

ALJAZIRA SUKUK 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 SUKUK 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 SUKUK FUND
MANAGED BY ALJAZIRA CAPITAL COMPANY**

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Aljazira Sukuk Fund (the "Fund") managed by Aljazira Capital Company (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 Muharram 1443H
19 August 2021G
Riyadh, Kingdom of Saudi Arabia



ALJAZIRA SUKUK FUND
Open-Ended Fund
(Managed by Aljazira Capital Company)

INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2021
(Amounts in United States Dollars)

	Notes	30 June 2021 (Un-audited)	31 December 2020 (Audited)
<u>ASSETS</u>			
Cash and cash equivalents	4	1,353,561	810,741
Investments carried at fair value through profit or loss (FVTPL)	5	31,746,834	12,487,370
Accrued special commission income		-	90,890
Prepayments and other receivables		9,311	-
TOTAL ASSETS		33,109,706	13,389,001
<u>LIABILITIES</u>			
Management fee payable	6	60,099	24,495
Other payables		57,162	27,562
TOTAL LIABILITIES		117,261	52,057
NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS		32,992,445	13,336,944
Units in issue (in numbers)	7	328,033	131,404
Net Asset (Equity) Value per unit		100.58	101.50

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

ALJAZIRA SUKUK FUND
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(Managed by Aljazira Capital Company)

INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six-month period ended 30 June 2021
(Amounts in United States Dollars)

	<u>Notes</u>	<u>30 June 2021</u> <u>(Un-audited)</u>
<u>Income</u>		
Net gain from investments carried at FVTPL	8	(5,969)
Interest income		<u>668,952</u>
		<u>662,983</u>
<u>Expenses</u>		
Management and custody fees	6	110,254
Other expenses		<u>266,264</u>
		<u>376,518</u>
Net income for the period		286,465
Other comprehensive income for the period		<u>-</u>
Total comprehensive income for the period		<u>286,465</u>

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

ALJAZIRA SUKUK 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 United States Dollars)

	Notes	30 June 2021 (Un-audited)
Net assets (Equity) attributable to the Unitholders at beginning of the period		13,336,994
Total comprehensive income for the period		286,465
Changes from unit transactions		
Issuance of units		20,790,138
Redemption of units		(961,847)
Net changes from unit transactions		19,828,291
Dividend distribution	12	(459,305)
Net assets (Equity) attributable to the Unitholders at end of the period		32,992,445

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

ALJAZIRA SUKUK 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 United States Dollars)

	<u>Notes</u>	<u>30 June 2021</u> <u>(Un-audited)</u>
<u>Cash flows from operating activities:</u>		
Net income for the period		286,465
Adjustments for:		
- Unrealized loss from investments carried at FVTPL	8	12,497
		<u>298,962</u>
<u>Net changes in operating assets and liabilities:</u>		
Investments carried at FVTPL		(19,271,961)
Accrued special commission income		90,890
Prepayments and other receivables		(9,311)
Management fee payable		35,604
Other payables		29,600
Net cash used in operating activities		<u>(18,826,216)</u>
<u>Cash flows from financing activities:</u>		
Proceeds from issuance of units		20,790,138
Redemption of units		(961,847)
Dividend paid		(459,305)
Net cash generated from financing activities		<u>19,368,986</u>
<u>Net change in cash and cash equivalents:</u>		
Cash and cash equivalents at beginning of the period		810,741
Cash and cash equivalents at end of the period		<u>1,353,561</u>

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

ALJAZIRA SUKUK 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 United States Dollars)

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Aljazira Sukuk 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. 495/5 dated 19 Sha'ban 1441H (corresponding to 12 April 2020). The Fund commenced its operations 4 Muharram 1442H (corresponding to 23 August 2020). These are the first interim financial statements. Accordingly no comparative information for Interim statements of comprehensive income and changes in net assets (equity) attributable to the Unitholders.

The Fund operates under the terms and conditions contained in its prospectus with the prime objective of providing the investors with the opportunities to invest in Shariah compliant investment securities listed in diversified global markets with a long-term capital growth. The Fund's net income is re-invested in the Fund, which is reflected in the net assets (equity) attributable to each unit.

The Fund is administered by Maples Fund Services (the "Administrator"). The Fund's assets are held in the custody of Northern Trust Securities (the "Custodian"). Lazard Asset Management Limited act as a Sub Fund Manager to the Fund. Fee paid to the Sub Fund Manager is borne by the Fund Manager.

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).

The first financial statements of the Fund were prepared from 23 August 2020 (Date of Commencement) through to 31 December 2020. Accordingly, there are no comparatives to be presented for interim statement of comprehensive income, interim statement of changes in net assets (Equity) attributable to Unitholders and interim statement of cashflows.

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 period 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 United States Dollar (USD) which is the Fund's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into USD using the exchange rates prevailing at the date of transactions. Foreign currency assets and liabilities are translated into USD 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.

ALJAZIRA SUKUK 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 United States Dollars)****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 period 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.

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, 6	3,463	-
Cash with Custodian	4.2, 6	1,350,098	810,741
		1,353,561	810,741

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.

4.2. These funds are placed with the Custodian (also see Note 1) and the Fund earns profit on these balances.

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(Amounts in United States Dollars)

5 INVESTMENTS CARRIED AT FVTPL

Investments in debt instruments carried at FVTPL comprise of the following:

QUOTED	30 June 2021 (Un-audited)		
	Cost	Fair value	%
Perusahaan Penerbit SBSN	5,109,900	5,055,295	15.92
SA Global Sukuk Ltd 2	1,190,179	1,192,877	3.76
Saudi Electricity Global Sukuk Company	1,138,104	1,119,850	3.53
KSA Sukuk Limited	2,037,790	2,034,639	6.41
Third Pakistan International Sukuk	1,017,886	1,008,090	3.18
QIIB Senior Sukuk Limited	944,406	946,566	2.98
QIB Sukuk Limited	925,620	925,007	2.91
DIFC Sukuk Limited	866,173	896,182	2.82
Boubyan Sukuk Limited	1,087,710	1,097,044	3.46
Arab National Bank	768,100	783,533	2.47
SA Global Sukuk Ltd 1	753,150	750,338	2.36
Pure Harvest Sukuk	743,714	772,722	2.43
Equate Sukuk SPC Limited	642,051	644,502	2.03
Virgin Mob MEA Sukuk	635,500	627,688	1.98
ICDPS Sukuk Limited	626,026	627,225	1.98
KIB Sukuk Limited	615,381	608,183	1.92
Maldives Sukuk Issuance	615,038	638,591	2.01
Riyad Bank	612,560	615,540	1.94
Oman Sovereign Sukuk	584,050	593,091	1.87
Hazine Mustesarl	549,880	550,682	1.73
Saudi Telecom Company	533,750	526,386	1.66
FAB Sukuk Company Limited	1,048,350	1,046,794	3.30
Dubai Islamic Bank	784,933	783,722	2.47
IILM 2 Sa	700,000	700,721	2.21
Aldar Sukuk Limited	448,260	447,620	1.41
Hong Kong Sukuk 2017 Limited	443,270	438,992	1.38
Majid Al Futtaim Sukuk Limited	1,086,400	1,107,843	3.49
Unity 1 Sukuk Limited	745,351	750,142	2.36
Sharjah Sukuk Program	417,586	414,756	1.31
SIB Sukuk Co III Limited	416,756	415,716	1.31
MAR Sukuk Ltd	800,800	806,636	2.54
Sharjah Sukuk Program	326,625	331,626	1.04
ISBD Trust No 2	301,200	300,507	0.95
Dar Al-Arkan Sukuk Company Limited	501,625	545,093	1.72
Tabreed Sukuk SPC Limited	231,000	231,144	0.73
Alpha Star Holding	228,750	250,528	0.79
RAK Capital	212,060	212,952	0.67
IDB Trust Services Limited	206,120	204,298	0.64
Alpha Star Holding III	401,000	401,288	1.26
NCB Tier 1 Sukuk Limited	267,643	266,715	0.84
NMC Healthcare Sukuk Limited	29,000	75,710	0.24
Total	31,593,697	31,746,834	100.00

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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(Amounts in United States Dollars)

5 INVESTMENTS CARRIED AT FVPL**Industry sector**

	31 December 2020		
	(Audited)		
	Cost	Fair value	%
QUOTED			
Perusahaan Penerbit SBSN	1,864,477	1,875,466	15.02
Saudi Electricity Global Sukuk Company	1,038,354	1,053,590	8.44
KSA Sukuk Limited	855,558	862,036	6.90
Majid Al Futtaim Sukuk Limited	752,320	764,418	6.12
CBB International Sukuk Programme Company	435,710	441,804	3.54
DIFC Sukuk Limited	428,593	436,726	3.50
ICDPS Sukuk Ltd	425,450	426,084	3.41
Sharjah Sukuk Program	417,586	415,572	3.33
Riyad Sukuk Limited	408,260	409,404	3.28
Masraf Al Rayan Sukuk Limited	405,250	407,208	3.26
Arab National Bank	387,000	398,881	3.19
Dar Al-Arkan Sukuk Company Limited	294,125	328,933	2.63
Qatar Islamic Bank Sukuk Limited	322,500	322,305	2.58
Unity 1 Sukuk Limited	305,955	308,769	2.47
Dubai Islamic Bank Sukuk Limited	260,625	261,363	2.09
Equate Sukuk SPC Limited	250,863	252,094	2.02
Alpha Star Holding	228,750	247,933	1.99
Tabreed Sukuk SPC Limited	231,000	234,014	1.87
Saudi Telecom Company	228,500	229,556	1.84
Aldar Sukuk Limited	224,260	223,914	1.79
Hong Kong Sukuk Limited	221,878	218,454	1.75
DP World Salaam Sukuk	213,960	218,224	1.75
RAK Capital	212,060	213,172	1.71
FAB Sukuk Company Limited	208,500	209,222	1.68
SIB Sukuk Co III Limited	208,000	208,182	1.67
Boubyan Sukuk Limited	205,300	207,384	1.66
Dubai Islamic Bank Tier 1 Sukuk Perpetual	200,000	207,222	1.66
IDB Trust Services Limited	206,120	206,036	1.65
Third Pakistan International Sukuk	203,978	202,958	1.63
IDB Trust Services Limited	147,976	153,687	1.23
NMC Healthcare Sukuk Limited	29,000	42,694	0.34
Total	11,821,908	11,987,305	96.00
UNQUOTED			
International Islamic Liquidity Management 2 SA	500,000	500,065	4.00
Total	12,321,908	12,487,370	100.00

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6 RELATED PARTIES TRANSACTIONS AND BALANCES

Management fee and other expenses

For management services, the Fund pays quarterly, a management fees at an annual rate of 0.65% of the net assets (equity) of the Fund attributable to Unitholders, at each valuation date, as set out in the Fund's terms and conditions.

The Fund Manager recovers from the Fund any other expenses incurred on behalf of the Fund such as board compensation, Shariah supervisory board compensation and other similar charges. These expenses are not expected to exceed an annual rate of 0.5% of the value of Fund's net assets (equity) calculated on daily basis.

Transactions with related parties

During the period, the Fund entered into the following significant transactions with related parties in the ordinary course of its 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)
Aljazira Capital Company	Fund Manager	Management and custody fees	110,254
Bank Aljazira	Affiliate	Bank charges	230
Fund's Board	Key executive	Board remuneration	1,929

Certain units of the Fund are subscribed by 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>	
Fund Manager Aljazira Capital	100,000	100,000

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	3,463	-
Northern Trust Securities	Custodian	Cash held	1,350,098	810,741
Aljazira Capital Company	Fund Manager	Management fee payable	60,099	24,495
Fund's Board	Key executive	Remuneration payable *	1,928	2,133

* Classified in interim statement of financial position under accrued expenses and other liabilities.

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For the six-month period ended 30 June 2021
(Amounts in United States Dollars)

7 UNIT TRANSACTIONS

Transactions in units for the period are summarized as follows:

	30 June 2021 (Un-audited)	For the period from 23 August 2020 (Date of Commencement) to 31 December 2020 (Audited)
	<i>(Unit in numbers)</i>	
Units at beginning of the period	131,404	-
Units issued during the period	206,119	131,526
Units redeemed during the period	(9,490)	(122)
Net change in units	196,629	131,404
Units at end of the period	328,033	131,404

8 NET GAIN FROM INVESTMENTS CARRIED AT FVTPL

	30 June 2021 (Un-audited)
Unrealized gain on revaluation of investments	(12,325)
Realised loss on disposal of investments	6,356
	(5,969)

9 FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2021 (Un-audited)	Amortized cost	FVTPL
Assets as per interim statement of financial position		
Cash and cash equivalents	1,353,561	-
Investments carried at FVTPL	-	31,746,834
Total	1,353,561	31,746,834
Management fee payable	60,099	60,099
Other payables	57,162	57,162
Total	117,261	117,261
31 December 2020 (Audited)	Amortized cost	FVTPL
Assets as per statement of financial position		
Cash and cash equivalents	810,741	-
Investments carried at FVTPL	-	12,487,370
Accrued special commission income	90,890	-
Total	901,631	12,487,370
Management fee payable	24,495	24,495
Other payables	27,562	27,562
Total	52,057	52,057

ALJAZIRA SUKUK FUND

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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10 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's investments in debt instruments measured at FVTPL are not exposed to any foreign exchange risk because the Saudi Riyal is pegged to the United States Dollar and therefore, there are no fluctuations between the exchange rates.

(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 portfolio management team of the Fund Manager monitors risk exposures on a daily basis.

If the commission rate risk is not in accordance with the Fund's terms and conditions, then the Fund Manager is required to rebalance the portfolio within a reasonable period of time of each determination of such occurrence.

Exposure

A breakdown of the investments based on the type of commission rate on sukuk is as follows:

	30 June 2021 (Un-audited)		31 December 2020 (Audited)	
	Amount in USD	Percentage	Amount in USD	Percentage
Fixed rate	31,746,834	100	12,487,370	100

(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.

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 and cash equivalents and other receivables. Bank balances are placed with reputable financial institutions; hence the credit risk is minimal. For other assets, credit risk is also low.

Credit ratings

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

Rating of financial institution	30 June 2021 (Un-audited)	31 December 2020 (Audited)
Cash and cash equivalents		
Unrated	1,350,098	810,741
Sukuk placements		
A1	1,903,680	2,552,390
baa2	6,338,388	2,543,134
baa1	863,336	1,032,199
A	-	844,246
BBB	-	764,418
baa3	4,056,503	670,740
A3	6,076,262	469,545
b2	-	441,804
A2	4,869,306	426,084
AAA	-	359,723
b1	813,236	328,933
AA-	-	218,454
ba2	-	218,224
Aa3	1,485,786	209,222
A+	-	207,384
b3	1,008,090	202,958
caal	-	42,694
B2	451,316	-
Aaa	504,805	-
Unrated	3,376,126	955,218
	31,746,834	12,487,370

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)**(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 and cash equivalents	1,353,561	-	1,353,561
Investments carried at FVTPL	31,746,834	-	31,746,834
Prepayments and other receivables	9,311	-	9,311
Total	33,109,706	-	33,109,706
Management fee payable	60,099	-	60,099
Other payables	57,162	-	57,162
Total	117,261	-	117,261

	31 December 2020		
	(Audited)		
	Less than 1 year	More than 1 year	Total
Cash and cash equivalents	810,741	-	810,741
Investments carried at FVTPL	12,487,370	-	12,487,370
Accrued special commission income	90,890	-	90,890
Total	13,389,001	-	13,389,001
Management fee payable	24,495	-	24,495
Other payables	27,562	-	27,562
Total	52,057	-	52,057

(c) 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.

ALJAZIRA SUKUK FUND
Open-Ended Fund
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11 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 is assumed to approximate its fair value.

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 debt instruments. The Fund does not adjust the quoted price for these instruments.

The Fund classifies its financial assets, except for those carried at amortized cost, as follows:

30 June 2021 (Un-audited)	Level 1	Level 2	Level 3	Total
Investments carried at FVTPL	31,746,834	-	-	31,746,834
31 December 2020 (Audited)	Level 1	Level 2	Level 3	Total
Investments carried at FVTPL	11,987,305	500,065	-	12,487,370

Investments in Level 2 are valued based on market observable data including broker rates, etc.

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 FVTPL.

Other financial instruments such as, cash and cash equivalents 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.

12 DIVIDEND DISTRIBUTION

In accordance with the approved terms and conditions of the Fund to distribute dividend at the end of June and December every year, the Fund's Board approved to distribute dividends with regards to period ended 30 June 2021 amounting to SAR 459,305 to its unitholders.

13 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.

14 LAST VALUATION DAY

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The last valuation day for the purpose of preparation of these interim condensed financial statements was 28 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.

15 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.