

ALJAZIRA SAUDI EQUITIES FUND
Open-Ended Fund
(Managed by Aljazira Capital Company)
Interim Condensed Financial Statements (Unaudited)
For the six-month period ended 30 June 2022
Together with the
Independent Auditor's Review Report to the Unitholders

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

INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)
For the six-month period ended 30 June 2022

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

TO THE UNITHOLDERS OF
Aljazira Saudi Equities Fund

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Aljazira Saudi Equities Fund (the "Fund") managed by Aljazira Capital Company (the "Fund Manager") as at 30 June 2022 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.

Ahmed A. Mohandis
Certified Public Accountant
License No. 477

Riyadh: 24 Muharram 1444H
Corresponding to: 22 August 2022



ALJAZIRA SAUDI EQUITIES FUND**Open-Ended Fund**

(Managed by Aljazira Capital Company)

INTERIM STATEMENT OF FINANCIAL POSITION**As at 30 June 2022****(Amounts in Saudi Arabian Riyals)**

	Notes	30 June 2022 (Un-audited)	31 December 2021 (Audited)
<u>ASSETS</u>			
Cash and cash equivalents	4	31,229,745	85,953,364
Investments carried at fair value through profit or loss (FVTPL)	5	548,561,304	494,436,681
Dividend receivable		322,095	165,724
Prepayments and other receivables		2,898	8,386
TOTAL ASSETS		580,116,042	580,564,155
<u>LIABILITIES</u>			
Management fee payable	6	2,884,780	2,522,395
Payable to Unitholders on account of redemptions		1,335,822	1,337,191
Accrued expenses and other liabilities		423,606	164,305
TOTAL LIABILITIES		4,644,208	4,023,891
NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS		575,471,834	576,540,264
Units in issue (in numbers)	7	880,289	922,114
Net Asset (Equity) Value per unit		653.73	625.23

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

ALJAZIRA SAUDI EQUITIES FUND**Open-Ended Fund**

(Managed by Aljazira Capital Company)

INTERIM STATEMENT OF COMPREHENSIVE INCOME**For the six-month period ended 30 June 2022****(Amounts in Saudi Arabian Riyals)**

	Notes	30 June 2022 (Un-audited)	30 June 2021 (Un-audited)
<u>Income</u>			
Net gain from investments carried at FVTPL	8	25,555,883	120,759,986
Dividend income		6,591,916	5,944,329
		32,147,799	126,704,315
<u>Expenses</u>			
Management fees	6	5,542,634	3,792,485
Custody fees		147,804	103,904
Other expenses		52,163	164,231
		5,742,601	4,060,620
Net income for the period		26,405,198	122,643,695
Other comprehensive income for the period		-	-
Total comprehensive income for the period		26,405,198	122,643,695

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

ALJAZIRA SAUDI EQUITIES 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 2022****(Amounts in Saudi Arabian Riyals)**

	30 June 2022 (Un-audited)	30 June 2021 (Un-audited)
Net assets (Equity) attributable to the Unitholders at beginning of the period	576,540,264	394,551,992
Total comprehensive income for the period	26,405,198	122,643,695
Changes from unit transactions		
Issuance of units	110,665,253	50,440,687
Redemption of units	(138,138,881)	(38,784,918)
Net changes from unit transactions	(27,473,628)	11,655,769
Net assets (Equity) attributable to the Unitholders at end of the period	575,471,834	528,851,456

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

ALJAZIRA SAUDI EQUITIES FUND**Open-Ended Fund**

(Managed by Aljazira Capital Company)

INTERIM STATEMENT OF CASH FLOWS**For the six-month period ended 30 June 2022****(Amounts in Saudi Arabian Riyals)**

	Notes	30 June 2022 (Un-audited)	30 June 2021 (Un-audited)
<u>Cash flows from operating activities:</u>			
Net income for the period		26,405,198	122,643,695
Adjustments for:			
- Unrealized loss / (gain) from investments carried at FVTPL	8	18,854,575	(62,291,770)
		45,259,773	60,351,925
<u>Net changes in operating assets and liabilities:</u>			
Investments carried at FVTPL		(72,979,198)	(74,176,827)
Dividend receivable		(156,371)	474,310
Prepayments and other receivables		5,488	(14,789)
Management fee payable		362,385	435,325
Accrued expenses and other liabilities		259,301	48,868
Net cash (used in) operating activities		(27,248,622)	(12,881,188)
<u>Cash flows from financing activities:</u>			
Proceeds from issuance of units		110,665,253	50,440,687
Redemption of units, net of payable *		(138,140,250)	(38,940,550)
Net cash (used in) / generated from financing activities		(27,474,997)	11,500,137
Net change in cash and cash equivalents		(54,723,619)	(1,381,051)
Cash and cash equivalents at beginning of the period	4	85,953,364	4,135,343
Cash and cash equivalents at end of the period	4	31,229,745	2,754,292
Supplementary information			
* Payable to Unitholders on account of redemptions		1,335,822	155,632

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

ALJAZIRA SAUDI EQUITIES FUND

Open-Ended Fund

(Managed by Aljazira Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2022

(Amounts in Saudi Arabian Riyals)

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Al Jazira Saudi Equities 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 4 December 1999.

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 Saudi capital market in accordance with the principles of Islamic Shariah. Equity investments by the Fund are restricted to those listed in the Kingdom of Saudi Arabia. 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 the Fund Manager. The Fund’s assets are held in the custody of Northern Trust Securities (the “Custodian”).

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 2021. The results for the six-month period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

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 Riyal (“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 / (loss).

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2022

(Amounts in Saudi Arabian Riyals)

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 2021. There are new standards, amendments and interpretations apply for the first time in 2022, 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

	<u>Notes</u>	<u>30 June 2022</u> <u>(Un-audited)</u>	<u>31 December 2021</u> <u>(Audited)</u>
Cash at Bank	4.1, 6	547,994	1,702,965
Cash with Custodian		30,681,751	84,250,399
		<u>31,229,745</u>	<u>85,953,364</u>

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).

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**For the six-month period ended 30 June 2022****(Amounts in Saudi Arabian Riyals)****5 INVESTMENTS CARRIED AT FVTPL**

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

Industry sector	30 June 2022 (Un-audited)		
	Cost	Fair value	%
Banks	217,316,782	214,427,100	39.09
Materials	93,702,650	82,713,382	15.08
Telecommunication services	64,822,851	54,168,494	9.87
Software services	27,647,239	30,146,869	5.50
Food and staples	30,683,633	29,165,867	5.32
Retail	29,377,818	28,587,789	5.21
Health care equipment & services	23,916,219	26,356,586	4.80
Others	79,948,686	82,995,217	15.13
Total	567,415,878	548,561,304	100.00

Industry sector	31 December 2021 (Audited)		
	Cost	Fair value	%
Banks	79,740,008	136,942,883	28.02
Materials	104,535,144	95,597,988	19.56
Telecommunication services	50,744,284	53,027,060	10.85
Retailing	27,198,018	23,081,795	4.72
Consumer services	17,080,622	22,474,492	4.60
Health care equipment & services	13,937,554	22,140,363	4.53
Utilities	18,206,958	21,079,843	4.31
Others	138,008,463	114,413,406	23.41
Sub total	449,451,051	488,757,831	100.00
IPO	5,678,850	5,678,850	
Total	455,129,901	494,436,681	100.00

5.1. Investments carried at FVTPL include investment in related parties (Refer Note 6).**6 RELATED PARTIES TRANSACTIONS AND BALANCES****Management fee and other expenses**

For management services, the Fund pays quarterly management fees at an annual rate of 1.50% 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.

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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**For the six-month period ended 30 June 2022****(Amounts in Saudi Arabian Riyals)****6 RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)**

Related parties	Nature of relationship	Nature of transaction	30 June 2022 (Un-audited)	30 June 2021 (Un-audited)
Aljazira Capital Company	Fund Manager	Management fee	5,542,634	3,792,485
		Shares purchased during the period	950,365	25,143,603
		Shares disposed during the period	741,230	(30,798,760)
Bank Aljazira	Affiliate	Unrealized gain/ (loss) during the period	(2,092,189)	3,622,774
		Realized gain / (loss) during the period	2,751,048	5,005,683
		Dividend income	365,770	-
Fund's Board	Key executive	Board remuneration	7,979	7,934

An affiliate of the Fund Manager and other funds managed and administered by the Fund Manager have subscribed units of the Fund, the details of outstanding units as at period-end/year-end are as follows:

Related parties, nature of relationship and outstanding units	30 June 2022 (Un-audited)	31 December 2021 (Audited)
<i>(Unit in numbers)</i>		
Affiliate		
Aljazira Takaful Taawuni Company	550,262	579,975
Funds managed by the Fund Manager		
Aljazira Asset Allocation Fund - Growth Strategy	97,612	51,457
Aljazira Asset Allocation Fund - Moderate Strategy	20,029	13,736
Aljazira Asset Allocation Fund - Conservative Strategy	17,551	11,679

Balances with related parties

Related parties	Nature of relationship	Nature of transaction	30 June 2022 (Un-audited)	31 December 2021 (Audited)
Bank Aljazira	Affiliate	Cash at bank	547,994	1,702,965
		Investment designated at FVPL	35,389,832	26,592,562
Aljazira Capital Company	Fund Manager	Management fee payable	2,884,780	2,193,391
Fund's Board	Key executive	Remuneration payable *	23,934	15,956

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**For the six-month period ended 30 June 2022****(Amounts in Saudi Arabian Riyals)****7 UNIT TRANSACTIONS**

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

	30 June 2022 (Un-audited)	31 December 2021 (Audited)
	<i>(Unit in numbers)</i>	
Units at beginning of the period / year	922,114	848,406
Units issued during the period / year	150,201	217,232
Units redeemed during the period / year	(192,026)	(143,624)
Net change in units	(41,825)	73,707
Units at end of the period / year	880,289	922,114

8 NET REALIZED AND UNREALIZED GAIN FROM INVESTMENTS CARRIED AT FVTPL

	30 June 2022 (Un-audited)	30 June 2021 (Un-audited)
Unrealized (loss) / gain on revaluation of investments	(18,854,575)	62,291,770
Realised gain on disposal of investments	44,410,458	58,468,216
	25,555,883	120,759,986

9 FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2022 (Un-audited)	Amortized cost	FVTPL
Assets as per interim statement of financial position		
Cash and cash equivalents	31,229,745	-
Investments carried at FVTPL	-	548,561,304
Prepayments and other receivables	2,898	-
Dividend receivable	322,095	-
Total	31,554,738	548,561,304
31 December 2021 (Audited)	Amortized cost	FVTPL
Assets as per statement of financial position		
Cash and cash equivalents	85,953,364	-
Investments carried at FVTPL	-	494,436,681
Prepayments and other receivables	8,386	-
Dividend receivable	165,724	-
Total	86,127,474	494,436,681

All financial liabilities as at 30 June 2022 and 31 December 2021 were measured at amortized cost.

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.

ALJAZIRA SAUDI EQUITIES FUND**Open-Ended Fund**

(Managed by Aljazira Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**For the six-month period ended 30 June 2022****(Amounts in Saudi Arabian Riyals)****10 FINANCIAL RISK MANAGEMENT (CONTINUED)**

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.

All the financial instruments held by the Fund are in Saudi Riyals and therefore they are not exposed to foreign exchange risk.

(ii) 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 commission 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 equity investments in listed equity securities.

The effect on the net assets (equity) value (as a result of the change in the fair value of significant investments as at 30 June 2022 and 31 December 2021) 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 2022		31 December 2021	
	(Un-audited)		(Audited)	
	Potential reasonable change %	Effect on NAV	Potential reasonable change %	Effect on NAV
Banks	+/- 1%	+/-2,144,271	+/- 1%	+/-1,369,429
Materials	+/- 1%	+/-827,134	+/- 1%	+/-955,980
Telecommunication services	+/- 1%	+/-541,685	+/- 1%	+/-530,271
Software services	+/- 1%	+/-301,469	+/- 1%	-
Food and staples	+/- 1%	+/-291,659	+/- 1%	-
Retailing	+/- 1%	+/-285,878	+/- 1%	+/-230,818
Health care equipment and services	+/- 1%	+/-263,566	+/- 1%	+/-221,404
Others	+/- 1%	+/-829,952	+/- 1%	+/-1,144,134
Consumer services	+/- 1%	-	+/- 1%	+/-224,745
Utilities	+/- 1%	-	+/- 1%	+/-210,798

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

ALJAZIRA SAUDI EQUITIES FUND**Open-Ended Fund**

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**For the six-month period ended 30 June 2022****(Amounts in Saudi Arabian Riyals)****10 FINANCIAL RISK MANAGEMENT (CONTINUED)****(b) Credit risk (continued)***Credit ratings*

The credit quality of the Fund's cash and cash equivalents is assessed with reference to external credit ratings which, in all cases, are above investment-grade rating. The cash and cash equivalents along with credit ratings are tabulated below:

Rating of financial institution	30 June 2022 (Un-audited)	31 December 2021 (Audited)
Cash and cash equivalents		
BBB+	547,994	1,702,965
Unrated	30,681,751	84,250,399

(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 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 2022 (Un-audited)		
	Less than 1 year	More than 1 year	Total
Cash and cash equivalents	31,229,745	-	31,229,745
Investments carried at FVTPL	548,561,304	-	548,561,304
Dividend receivable	322,095	-	322,095
Prepayments and other receivables	2,898	-	2,898
Total	580,116,042	-	580,116,042
Management fee payable	2,884,780	-	2,884,780
Payable to Unitholders on account of redemptions	1,335,822	-	1,335,822
Accrued expenses and other liabilities	423,606	-	423,606
Total	4,644,208	-	4,644,208
	31 December 2021 (Audited)		
	Less than 1 year	More than 1 year	Total
Cash and cash equivalents	85,953,364	-	85,953,364
Investments carried at FVTPL	494,436,681	-	494,436,681
Dividend receivable	165,724	-	165,724
Prepayments and other receivables	8,386	-	8,386
Total	580,564,155	-	580,564,155
Management fee payable	2,193,391	-	2,193,391
Payable to Unitholders on account of redemptions	1,337,191	-	1,337,191
Accrued expenses and other liabilities	389,998	-	389,998
Total	3,920,580	-	3,920,580

ALJAZIRA SAUDI EQUITIES FUND

Open-Ended Fund

(Managed by Aljazira Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2022

(Amounts in Saudi Arabian Riyals)

10 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.

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 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 1.

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

12 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.

13 LAST VALUATION DAY

The last valuation day for the purpose of preparation of these interim condensed financial statements was 30 June 2022 (2021: 30 December 2021).

14 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved and authorized for issue by the Fund's Board on 23 Muharram 1444H corresponding to 21 August 2022G.