

ALJAZIRA SAUDI RIYAL MURABAHA FUND
Open-Ended Fund
(Managed by Aljazira Capital Company)
Interim Condensed Financial Statements (Unaudited)
For the six-month period ended 30 June 2021
Together with the
Independent Auditor's Review Report to the Unitholders

ALJAZIRA SAUDI RIYAL MURABAHA FUND
Open-Ended Fund
(Managed by Aljazira Capital Company)
INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)
For the six-month period ended 30 June 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

**TO THE UNITHOLDERS OF
ALJAZIRA SAUDI RIYAL MURABAHA FUND
MANAGED BY ALJAZIRA CAPITAL COMPANY**

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Aljazira Saudi Riyal Murabaha Fund (the "Fund") managed by Aljazira Capital (the "Fund Manager") as at 30 June 2021 and the related interim statements of comprehensive income, changes in net assets (Equity) attributable to the unitholders and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements 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 that are endorsed in the Kingdom of Saudi Arabia 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 interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.

Ibrahim Ahmed Al-Bassam
Certified Public Accountant
License No. 337

11 Mubarram 1443H
19 August 2021G
Riyadh, Kingdom of Saudi Arabia



ALJAZIRA SAUDI RIYAL MURABAHA FUND
Open-Ended Fund
(Managed by Aljazira Capital Company)
INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2021
(Amounts in Saudi Arabian Riyals)

	Notes	30 June 2021 (Un-audited)	31 December 2020 (Audited)
<u>ASSETS</u>			
Cash at Bank	4	5,122,211	3,138,181
Advance for investment		10,000,000	-
Investments measured at fair value through profit or loss (FVTPL)	5	3,368,352,051	2,927,474,294
Investments carried at amortized cost – Murabaha	6	1,221,021,979	593,557,870
Investments carried at amortized cost – Sukuks	7	49,099,731	49,107,328
Prepayments and other receivables		1,107,452	14,638,039
TOTAL ASSETS		4,654,703,424	3,587,915,712
<u>LIABILITIES</u>			
Management fee payable		-	2,278,514
Payable to unitholder on account of redemption		502,500	-
Accrued expenses and other liabilities		2,479,055	-
TOTAL LIABILITIES		2,981,555	2,278,514
NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS		4,651,721,869	3,585,637,198
Units in issue (in numbers)	9	30,896,810	23,944,831
Net Asset (Equity) Value per unit		150.56	149.75

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

ALJAZIRA SAUDI RIYAL MURABAHA FUND**Open-Ended Fund****(Managed by Aljazira Capital Company)****INTERIM STATEMENT OF COMPREHENSIVE INCOME****For the six-month period ended 30 June 2021****(Amounts in Saudi Arabian Riyals)**

	Notes	30 June 2021 (Un-audited)	30 June 2020 (Un-audited)
<u>Income</u>			
Net gain from investments carried at FVTPL	10	19,422,122	25,979,381
Income from investments at amortized cost		6,876,300	16,709,967
Other income		552,410	463,988
		<u>26,850,832</u>	<u>43,153,336</u>
<u>Expenses</u>			
Management and custody fees		4,620,447	6,746,066
		<u>4,620,447</u>	<u>6,746,066</u>
Net income for the period		22,230,385	36,407,270
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u>22,230,385</u>	<u>36,407,270</u>

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

ALJAZIRA SAUDI RIYAL MURABAHA FUND**Open-Ended Fund****(Managed by Aljazira Capital Company)****INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS****For the six-month period ended 30 June 2021****(Amounts in Saudi Arabian Riyals)**

	30 June 2021	30 June 2020
	(Un-audited)	(Un-audited)
Net assets (Equity) attributable to the Unitholders at beginning of the period	3,585,637,198	3,683,458,318
Total comprehensive income for the period	22,230,385	36,407,270
Changes from unit transactions		
Issuance of units	2,429,902,649	1,553,628,974
Redemption of units	<u>(1,386,048,363)</u>	<u>(1,740,157,248)</u>
Net changes from unit transactions	<u>1,043,854,286</u>	<u>(186,528,274)</u>
Net assets (Equity) attributable to the Unitholders at end of the period	<u>4,651,721,869</u>	<u>3,533,337,314</u>

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

ALJAZIRA SAUDI RIYAL MURABAHA FUND**Open-Ended Fund****(Managed by Aljazira Capital Company)****INTERIM STATEMENT OF CASH FLOWS****For the six-month period ended 30 June 2021****(Amounts in Saudi Arabian Riyals)**

	Notes	30 June 2021 (Un-audited)	30 June 2020 (Un-audited)
<u>Cash flows from operating activities:</u>			
Net income for the period		22,230,385	36,407,270
Adjustments for:			
- Unrealized gain from investments carried at FVTPL	10	<u>(976,922)</u>	<u>(14,017,952)</u>
		21,253,462	22,389,318
<u>Net changes in operating assets and liabilities:</u>			
Investments carried at FVTPL		(439,900,835)	(1,887,849,942)
Advance against purchase of investments		(10,000,000)	119,000,000
Investments carried at amortized cost – Murabaha		(530,464,109)	1,956,380,776
Investments carried at amortized cost – Sukuk		7,597	(20,414,164)
Prepayments and other receivables		13,530,587	(765,963)
Management fee payable		200,541	(1,569,830)
Net cash (used in) / generated from operating activities		<u>(945,372,757)</u>	<u>187,170,195</u>
<u>Cash flows from financing activities:</u>			
Proceeds from issuance of units		2,429,902,649	1,553,628,974
Redemption of units		<u>(1,385,545,862)</u>	<u>(1,740,786,013)</u>
Net cash generated from / (used in) financing activities		<u>1,044,356,787</u>	<u>(187,157,039)</u>
Net change in cash and cash equivalents:			
Cash and cash equivalents at beginning of the period		98,984,030	13,156
Cash and cash equivalents at end of the period		<u>3,138,181</u>	<u>10,176,229</u>
Cash and cash equivalents at end of the period		<u>102,122,211</u>	<u>10,189,385</u>
Supplementary information:			
Payable to unitholders on account of redemption		<u>(502,500)</u>	<u>(628,765)</u>

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

ALJAZIRA SAUDI RIYAL MURABAHA FUND

Open-Ended Fund

(Managed by Aljazira Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2021

(Amounts in Saudi Arabian Riyals)

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Aljazira Saudi Riyal Murabaha Fund (the "Fund") is an open-ended, Saudi Investment fund established and managed through an agreement between Aljazira Capital Company – a Saudi Closed Joint Stock Company (the "Fund Manager") and the investors (the "unitholders") in the Fund. The Fund Manager is a wholly owned subsidiary of Bank Aljazira (the "Bank"). The Capital Market Authority ("CMA") approval to continue issuing units to public was granted vide its letter no 7720/5 dated 12 Muharram 1431H (corresponding to 29 December 2009). The Fund commenced its operations on 26 November 2000.

The Fund operates under the terms and conditions contained in its prospectus with the prime objective of providing the investors with the opportunities to achieve profits from Murabaha placements and Islamic deposits with a low risk. The Fund's net income is reinvested in the Fund, which is reflected in the net assets (equity) attributable to each unit.

The Fund Manager and administrator of the Fund is Aljazira Capital Company. The Custodian of the Fund is Norther Trust Securities.

The Fund is governed by the Investment Fund Regulations (the "Regulations") published by CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) thereafter amended on 16 Sha'ban 1437H (corresponding to 23 May 2016). The regulation was further amended (the "Amended Regulations") on 17 Rajab 1442H (corresponding to 1 March 2021) detailing requirements for all funds within the Kingdom of Saudi Arabia. The Amended Regulations have effective dates starting from 19 Ramadan 1442H (corresponding to 1 May 2021).

2 BASIS OF PREPARATION

2.1. Statement of compliance

These interim condensed financial statements of the Fund have been prepared in accordance with International Accounting Standard (IAS) 34 - Interim Financial Reporting that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by the Saudi Organization for Certified Public Accountants (SOCPA) and should be read in conjunction with the Fund's last annual financial statement for the year ended 31 December 2020. The results for the six-month period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

2.2. Basis of measurement

These interim condensed financial statements have been prepared on a historical cost basis, except for investments that are measured at fair value.

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the interim statement of financial position. Instead, assets and liabilities are presented in order of liquidity.

2.3. Functional and presentation currency

Items included in these interim condensed financial statements are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). These interim condensed financial statements are presented in Saudi Arabian Riyals (SAR) which is the Fund's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into SAR using the exchange rates prevailing at the date of transactions. Foreign currency assets and liabilities are translated into SAR using the exchange rates prevailing at date of the interim statement of financial position. Foreign exchange gains and losses, if any, arising from translation are included in the interim statement of comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 New standards, interpretations and amendments

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used and disclosed in the annual financial statements of the Fund for the year ended 31 December 2020. There are new standards, amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed financial statements of the Fund.

ALJAZIRA SAUDI RIYAL MURABAHA FUND**Open-Ended Fund**

(Managed by Aljazira Capital Company)

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For the six-month period ended 30 June 2021

(Amounts in Saudi Arabian Riyals)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.1 New standards, interpretations and amendments (Continued)**

There are several other amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's interim condensed financial statements. In the opinion of the Fund's Board, these will have no significant impact on the interim condensed financial statements of the Fund. The Fund intends to adopt those amendments and interpretations, if applicable.

3.2 Critical accounting estimates and assumptions

The preparation of these interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In the process of applying the Fund's accounting policies, management has made the following estimate and judgment which is significant to these interim condensed financial statements:

3.2.1 Going concern

The Fund Manager has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Fund's ability to continue as a going concern. Accordingly, these interim condensed financial statements have been prepared on a going concern basis.

4 CASH AND CASH EQUIVALENTS

	Notes	30 June 2021 (Un-audited)	31 December 2020 (Audited)
Cash at Bank	4.1	5,122,211	3,138,181
Murabaha placements with original maturity of 3 months or less		97,000,000	-
		102,122,211	3,138,181

4.1. Cash at Bank is held in current accounts with Bank Aljazira, a related party (Also see Note 1). The Fund does not earn profit on these current accounts.

5 INVESTMENTS MEASURED AT FVTPL

Investments measured at FVTPL comprise of the following:

Name of Fund	30 June 2021 (Un-audited)		
	Cost	Fair value	%
Alinma SAR Liquidity Fund	966,722,528	971,348,779	28.84
Alpha SAR Murabaha Fund	936,500,919	942,099,889	27.97
Riyad SAR Diversified Fund	663,618,504	667,059,901	19.80
Rajhi SAR Commodity Fund	365,237,894	366,413,522	10.88
Falcom SAR Murabaha Fund	322,779,638	325,694,984	9.67
HSBC SAR Murabaha Fund	33,605,313	33,667,465	1.00
Riyad SAR Trade Fund	32,000,000	32,059,179	0.95
Al-Ahli SAR Trade Fund	29,974,100	30,008,332	0.89
Total	3,350,438,896	3,368,352,051	100.00

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For the six-month period ended 30 June 2021

(Amounts in Saudi Arabian Riyals)

5 INVESTMENTS MEASURED AT FVTPL (CONTINUED)

5.1 Includes investments in related parties (Refer Note 8)

Name of Fund	31 December 2020 (Audited)		
	Cost	Fair value	%
Alpha SAR Murabaha Fund	718,000,000	719,339,260	24.57
Alinma SAR Liquidity Fund	653,500,000	655,722,528	22.40
Riyad SAR Diversified Trade Fund	486,634,100	487,912,527	16.67
Falcom SAR Murabaha Fund	271,979,739	277,172,084	9.47
Rajhi SAR Commodity Fund	241,385,436	243,082,110	8.30
Al-Mubarak SAR Trade Fund	182,079,719	184,166,428	6.29
HSBC SAR Murabaha Fund	180,937,663	182,928,692	6.25
Al-Ahli SAR Trade Fund	176,021,404	177,150,665	6.05
Total	2,910,538,061	2,927,474,294	100.00

6 INVESTMENTS CARRIED AT AMORTIZED COST – MURABAHA PLACEMENTS

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Qatar Islamic Bank	602,407,542	-
Commercial Bank of Dubai	170,349,917	-
United Arab Bank	201,096,750	70,231,661
Bank Aljazira	100,095,333	-
ALRAYAN	97,042,437	-
Sharjah Islamic Bank	50,030,000	121,533,334
Ajman Bank	-	74,304,875
National Commercial Bank	-	327,488,000
Total	1,221,021,979	593,557,870

The following table represents the movement of investment in Murabaha placements measured at amortized cost during the period:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Carrying amount at the start of period / year	593,557,870	3,000,640,900
Additions during the period / year	1,641,000,000	2,289,500,000
Matured during the period / year	(1,007,000,000)	(4,668,500,000)
Profit recognized during the period / year	6,466,521	35,925,022
Profit received during the period / year	(13,002,412)	(64,008,052)
Carrying amount at the end of the period / year	1,221,021,979	593,557,870

6.1. 523,326,209 The Fund Manager has performed an ECL assessment for the financial assets carried at amortized cost. An allowance for impairment over these financial assets was not recognized in the interim condensed financial statements as the amount was not material.

ALJAZIRA SAUDI RIYAL MURABAHA FUND**Open-Ended Fund****(Managed by Aljazira Capital Company)****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****For the six-month period ended 30 June 2021****(Amounts in Saudi Arabian Riyals)****6 INVESTMENTS CARRIED AT AMORTIZED COST – MURABAHA PLACEMENTS (CONTINUED)**

- 6.2. Includes Murabaha placements with original maturity of 3 months or less amounting to SAR 97,000,000 (2020: Nil) (See Note 4).
- 6.3. The rate of profit on Murabaha placements ranges from 2.45% to 4.05% per annum and all the Murabaha placements will mature within a period of less than 12 months.
- 6.4. The Fund Manager has performed an ECL assessment for the financial assets carried at amortized cost. An allowance for impairment over these financial assets was not recognized in the interim condensed financial statements as the amount was not material.

7 INVESTMENTS CARRIED AT AMORTIZED COST – SUKUKS

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
KSA Sukuk Limited	18,750,000	18,750,000
Debt Management Office (DMO)	30,000,000	30,000,000
	48,750,000	48,750,000
Income from Sukuks	349,731	357,328
Total	49,099,731	49,107,328

The following table represents the movement of investment in Sukuks measured at amortized cost during the period:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Carrying amount at the start of period / year	49,107,328	28,968,550
Additions during the period / year	-	20,000,000
Matured during the period / year	-	-
Profit recognized during the period / year	409,779	1,499,163
Profit received during the period / year	(417,376)	(1,360,385)
Carrying amount at the end of the period / year	49,099,731	49,107,328

7.1 The Fund Manager has performed an ECL assessment for the financial assets carried at amortized cost. An allowance for impairment over these financial assets was not recognized in the interim condensed financial statements as the amount was not material.

7.2 The maximum maturity date of Sukuks is February 2031.

ALJAZIRA SAUDI RIYAL MURABAHA FUND**Open-Ended Fund**

(Managed by Aljazira Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2021

(Amounts in Saudi Arabian Riyals)

8 RELATED PARTIES TRANSACTIONS AND BALANCES**Management fee and other expenses**

For management services, the Fund pays on quarterly basis, the management fees at an annual rate of 15% of investment return, which does not exceed 0.75% of the annual net asset value of the Fund.

Transactions with related parties

During the period, the Fund entered into the following significant transactions with related parties in the ordinary course of business. These transactions were carried out on the basis of approved terms and conditions of the Fund.

Related parties	Nature of relationship	Nature of transaction	30 June 2021 (Un-audited)	30 June 2020 (Un-audited)
Aljazira Capital Company	Fund Manager	Management fee	4,017,780	6,746,066
		Placements made during the period	594,000,000	393,000,000
		Placements matured during the period	(494,000,000)	(1,205,000,000)
Bank Aljazira	Affiliate	Profit received during the period	800,479	(7,237,208)
		Profit for the period	113,485	4,386,622
HSBC SAR Murabaha Fund	Affiliate	Investments made during the period	108,601	394,500,000
		Investments matured during the period	(149,501,285)	(78,003,331)
Al-Mubarak SAR Trade Fund	Affiliate	Investments made during the period	-	687,000,000
		Investments matured during the period	(184,368,320)	(78,000,000)
Falcom SAR Murabaha Fund	Affiliate	Investments made during the period	155,000,000	390,500,000
		Investments matured during the period	(110,000,000)	(119,000,000)

Certain units of the Fund are subscribed by Fund Manager, an affiliate of the Fund Manager and other funds managed and administered by the Fund Manager, the details of which are as follows:

Related parties and nature of relationship	30 June 2021 (Un-audited)	31 December 2020 (Audited)
	<i>(Unit in numbers)</i>	
Affiliate		
Aljazira Takaful Ta'wuni Company	1,835,346	1,378,502
Fund Manager		
Al Jazira Capital	1,210,655	1,210,655
Funds Managed by Fund Manager		
Aljazira Diversified Aggressive Fund	120,255	130,250
Aljazira Diversified Balanced Fund	140,258	108,966
Aljazira Diversified Conservative Fund	353,967	99,927

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(Amounts in Saudi Arabian Riyals)

8 RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)*Balances with related parties*

Related parties	Nature of relationship	Nature of transaction	30 June 2021 (Un-audited)	31 December 2020 (Audited)
Bank Aljazira	Affiliate	Cash at bank	5,122,211	3,138,181
		Murabaha Placements	100,000,000	-
Aljazira Capital Company	Fund Manager	Management fee payable	2,479,055	2,278,514

9 UNIT TRANSACTIONS

Transactions in units for the period / year are summarized as follows:

	30 June 2021 (Un-audited)	31 December 2020 (Audited)
	<i>(Unit in numbers)</i>	
Units at beginning of the period / year	23,944,831	24,983,049
Units issued during the period / year	16,182,450	17,966,519
Units redeemed during the period / year	(9,230,471)	(19,004,737)
Net change in units	6,951,979	(1,038,218)
Units at end of the period / year	30,896,810	23,944,831

10 NET GAIN FROM INVESTMENTS CARRIED AT FVTPL

	30 June 2021 (Un-audited)	30 June 2020 (Un-audited)
Unrealized gain on revaluation of investments	976,922	14,017,952
Realised gain on disposal of investments	18,445,200	2,692,015
	19,422,122	16,709,967

11 FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2021 (Un-audited)	Amortized cost	FVTPL
As per interim statement of financial position		
ASSETS		
Cash at Bank	5,122,211	-
Advance for Investment	10,000,000	-
Investments measured at FVTPL	-	3,368,352,051
Investments carried at amortized cost – Murabaha	1,221,021,979	-
Investments carried at amortized cost – Sukuks	49,099,731	-
Total	1,285,243,921	3,368,352,051
LIABILITIES		
Payable to unitholders on account of redemptions	502,500	-
Management fee payable	2,479,055	-
	2,981,555	-

ALJAZIRA SAUDI RIYAL MURABAHA FUND**Open-Ended Fund**

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2021

(Amounts in Saudi Arabian Riyals)

11 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

31 December 2020 (Audited)	Amortized cost	FVTPL
As per statement of financial position		
ASSETS		
Cash at Bank	3,138,181	-
Prepayments and other receivables	14,638,039	-
Investments measured at FVTPL	-	2,927,474,294
Investments carried at amortized cost – Murabaha	593,557,870	-
Investments carried at amortized cost – Sukuks	49,107,328	-
Total	660,441,418	2,927,474,294
LIABILITIES		
Management fee payable	2,278,514	-
	2,278,514	-

12 FINANCIAL RISK MANAGEMENT

The objective of the Funds is to safeguard its ability to continue as a going concern so that it can continue to provide optimum returns to its Unitholders and to ensure reasonable safety to the Unitholders.

The Fund's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and operational risk.

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall management of the Fund.

Monitoring and controlling risks is primarily set up to be performed based on the limits established by the Fund Board. The Fund has its Terms and Conditions document that set out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

(a) Market risk*(i) Foreign exchange risk*

Foreign exchange risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in foreign currency.

The Fund does not have any foreign exchange risk since all of its transactions are carried out in SAR.

(i) Commission rate risk

Commission rate risk is the risk that the value of the future cash flows of a financial instrument or fair values of fixed coupon financial instruments will fluctuate due to changes in market commission rates.

The Fund is not subject to commission rate risk, as it does not have any significant variable commission rate bearing financial instruments.

(iii) Price risk

Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements.

The price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds. The Fund closely monitors the price movement of its investments in financial instruments. As of the interim statement of financial position date, the Fund has investments in mutual funds (Note 5).

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12 FINANCIAL RISK MANAGEMENT (CONTINUED)**(a) Market risk (Continued)***(iii) Price risk (Continued)*

The effect on the net assets (equity) value (as a result of the change in the fair value of investments measured at FVTPL as at 30 June 2021 and 31 December 2020) due to a reasonably possible change in equity indices based on the industry concentration, with all other variables held constants is as follows:

	30 June 2021 (Un-audited)		31 December 2020 (Audited)	
	Potential reasonable change %	Effect on NAV	Potential reasonable change %	Effect on NAV
Alinma SAR Liquidity Fund	+/- 1%	9,713,488	+/- 1%	6,557,225
Alpha SAR Murabaha Fund	+/- 1%	9,420,999	+/- 1%	7,193,393
Riyad SAR Diversified Trade Fund	+/- 1%	6,670,599	+/- 1%	4,879,125
Rajhi SAR Commodity Fund	+/- 1%	3,664,135	+/- 1%	2,430,821
Falcom SAR Murabaha Fund	+/- 1%	3,256,950	+/- 1%	2,771,721
HSBC SAR Murabaha Fund	+/- 1%	336,675	+/- 1%	1,829,287
Riyad SAR Diversified Trade Fund	+/- 1%	320,592	+/- 1%	-
Al-Ahli SAR Trade Fund	+/- 1%	300,083	+/- 1%	1,771,507
Al-Mubarak SAR Trade Fund	+/- 1%	-	+/- 1%	1,841,664

(b) Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

It is the Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Fund is exposed to credit risk for its Cash at Bank and investments carried at amortized cost. Bank balances are placed with reputable financial institutions; hence the credit risk is minimal.

The credit quality of the Fund's bank balance and investments carried at amortized cost is assessed with reference to external credit ratings which, in all cases, are above investment-grade rating. The bank balances and investments carried at amortized cost along with credit ratings are tabulated below:

Rating of financial institution	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Cash and cash equivalents		
baa3	7,309	3,138,181
Murabaha placements		
A3	772,757,459	-
baa1	251,126,750	327,488,000
Aa3	100,095,333	-
A1	97,042,437	-
baa3	-	121,533,334
b1	-	70,231,661
Unrated	-	74,304,875
Total	1,221,021,979	593,557,870

ALJAZIRA SAUDI RIYAL MURABAHA FUND

Open-Ended Fund

(Managed by Aljazira Capital Company)

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(Amounts in Saudi Arabian Riyals)

12 FINANCIAL RISK MANAGEMENT (CONTINUED)**(c) Credit risk (Continued)**

Rating of financial institution	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Sukuks		
A1	18,884,512	18,848,967
Unrated	30,215,219	30,258,361
Total	49,099,731	49,107,328

(c) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund's terms and conditions provide for subscription and redemption of units on every Saudi business day and it is, therefore, exposed to the liquidity risk of meeting Unitholder redemptions on these days. The Fund's financial liabilities primarily consist of payables which are expected to be settled within one month from the interim statement of financial position date.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by taking short term loans from the Fund Manager.

	30 June 2021 (Un-audited)		
	Less than 1 year	More than 1 year	Total
Cash at Bank	5,122,211	-	5,122,211
Advance for investment	10,000,000	-	10,000,000
Investments measured at FVTPL	3,368,352,051	-	3,368,352,051
Investments carried at amortized cost – Murabaha placements	1,221,021,979	-	1,221,021,979
Investments carried at amortized cost – Sukuks	-	49,099,731	49,099,731
Prepayments and other receivables	1,107,452	-	1,107,452
Total	4,605,603,693	49,099,731	4,654,703,424
Payable to unitholder on account of redemption	502,500	-	502,500
Management fee payable	2,479,055	-	2,479,055
Total	2,981,555	-	2,981,555
	31 December 2020 (Audited)		
	Less than 1 year	More than 1 year	Total
Cash at Bank	3,138,181	-	3,138,181
Investments measured at FVTPL	2,927,474,294	-	2,927,474,294
Investments carried at amortized cost – Murabaha placements	593,557,870	-	593,557,870
Prepayments and other receivables	14,638,039	-	14,638,039
Investments carried at amortized cost – Sukuks	758,425	48,348,903	49,107,328
Total	3,539,566,809	48,348,903	3,587,915,712
Management fee payable	2,278,514	-	2,278,514
Total	2,278,514	-	2,278,514

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12 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to unitholders.

13 FAIR VALUE ESTIMATION

The fair value for financial instruments traded in active markets is based on quoted market prices at the close of trading on the financial reporting date. Instruments for which no sales were reported on the valuation day are valued at the most recent bid price.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The carrying value less impairment provision, if any, of financial instrument carried at amortized cost are assumed to approximate their fair values.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equity instruments. The Fund does not adjust the quoted price for these instruments.

The Fund classifies all of its financial assets, except for those carried at amortized cost, at fair value as level 2.

Valuation technique for calculating the fair value of investments under Level 2 comprises of determining the net asset value per unit of the funds which is based on observable market data.

For assets and liabilities that are measured at fair value on a recurring basis, the Fund identifies transfers between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the end of the reporting period during which the change has occurred. During the period, there was no transfer in fair value hierarchy for the financial assets held at fair value through profit or loss.

Other financial instruments such as, cash and cash equivalents and Murabaha placements are short-term financial asset whose carrying amount approximate their fair value, because of their short-term nature and the high credit quality of counterparty. For all other financial assets and liabilities, the carrying value is an approximation of fair value.

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14 EVENTS AFTER THE END OF THE REPORTING PERIOD

There has been no significant event after the interim statement of financial position date, which in the opinion of the management requires recognition or disclosure in the interim condensed financial statements.

15 LAST VALUATION DAY

The last valuation day for the purpose of preparation of these interim condensed financial statements was 30 June 2021 (2020: 31 December 2020). There is no material change in the net assets (equity) attributable to each unit of the Fund between last valuation day and its financial period end i.e. 30 June 2021.

16 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved and authorized for issue by the Fund's Board on 11 Muharram 1443H corresponding to 19 August 2021G.