

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

FINANCIAL STATEMENTS

31 DECEMBER 2009

AUDITORS' REPORT TO THE UNITHOLDERS OF AI RAJHI COMMODITIES MUDARABA FUND - SAUDI RIYAL

Scope of audit

We have audited the accompanying balance sheet of Al Rajhi Commodities Mudaraba Fund - Saudi Riyal (the Fund) as at 31 December 2009 and the related statements of operations, cash flows and changes in net assets for the year then ended. These financial statements are the responsibility of the fund's management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified opinion

In our opinion, the financial statements taken as a whole, present fairly, in all material respects, the financial position of the Fund as at 31 December 2009 and the results of its operations, cash flows and changes in its net assets for the year then ended in accordance 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 12 Rabi' II 1431H
(28 March 2010)

Al Rajhi Commodities Mudaraba Fund – Saudi Riyal

BALANCE SHEET

As at 31 December 2009

	Note	2009 SR	2008 SR
ASSETS			
Bank balance		3,067,568	119,221,581
Money market placements	4	3,619,858,862	2,174,913,344
Accrued income		9,603,224	15,618,982
		<u>3,632,529,654</u>	<u>2,309,753,907</u>
LIABILITY			
Accrued expenses		1,171,175	1,896,064
		<u>1,171,175</u>	<u>1,896,064</u>
UNITHOLDERS' FUND			
Net assets		<u>3,631,358,479</u>	<u>2,307,857,843</u>
Units in issue		<u>26,923,575</u>	<u>17,383,043</u>
Per unit value		<u>SR 134.88</u>	<u>SR 132.76</u>

The accompanying notes 1 to 11 form part of these financial statements.

Al Rajhi Commodities Mudaraba Fund – Saudi Riyal

STATEMENT OF OPERATIONS

Year ended 31 December 2009

	<i>Note</i>	2009 SR	2008 SR
INVESTMENT INCOME			
Special commission income		60,833,449	86,515,214
Trading income, net	5	-	2,143,787
		<u>60,833,449</u>	<u>88,659,001</u>
EXPENSES			
Management fees	6	(7,294,983)	(10,376,592)
Others		(168,542)	(33,384)
		<u>(7,463,525)</u>	<u>(10,409,976)</u>
NET INCOME FROM OPERATIONS		<u><u>53,369,924</u></u>	<u><u>78,249,025</u></u>

The accompanying notes 1 to 11 form part of these financial statements.

Al Rajhi Commodities Mudaraba Fund – Saudi Riyal

STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	<i>Note</i>	2009 SR	2008 SR
OPERATING ACTIVITIES			
Net income from operations		53,369,924	78,249,025
Adjustment for:			
Movement in unrealized loss on trading investment		-	30,527
Changes in operating assets and liabilities:			
Trading investments		-	20,000,004
Money market (placements) maturities		(694,980,323)	404,867,073
Accrued income		6,015,758	17,442,671
Accrued expenses		(724,889)	(2,088,122)
Net cash (used in) from operating activities		<u>(636,319,530)</u>	<u>518,501,178</u>
FINANCING ACTIVITIES			
Proceeds from units sold		4,905,520,318	4,083,784,073
Value of units redeemed		(3,635,389,606)	(4,019,651,495)
Net cash from financing activities		<u>1,270,130,712</u>	<u>64,132,578</u>
INCREASE IN CASH AND CASH EQUIVALENTS		633,811,182	582,633,756
Cash and cash equivalents at the beginning of the year		<u>599,214,786</u>	<u>16,581,030</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	<u>1,233,025,968</u>	<u>599,214,786</u>
<u>Operational cash flows from special commission income</u>			
Special commission income received		<u>66,849,207</u>	<u>103,957,885</u>

The accompanying notes 1 to 11 form part of these financial statements.

Al Rajhi Commodities Mudaraba Fund – Saudi Riyal

STATEMENT OF CHANGES IN NET ASSETS

Year ended 31 December 2009

	2009 SR	2008 SR
NET ASSET VALUE AT THE BEGINNING OF THE YEAR	<u>2,307,857,843</u>	<u>2,165,476,240</u>
CHANGES FROM OPERATIONS		
Net income from operations	<u>53,369,924</u>	<u>78,249,025</u>
CHANGES FROM UNIT TRANSACTIONS		
Proceeds from units sold	4,905,520,318	4,083,784,073
Value of units redeemed	<u>(3,635,389,606)</u>	<u>(4,019,651,495)</u>
Net change from unit transactions	<u>1,270,130,712</u>	<u>64,132,578</u>
NET ASSET VALUE AT THE END OF THE YEAR	<u><u>3,631,358,479</u></u>	<u><u>2,307,857,843</u></u>

UNIT TRANSACTIONS

Transactions in units for the year ended 31 December are summarised as follows:

	2009 Units	2008 Units
UNITS AT THE BEGINNING OF THE YEAR	<u>17,383,043</u>	<u>16,811,604</u>
Units sold	36,632,072	31,285,986
Units redeemed	<u>(27,091,540)</u>	<u>(30,714,547)</u>
Net increase in units	<u>9,540,532</u>	<u>571,439</u>
UNITS AT THE END OF THE YEAR	<u><u>26,923,575</u></u>	<u><u>17,383,043</u></u>

The accompanying notes 1 to 11 form part of these 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 Capital (the Fund Manager), a wholly owned subsidiary of the Al Rajhi Banking and Investment Corporation (the Bank), and investors (the Unitholders) in the Fund. 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 Fund 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.

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

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

The financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

The 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.

Zakat and income tax

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

Cash and cash equivalents

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

4 MONEY MARKET PLACEMENTS

	<i>2009</i> <i>SR</i>	<i>2008</i> <i>SR</i>
Mudaraba investments with the Bank	219,994,450	1,299,931,991
Mudaraba investments with other banks within GCC	3,399,864,412	874,981,353
	<u>3,619,858,862</u>	<u>2,174,913,344</u>

Counter-parties as at the year end have investment grade credit rating.

5 TRADING INCOME, NET

	<i>2009</i> <i>SR</i>	<i>2008</i> <i>SR</i>
Realised gains	-	2,174,314
Movement in unrealised losses	-	(30,527)
	<u>-</u>	<u>2,143,787</u>

6 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 special commission income. 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 year end, Mudaraba investments placed with the Bank amounted to SR 220 million (31 December 2008: SR 1,300 million).

The Bank acts as the Fund's banker.

The Unitholders account at 31 December 2009 included 21,537.72 units (2008: 21,537.72) held by the employees of the Fund Manager.

7 CASH AND CASH EQUIVALENTS

	<i>2009</i> <i>SR</i>	<i>2008</i> <i>SR</i>
Bank balance	3,067,568	119,221,581
Mudaraba investments with an original maturity of three months or less	1,229,958,400	479,993,205
	<u>1,233,025,968</u>	<u>599,214,786</u>

8 RISK MANAGEMENT

Special commission rate risk

Special commission rate risk arises from the possibility that changes in market commission rates will affect future profitability or the fair value of the financial instruments.

The Fund is exposed to commission rate risk as its money market placements are special commission bearing. All of the Fund's placements are in fixed special commission bearing instruments as at the year end. The Fund is exposed to special commission rate risk upon maturity of placements.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Fund is exposed to credit risk for its money market placements and accrued income. The Fund Manager seeks to limit its credit risk by monitoring credit. The Fund does not have a formal internal grading mechanism. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties. Credit risks are generally managed on the basis of external credit grading of the counterparty.

The table below shows the maximum exposure to credit risk for the components of the balance sheet.

	2009 SR	2008 SR
Bank balances due from the Bank	3,067,568	119,221,581
Money market placements	3,619,858,862	2,174,913,344
Accrued income	9,603,224	15,618,982
Total exposure to credit risk	3,632,529,654	2,309,753,907

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet commitments associated with financial liabilities.

The Fund's terms and conditions provide for the subscriptions and redemptions of units throughout the week and it is, therefore, exposed to the liquidity risk of meeting unitholder redemptions. The Fund's securities are considered to be readily realisable as they are investments in short term money market placements. The Fund Manager monitors the liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet any commitments as they arise.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates.

The Fund views the Saudi Riyal as its functional currency. As the Fund's financial assets and liabilities are denominated in its functional currency, the Fund is not subject to currency risk.

9 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. The Fund's financial assets consist of bank balances, money market placements and accrued income.

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. For investments traded in an active market, fair value is determined by reference to quoted market bid prices.

Trading investments are carried at fair value. The fair values of other financial instruments are not expected to be materially different from their carrying values.

10 LAST VALUATION DAY

The last valuation day of the year was 31 December 2009 (2008: 31 December 2008).

11 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Fund's Board of Directors on 12 Rabi' II 1431H (Corresponding to 28 March 2010).