

**Al Rajhi GCC Equity Fund**  
**(Managed by Al Rajhi Capital)**

UNAUDITED INTERIM FINANCIAL STATEMENTS

30 JUNE 2009

## LIMITED REVIEW REPORT TO THE UNITHOLDERS OF AL RAJHI GCC EQUITY FUND

### Scope of review

We have reviewed the accompanying balance sheet of Al Rajhi GCC Equity 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 GCC Equity 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>51,618,931</b>	57,799,528	-
Trading investments	4	<b>345,412,382</b>	328,970,763	751,252,403
Dividend receivable		<b>12,874,701</b>	8,362,552	17,385,237
Subscription in initial public offerings		-	-	7,000,000
		<b><u>409,906,014</u></b>	<u>395,132,843</u>	<u>775,637,640</u>
<b>LIABILITIES</b>				
Bank overdraft		-	-	2,304,693
Management fee payable		<b>322,560</b>	1,084,199	1,175,580
Accrued expenses		<b>12,500</b>	20,000	14,000
		<b><u>335,060</u></b>	<u>1,104,199</u>	<u>3,494,273</u>
<b>NET ASSETS</b>		<b><u>409,570,954</u></b>	<u>394,028,644</u>	<u>772,143,367</u>
Units in issue		<b><u>5,923,465</u></b>	<u>6,062,560</u>	<u>6,353,591</u>
Per unit value		<b><u>SR 69.14</u></b>	<u>SR 64.99</u>	<u>SR 121.53</u>

The accompanying notes 1 to 10 form part of these interim financial statements.

# Al Rajhi GCC Equity Fund

## STATEMENT OF OPERATIONS

For the six month period ended 30 June 2009

	<i>Note</i>	<b>2009 (Unaudited) SR</b>	<b>2008 (Unaudited) SR</b>
<b>INVESTMENT INCOME</b>			
Trading income, net	5	<u>27,873,369</u>	<u>69,219,085</u>
<b>EXPENSES</b>			
Management fees	6	3,370,101	7,335,812
Purification charges	7	222,381	3,797,471
Others		17,498	36,834
		<u>3,609,980</u>	<u>11,170,117</u>
<b>NET INCOME FROM OPERATIONS</b>		<u><u>24,263,389</u></u>	<u><u>58,048,968</u></u>

The accompanying notes 1 to 10 form part of these interim financial statements.

# Al Rajhi GCC Equity Fund

## STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2009

	2009 (Unaudited) SR	2008 (Unaudited) SR
	<i>Note</i>	
<b>OPERATING ACTIVITIES</b>		
Net income from operations	24,263,389	58,048,968
Adjustment for:		
Movement in unrealized (gains) losses on trading investments	(124,664,860)	6,651,411
Movement in unrealised foreign exchange gain	(1,197,818)	(4,329,532)
Changes in operating assets and liabilities:		
Trading investment	109,421,059	8,251,236
Dividend receivable	(4,512,149)	(14,549,899)
Subscription in initial public offerings	-	(7,000,000)
Management fee payable	(761,639)	109,625
Accrued expenses	(7,500)	(73,200)
Net cash from operating activities	<u>2,540,482</u>	<u>47,108,609</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from units sold	1,199,798	29,720,782
Value of units redeemed	(9,920,877)	(161,108,430)
Net cash used in financing activities	<u>(8,721,079)</u>	<u>(131,387,648)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(6,180,597)</b>	<b>(84,279,039)</b>
Cash and cash equivalents at the beginning of the period	<u>57,799,528</u>	<u>81,974,346</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>8</b> <u><u>51,618,931</u></u>	<u><u>(2,304,693)</u></u>
<b><u>Operational cash flows from dividends</u></b>		
Dividends received	<u><u>4,018,556</u></u>	<u><u>18,837,637</u></u>

The accompanying notes 1 to 10 form part of these interim financial statements.

Al Rajhi GCC Equity Fund

STATEMENT OF CHANGES IN NET ASSETS

For the six month period ended 30 June 2009

	<i>2009</i> <i>(Unaudited)</i> <i>SR</i>	<i>2008</i> <i>(Unaudited)</i> <i>SR</i>
<b>NET ASSETS AT THE BEGINNING OF THE PERIOD</b>	<u>394,028,644</u>	<u>845,482,047</u>
<b>CHANGES FROM OPERATIONS</b>		
Net income from operations	<u>24,263,389</u>	<u>58,048,968</u>
<b>CHANGES FROM UNIT TRANSACTIONS</b>		
Proceeds from units sold	<u>1,199,798</u>	29,720,782
Value of units redeemed	<u>(9,920,877)</u>	<u>(161,108,430)</u>
Net change from unit transactions	<u>(8,721,079)</u>	<u>(131,387,648)</u>
<b>NET ASSETS AT THE END OF THE PERIOD</b>	<u><u>409,570,954</u></u>	<u><u>772,143,367</u></u>

**UNIT TRANSACTIONS**

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

	<i>2009</i> <i>(Unaudited)</i> <i>Units</i>	<i>2008</i> <i>(Unaudited)</i> <i>Units</i>
<b>UNITS AT THE BEGINNING OF THE PERIOD</b>	<u>6,062,560</u>	<u>7,481,863</u>
Units sold	<u>19,305</u>	262,617
Units redeemed	<u>(158,400)</u>	<u>(1,390,889)</u>
Net decrease in units	<u>(139,095)</u>	<u>(1,128,272)</u>
<b>UNITS AT THE END OF THE PERIOD</b>	<u><u>5,923,465</u></u>	<u><u>6,353,591</u></u>

The accompanying notes 1 to 10 form part of these interim financial statements.

**1 GENERAL**

Al Rajhi GCC Equity Fund (the "Fund") (previously known as the Middle East Equity Fund) is an open-ended investment fund created under an 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 over the long term. The assets of the Fund are invested in publicly traded stocks in GCC markets in accordance with Sharia principles. All trading profits are reinvested in the Fund. The Fund was established on 21 Shawal 1418H (corresponding to February 18, 1998). Effective 2 October 2005, SAMA has approved the change of the Fund's name from Middle East Equity to Al Rajhi GCC Equity Fund and its functional currency from the United States dollar to the Saudi Riyal. The Fund also adjusted the unit price at that date to SR 100 per unit.

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. The Fund Manager itself 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 the relevant authority.

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

The interim results may not be indicative 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 on accounting for interim financial reporting issued by the Saudi Organization of Certified Public Accountants ("SOCPA"). 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*

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

Trading income includes all unrealised 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. Unrealised gains and losses on revaluation of trading investments and realised gains and losses on disposal of trading investments are recognised in the statement of operations.

*Investment transactions*

Investment transactions are accounted for as of the trade date.

*Cash and cash equivalents*

Cash and cash equivalents consist of bank balances and bank overdrafts.

30 June 2009

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

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

*Foreign currencies*

Transactions in foreign currencies are recorded in Saudi Riyal at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates of exchange ruling at that date. Resulting exchange gains and losses are taken to the statement of operations.

**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>30 June 2009 (Unaudited) SR</i>	<i>31 December 2008 (Audited) SR</i>	<i>30 June 2008 (Unaudited) SR</i>
<i>Equities investments by country:</i>			
Kingdom of Saudi Arabia	219,443,827	185,723,827	399,644,263
Qatar	51,619,659	69,578,264	129,123,071
Oman	26,855,370	27,833,161	48,658,013
Kuwait	18,658,192	17,878,344	143,612,669
United Arab Emirates	8,608,226	5,927,559	30,214,387
	<u>325,185,274</u>	<u>306,941,155</u>	<u>751,252,403</u>
<i>Investment in Mutual Fund</i>			
Al Rajhi Commodities Mudaraba Fund – Saudi Riyal	20,227,108	22,029,608	-
	<u>345,412,382</u>	<u>328,970,763</u>	<u>751,252,403</u>

**5 TRADING INCOME, NET**

	<i>30 June 2009 (Unaudited) SR</i>	<i>30 June 2008 (Unaudited) SR</i>
Dividend income	8,530,705	18,837,637
Realised (losses) gains, net	(105,731,775)	49,457,668
Movement in unrealised gains (losses), net	124,664,860	(6,651,411)
Unrealised exchange gains, net	1,197,818	4,329,532
Realised exchange (losses) gains, net	(788,239)	3,245,659
	<u>27,873,369</u>	<u>69,219,085</u>

**6 TRANSACTIONS WITH RELATED PARTIES**

Subscription fees of 1% are paid directly by the subscribers to the Fund Manager. 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 the Fund Manager a management fee calculated at an annual rate of 1.75% per annum on the total assets at each valuation date. 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 Manger. The Fund Manager also acts as the custodian of the Fund's investments.

The Fund Manager has entered into an asset management agreement with Vision Investment Services Co. (the Portfolio Manager) to manage the investments of the Fund in Oman. Fees paid to the Portfolio Manager in this respect are borne by the Fund Manager.

The Bank acts as the Fund's banker.

The employees of the Fund Manager hold 1,796.40 Units (2008: Nil) in the Fund.

**7 PURIFICATION CHARGES**

These represents charges incurred in respect of purification of the income generated from the investee companies in order to achieve a Sharia compliant return. These charges are calculated based on the Fund's Sharia Board approved formula and paid to charities recommended by the Fund's Sharia Board through the Fund Manager.

**8 CASH AND CASH EQUIVALENTS**

	<i>30 June 2009 (Unaudited) SR</i>	<i>31 December 2008 (Audited) SR</i>	<i>30 June 2008 (Unaudited) SR</i>
Bank balances	<b>51,618,931</b>	57,799,528	-
Bank overdraft	-	-	(2,304,693)
	<u><b>51,618,931</b></u>	<u>57,799,528</u>	<u>(2,304,693)</u>

**9 LAST VALUATION DAY**

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

**10 COMPARATIVE FIGURES**

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period.