

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 2022
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 2022

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

**TO THE UNITHOLDERS OF
Aljazira SAR Murabaha Fund**

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 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: 22 Muharram 1444H
Corresponding to: 24 August 2022

ALJAZIRA SAUDI RIYAL MURABAHA 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)
ASSETS			
Cash at Bank	4	186,671,984	69,151,461
Investments measured at fair value through profit or loss (FVTPL)	5	357,743,078	1,283,878,247
Investments carried at amortized cost – Murabaha	6	3,043,709,653	2,863,881,700
Investments carried at amortized cost – Sukuks	7	59,103,065	49,102,009
Prepayments and other receivables		370,916	579,233
TOTAL ASSETS		3,647,598,696	4,266,592,650
LIABILITIES			
Management fee payable		3,147,028	2,302,818
Accrued expenses and other liabilities		44,942	-
TOTAL LIABILITIES		3,191,970	2,302,818
NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS		3,644,406,726	4,264,289,832
Units in issue (in numbers)	9	23,916,021	28,177,014
Net Asset (Equity) Value per unit		152.38	151.34

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 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	10	4,096,953	19,422,122
Income from investments at amortized cost		27,065,091	6,876,300
Other income		5,855	552,410
		31,167,899	26,850,832
<u>Expenses</u>			
Management fees		5,346,868	4,620,447
Custody fees		25,458	-
Other expenses		19,485	-
		5,391,811	4,620,447
Net income for the period		25,776,088	22,230,385
Other comprehensive income for the period		-	-
Total comprehensive income for the period		25,776,088	22,230,385

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 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	4,264,289,832	3,585,637,198
Total comprehensive income for the period	25,776,088	22,230,385
Changes from unit transactions		
Issuance of units	1,542,412,601	2,429,902,649
Redemption of units	(2,188,071,795)	(1,386,048,363)
Net changes from unit transactions	(645,659,194)	1,043,854,286
Net assets (Equity) attributable to the Unitholders at end of the period	3,644,406,726	4,651,721,869

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 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		25,776,088	22,230,385
Adjustments for:			
- Unrealized gain from investments carried at FVTPL	10	<u>(2,793,688)</u>	<u>(976,922)</u>
		22,982,400	21,253,462
<u>Net changes in operating assets and liabilities:</u>			
Investments carried at FVTPL		928,928,857	(439,900,835)
Advance against purchase of investments		-	(10,000,000)
Investments carried at amortized cost – Murabaha		1,985,172,047	(530,464,109)
Investments carried at amortized cost – Sukuk		(10,001,056)	7,597
Prepayments and other receivables		208,317	13,530,587
Management fee payable		844,210	200,541
Accrued expenses and other liabilities		44,942	-
Net cash generated from / (used in) operating activities		<u>2,928,179,717</u>	<u>(945,372,757)</u>
<u>Cash flows from financing activities:</u>			
Proceeds from issuance of units		1,542,412,601	2,429,902,649
Redemption of units		<u>(2,188,071,795)</u>	<u>(1,385,545,862)</u>
Net cash (used in) / generated from financing activities		<u>(645,659,194)</u>	<u>1,044,356,787</u>
Net change in cash and cash equivalents			
Cash and cash equivalents at beginning of the period	4	<u>639,151,461</u>	<u>3,138,181</u>
Cash and cash equivalents at end of the period	4	<u>2,921,671,984</u>	<u>102,122,211</u>
<u>Supplementary information:</u>			
Payable to Unitholders on account of redemption		<u>-</u>	<u>(502,500)</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 2022

(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 Northern 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 Chartered and Professional 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 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 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.

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 2022

(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

	<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	186,671,984	69,151,461
Murabaha placements with original maturity of 3 months or less		2,735,000,000	570,000,000
		<u>2,921,671,984</u>	<u>639,151,461</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.

5 INVESTMENTS MEASURED AT FVTPL

Investments measured at FVTPL comprise of the following:

Name of Fund	30 June 2022 (Un-audited)		
	<u>Cost</u>	<u>Fair value</u>	<u>%</u>
Alinma SAR Liquidity Fund	185,724,878	187,205,362	52.33
Alpha SAR Murabaha Fund	168,388,265	169,697,188	47.44
HSBC SAR Murabaha Fund	836,247	840,528	0.23
Total	<u>354,949,390</u>	<u>357,743,078</u>	<u>100.00</u>

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(Amounts in Saudi Arabian Riyals)

5 INVESTMENTS MEASURED AT FVTPL (CONTINUED)

Name of Fund	31 December 2021 (Audited)		
	Cost	Fair value	%
Alinma SAR Liquidity Fund	620,160,587	626,908,314	48.83
Alpha SAR Murabaha Fund	517,659,620	523,986,753	40.81
Rajhi SAR Commodity Fund	95,399,020	96,166,128	7.49
HSBC SAR Murabaha Fund	36,677,801	36,817,052	2.87
Total	1,269,897,028	1,283,878,247	100.00

6 INVESTMENTS CARRIED AT AMORTIZED COST – MURABAHA PLACEMENTS

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Banque Saudi Fransi	832,848,569	-
First Abu Dhabi Bank	701,895,250	200,274,722
Boubyan Bank	350,408,333	-
Al Rajhi Bank	306,333,153	1,051,135,891
Qatar Islamic Bank	300,897,056	166,818,667
Bank Aljazira	200,901,736	400,229,306
Arab National Bank	150,046,667	-
Emirates national bank	100,200,000	-
National Bank of Kuwait	100,178,889	-
Saudi National Bank	-	480,454,850
Al Rayan Bank	-	211,903,264
Commercial Bank of Dubai	-	171,473,333
United Arab Bank	-	131,256,667
Sharjah Islamic Bank	-	50,335,000
Total	3,043,709,653	2,863,881,700

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

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Carrying amount at the start of period / year	2,863,881,700	593,557,870
Additions during the period / year	4,795,000,000	3,981,758,726
Matured during the period / year	(4,615,758,727)	(1,719,557,870)
Profit recognized during the period / year	26,507,305	15,575,277
Profit received during the period / year	(25,920,625)	(7,452,303)
Carrying amount at the end of the period / year	3,043,709,653	2,863,881,700

6.1. Includes Murabaha placements with original maturity of 3 months or less amounting to SAR 2,735,000,000 (2021: SAR 570,000,000) (See Note 4).

6.2. The rate of profit on Murabaha placements ranges from 1.10% to 3.75% per annum.

6.3. The Fund Manager has performed an assessment of Expected Credit Losses (ECL) 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.

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(Amounts in Saudi Arabian Riyals)

7 INVESTMENTS CARRIED AT AMORTIZED COST – SUKUKS

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Saudi Government SAR Sukuk	30,252,312	30,254,589
KSA Sukuk Limited	18,847,420	18,847,420
Saudi Investment Bank Tier 1 Sukuk	10,003,333	-
Total	59,103,065	49,102,009

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

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Carrying amount at the start of period / year	49,102,009	49,107,328
Additions during the period / year	10,000,000	48,750,000
Matured during the period / year	-	(49,107,328)
Profit recognized during the period / year	557,786	1,542,250
Profit received during the period / year	(556,730)	(1,190,241)
Carrying amount at the end of the period / year	59,103,065	49,102,009

7.1 The Fund Manager has performed an assessment of Expected Credit Losses (ECL) 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 significant.

7.2 The maximum maturity date of Sukuks is March 2030.

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 2022 (Un-audited)	30 June 2021 (Un-audited)
Aljazira Capital Company	Fund Manager	Management fee	5,346,868	4,017,780
		Placements made during the period	610,000,000	594,000,000
		Placements matured during the period	(810,000,000)	(494,000,000)
Bank Aljazira	Affiliate	Profit received during the period	(3,486,028)	(800,479)
		Profit recognized during the period	4,387,764	113,485
Fund's Board	Key executive	Board remuneration	4,428	-

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(Amounts in Saudi Arabian Riyals)

8 RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)

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 2022 (Un-audited)	31 December 2021 (Audited)
	<i>(Unit in numbers)</i>	
Affiliate		
AlJazira Takaful Taawuni Company	2,533,866	1,730,400
Fund Manager		
Al Jazira Capital Company	131,363	1,210,655
Funds Managed by Fund Manager		
AlJazira Asset Allocation Fund - Growth Strategy	138,781	141,292
AlJazira Asset Allocation Fund - Moderate Strategy	125,248	157,007
AlJazira Asset Allocation Fund - Conservative Strategy	399,909	535,393

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	186,671,984	69,151,461
		Murabaha placements	200,901,736	400,229,306
Aljazira Capital Company	Fund Manager	Management fee payable	3,147,028	2,302,818

9 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	28,177,014	23,944,831
Units issued during the period / year	10,159,849	22,887,855
Units redeemed during the period / year	(14,420,842)	(18,655,672)
Net change in units	(4,260,993)	4,232,183
Units at end of the period / year	23,916,021	28,177,014

10 NET GAIN FROM INVESTMENTS CARRIED AT FVTPL

	30 June 2022 (Un-audited)	30 June 2021 (Un-audited)
Unrealized gain on revaluation of investments	2,793,688	976,922
Realised gain on disposal of investments	1,303,265	18,445,200
	4,096,953	19,422,122

ALJAZIRA SAUDI RIYAL MURABAHA FUND

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For the six-month period ended 30 June 2022

(Amounts in Saudi Arabian Riyals)

11 FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2021 (Un-audited)	Amortized cost	FVTPL
As per interim statement of financial position		
ASSETS		
Cash at Bank	186,671,984	-
Prepayments and other receivables	370,916	-
Investments measured at FVTPL	-	357,743,078
Investments carried at amortized cost – Murabaha	3,043,709,653	-
Investments carried at amortized cost – Sukuks	59,103,065	-
Total	3,289,855,618	357,743,078
31 December 2021 (Audited)	Amortized cost	FVTPL
As per statement of financial position		
ASSETS		
Cash at Bank	69,151,461	-
Prepayments and other receivables	579,233	-
Investments measured at FVTPL	-	1,283,878,247
Investments carried at amortized cost – Murabaha	2,863,881,700	-
Investments carried at amortized cost – Sukuks	49,102,009	-
Total	2,982,714,403	1,283,878,247

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

12 FINANCIAL RISK MANAGEMENT

The objective of the Fund 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.

(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's investments in Murabaha are fixed rate financial instruments, hence, the Fund is exposed to commission rate risk, however the Murabaha placements are of short term and significant portfolio will be matured within a period of one year. Accordingly, the Fund is not exposed to material commission rate risk.

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(Amounts in Saudi Arabian Riyals)

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

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 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
Alinma SAR Liquidity Fund	+/- 1%	+/- 1,872,054	+/- 1%	+/-6,269,083
Alpha SAR Murabaha Fund	+/- 1%	+/- 1,696,972	+/- 1%	+/-5,239,868
HSBC SAR Murabaha Fund	+/- 1%	+/- 8,405	+/- 1%	+/-368,171
Rajhi SAR Commodity Fund	+/- 1%	-	+/- 1%	+/-961,661

(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 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 2022	31 December 2021
	(Unaudited)	(Audited)
Cash at Bank		
BBB+	186,671,984	69,151,461
Murabaha placements		
A1	-	1,463,313,877
A2	450,608,333	480,454,850
A3	306,333,153	-
Aa2	100,178,889	-
Aa3	1,002,792,306	400,229,306
BBB	-	171,473,333
baa1	1,183,796,972	166,818,667
baa3	-	50,335,000
b1	-	131,256,667
Total	3,043,709,653	2,863,881,700

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 2022

(Amounts in Saudi Arabian Riyals)

12 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Rating of financial institution	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Sukuks		
A1	30,252,312	30,254,589
A	18,847,420	18,847,420
BBB+	10,003,333	-
Total	59,103,065	49,102,009

(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 at Bank	186,671,984	-	186,671,984
Investments measured at FVTPL	357,743,078	-	357,743,078
Investments carried at amortized cost – Murabaha placements	3,023,707,597	20,002,056	3,043,709,653
Investments carried at amortized cost – Sukuks	353,065	58,750,000	59,103,065
Prepayments and other receivables	370,916	-	370,916
Total	3,568,846,640	78,752,056	3,647,598,696
Accrued and other expenses	44,942	-	44,942
Management fee payable	3,147,028	-	3,147,028
Total	3,191,970	-	3,191,970
	31 December 2021 (Audited)		
	Less than 1 year	More than 1 year	Total
Cash at Bank	69,151,461	-	69,151,461
Investments measured at FVTPL	1,283,878,247	-	1,283,878,247
Investments carried at amortized cost – Murabaha placements	2,863,881,700	-	2,863,881,700
Prepayments and other receivables	579,233	-	579,233
Investments carried at amortized cost – Sukuks	352,009	48,750,000	49,102,009
Total	4,217,842,650	48,750,000	4,266,592,651
Management fee payable	2,302,818	-	2,302,818
Total	2,302,818	-	2,302,818

(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 providers 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 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 2022

(Amounts in Saudi Arabian Riyals)

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 1.

Valuation technique for calculating the fair value of investments under Level 2 comprises of determining the net asset value per unit of the investee 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 high credit quality of counterparty. For all other financial assets and liabilities, the carrying value is an approximation of fair value.

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 2022 (2021: 30 December 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 23 Muharram 1444H corresponding to 21 August 2022G.