR</i>
<i>30 June 2009 (Unaudited)</i>		
Equity investments in Kingdom of Saudi Arabia	553,063,568	418,962,759
Mutual funds – Al Rajhi Commodities Mudaraba Fund – SR	40,405,186	40,695,791
<b>Total</b>	<b>593,468,754</b>	<b>459,658,550</b>
<i>31 December 2008 (Audited)</i>		
Equity investments in Kingdom of Saudi Arabia	741,818,407	378,434,380
Mutual funds – Al Rajhi Commodities Mudaraba Fund – SR	48,830,833	49,395,838
<b>Total</b>	<b>790,649,240</b>	<b>427,830,218</b>
<i>30 June 2008 (Unaudited)</i>		
Equity investments in Kingdom of Saudi Arabia	826,782,076	801,511,875
Mutual funds – Al Rajhi Commodities Mudaraba Fund – SR	23,405,671	23,566,908
Mutual funds – Al Rajhi Commodities Mudaraba Fund – EURO	897,962	894,563
<b>Total</b>	<b>851,085,709</b>	<b>825,973,346</b>

### 5 TRADING INCOME (LOSS), NET

	<i>30 June 2009 (Unaudited) SR</i>	<i>30 June 2008 (Unaudited) SR</i>
Dividend income	8,283,479	13,825,616
Realised (losses) gains	(199,372,596)	40,931,670
Movement in unrealised gains (losses)	229,008,818	(58,313,122)
	<b>37,919,701</b>	<b>(3,555,836)</b>

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**6 TRANSACTIONS WITH RELATED PARTIES**

Subscription fees of 1% were paid directly by the subscribers to the Fund Manager upon subscription. In addition, the Fund Manager has the right to collectively charge the Fund at any time with any charges relating to the Fund.

The Fund pays to the Fund Manager a management fee calculated at an annual rate of 1.75% per annum calculated on the total assets 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.

Trade transactions on the Saudi Stock exchange are executed through the Fund Manager. The Fund Manager also acts as the Custodian of the Fund's investments.

The Bank acts as the Fund's banker.

The Unitholders account at 30 June 2009 included 13.70 units (2008: Nil) held by the employees of the Fund Manager.

**7 LAST VALUATION DAY**

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