

ALJAZIRA EUROPEAN EQUITIES FUND
Open-Ended Fund
(Managed by Aljazira Capital Company)
Interim Condensed Financial Statements (Unaudited)
For the six-months period ended 30 June 2023
Together with the
Independent Auditor's Review Report to the Unitholders

ALJAZIRA EUROPEAN EQUITIES FUND

Open-Ended Fund

(Managed by Aljazira Capital Company)

INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)

For the six-months period ended 30 June 2023

	PAGES
INDEPENDENT AUDITOR'S REVIEW REPORT TO THE UNITHOLDERS	2
INTERIM STATEMENT OF FINANCIAL POSITION	3
INTERIM STATEMENT OF COMPREHENSIVE INCOME / (LOSS)	4
INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS	5
INTERIM STATEMENT OF CASH FLOWS	6
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS	7 - 17

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

TO THE UNITHOLDERS OF ALJAZIRA EUROPEAN EQUITIES FUND

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of ALJAZIRA EUROPEAN EQUITIES FUND (the "Fund"), managed by Aljazira Capital Company (the Fund Manager) as at 30 June 2023 and the related interim statement of comprehensive income / (Loss), interim changes in net assets (equity) attributable to the unitholders and interim cash flows for the six-months 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: 23 Muharram 1445H
Corresponding to: 10 August 2023



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

(Managed by Aljazira Capital Company)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

(Amounts in United States Dollars)

	Notes	30 June 2023 (Un-audited)	31 December 2022 (Audited)
<u>ASSETS</u>			
Cash and cash equivalents	4	619,281	1,210,783
Investments carried at fair value through profit or loss (FVTPL)	5	46,113,199	42,257,818
Receivable against sale of investments		422,308	-
Dividend receivable		27,711	17,654
Prepayments and other receivables		2,049	768
TOTAL ASSETS		47,184,548	43,487,023
<u>LIABILITIES</u>			
Management fee payable	6	186,687	354,666
Payable against purchase of investments		372,270	-
Accrued expenses and other liabilities		119,139	83,504
TOTAL LIABILITIES		678,096	438,170
NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS		46,506,452	43,048,853
Units in issue (in numbers)	7	235,276	242,657
Net Asset (Equity) Value per unit		197.67	177.41

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

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

(Managed by Aljazira Capital Company)

INTERIM STATEMENT OF COMPREHENSIVE INCOME / (LOSS)**For the six-months period ended 30 June 2023****(Amounts in United States Dollars)**

	Notes	30 June 2023 (Un-audited)	30 June 2022 (Un-audited)
<u>Income</u>			
Net gain / (loss) from investments carried at FVTPL	8	4,838,839	(16,735,966)
Dividend income		611,719	963,641
Other income		-	223
		5,450,558	(15,772,102)
<u>Expenses</u>			
Management fee	6	(379,920)	(461,335)
Custody fees		(7,107)	(22,829)
Other expenses		(185,141)	(255,955)
		(572,168)	(740,119)
Net income / (loss) for the period		4,878,390	(16,512,221)
Other comprehensive income for the period		-	-
Total comprehensive income / (loss) for the period		4,878,390	(16,512,221)

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

ALJAZIRA EUROPEAN 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-months period ended 30 June 2023****(Amounts in United States Dollars)**

	30 June 2023 (Un-audited)	30 June 2022 (Un-audited)
Net assets (Equity) attributable to the Unitholders at beginning of the period	43,048,853	70,997,342
Total comprehensive income / (loss) for the period	4,878,390	(16,512,221)
Changes from unit transactions		
Issuance of units	1,527,404	2,428,636
Redemption of units	(2,948,195)	(15,553,465)
Net changes from unit transactions	(1,420,791)	(13,124,829)
Net assets (Equity) attributable to the Unitholders at end of the period	46,506,452	41,360,292

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

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

(Managed by Aljazira Capital Company)

INTERIM STATEMENT OF CASH FLOWS**For the six-months period ended 30 June 2023****(Amounts in United States Dollars)**

	<u>Notes</u>	<u>30 June 2023</u> <u>(Un-audited)</u>	<u>30 June 2022</u> <u>(Un-audited)</u>
<u>Cash flows from operating activities:</u>			
Net income / (loss) for the period		4,878,390	(16,512,221)
Adjustments for:			
- Unrealized (gain) / loss from investments carried at FVTPL	8	(4,448,591)	17,619,673
		<u>429,799</u>	<u>1,107,452</u>
<u>Net changes in operating assets and liabilities:</u>			
Investments carried at FVTPL		593,210	11,337,489
Receivable against sale of investments		(422,308)	(226,274)
Dividend receivable		(10,057)	(12,435)
Prepayments and other receivables		(1,281)	2,271
Management fee payable		(167,979)	(102,042)
Payable against purchase of investments		372,270	-
Dividends payable		-	16,028
Accrued expenses and other liabilities		35,635	(147,761)
Net cash generated from operating activities		<u>829,289</u>	<u>11,974,728</u>
<u>Cash flows from financing activities:</u>			
Proceeds from issuance of units		1,527,404	2,428,636
Redemption of units, net of payable *		(2,948,195)	(15,553,029)
Net cash used in financing activities		<u>(1,420,791)</u>	<u>(13,124,393)</u>
Net decrease in cash and cash equivalents		(591,502)	(1,149,665)
Cash and cash equivalents at beginning of the period	4	<u>1,210,783</u>	<u>1,801,598</u>
Cash and cash equivalents at end of the period	4	<u>619,281</u>	<u>651,933</u>
Supplementary information			
* Payable to Unitholders on account of redemptions		<u>-</u>	<u>436</u>

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

ALJAZIRA EUROPEAN EQUITIES FUND

Open-Ended Fund

(Managed by Aljazira Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-months period ended 30 June 2023

(Amounts in United States Dollars)

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Al Jazira European 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 16 September 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 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 Northern trust (the “Administrator”). The Fund’s assets are held in the custody of Northern Trust Securities (the “Custodian”). Lazard Asset Management Limited acts as a Sub Manager to the Fund. Fee paid to the Sub Manager is borne by the Fund Manager except for performance fee which is borne by the Fund and paid to Fund Manager for onward settlement.

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 2022. The results for the six-months period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

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

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 (loss) / income.

ALJAZIRA EUROPEAN EQUITIES FUND

Open-Ended Fund

(Managed by Aljazira Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-months period ended 30 June 2023

(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 year ended 31 December 2022. There are new standards, amendments and interpretations apply for the first time in 2023, 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 management 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 2023 (Un-audited)	31 December 2022 (Audited)
Cash with Custodian	4.1	619,281	1,210,783
		619,281	1,210,783

4.1. These funds are placed with the Custodian (also see Note 1).

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

(Managed by Aljazira Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**For the six-months period ended 30 June 2023****(Amounts in United States Dollars)****5 INVESTMENTS CARRIED AT FVTPL**

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

Industry sector	30 June 2023 (Un-audited)		
	Cost	Fair value	%
Pharmaceuticals	9,080,578	12,840,540	27.85%
Semiconductors	2,316,015	4,108,441	8.91%
Food	2,571,211	3,220,859	6.98%
Retail	2,507,985	2,886,811	6.26%
Cosmetics / Personal care	2,732,659	2,807,048	6.09%
Software services	1,791,703	1,994,904	4.33%
Metal Fabricate / Hardware	1,462,045	1,584,312	3.44%
Apparel	1,031,039	1,569,936	3.40%
Machinery diversified	1,249,181	1,316,860	2.86%
Computers	1,481,176	1,316,735	2.86%
Healthcare products	1,281,080	1,304,077	2.83%
Building Materials	1,308,712	1,222,166	2.65%
Electrical component and equipment	766,694	1,205,525	2.61%
Others	8,460,388	8,734,985	18.94%
Total	38,040,466	46,113,199	100.00%

Industry sector	31 December 2022 (Audited)		
	Cost	Fair value	%
Pharmaceuticals	7,153,523	10,557,870	24.98
Food	3,124,377	3,667,459	8.68
Semiconductors	2,453,482	3,496,536	8.27
Cosmetics/Personal Care	2,879,643	2,782,386	6.58
Retail	2,438,580	2,177,956	5.15
Commercial Services	2,067,559	1,749,118	4.14
Chemicals	1,319,839	1,251,194	2.96
Healthcare-Products	1,228,361	1,222,030	2.89
Media	995,264	1,187,478	2.81
Electrical Component and Equipment	914,603	1,178,620	2.79
Apparel	909,984	1,166,325	2.76
Software	1,425,925	1,152,903	2.73
Metal Fabricate/Hardware	1,120,990	1,062,338	2.51
Computers	1,153,122	968,524	2.29
Others	9,343,763	8,637,081	20.44
Total	38,529,015	42,257,818	100%

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

(Managed by Aljazira Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**For the six-months period ended 30 June 2023****(Amounts in United States Dollars)****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 pays performance fees at a rate of 20% on the specified benchmark criteria as per 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 0.25% of the value of Fund's net assets (equity) calculated on a 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 2023 (Un-audited)	30 June 2022 (Un-audited)
Aljazira Capital Company	Fund Manager	Management fee	(379,920)	(461,335)
		Performance fee	(151,621)	-
Bank Aljazira	Affiliate	Bank charges	-	(4,728)
Fund's Board	Key executive	Board remuneration	(2,047)	(2,128)

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 outstanding units at period end are as follows:

Related parties and nature of relationship	30 June 2023 (Un-audited)	31 December 2022 (Audited)
	<i>(Unit in numbers)</i>	
Affiliate		
Aljazira Takaful Taawuni Company	220,450	227,633

Balances with related parties

Related parties	Nature of relationship	Nature of transaction	30 June 2023 (Un-audited)	31 December 2022 (Audited)
Aljazira Capital Company	Fund Manager	Management fee payable	(186,687)	(354,666)
		Performance fee payable *	(29,715)	(10,502)
Fund's Board	Key executive	Remuneration payable *	(2,022)	(8,511)

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

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

(Managed by Aljazira Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**For the six-months period ended 30 June 2023****(Amounts in United States Dollars)****7 UNIT TRANSACTIONS**

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

	30 June 2023 (Un-audited)	31 December 2022 (Audited)
	<i>(Unit in numbers)</i>	
Units at beginning of the period / year	242,657	315,886
Units issued during the period / year	7,990	22,487
Units redeemed during the period / year	(15,371)	(95,716)
Net change in units	(7,381)	(73,229)
Units at end of the period / year	235,276	242,657

8 NET GAIN / (LOSS) FROM INVESTMENTS CARRIED AT FVTPL

	30 June 2023 (Un-audited)	30 June 2022 (Un-audited)
Unrealized gain / (loss) on revaluation of investments	4,448,591	(17,619,673)
Realised gain / (loss) on disposal of investments	390,248	883,707
	4,838,839	(16,735,966)

9 FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2023 (Un-audited)	Amortized cost	FVTPL
Assets as per interim statement of financial position		
Cash and cash equivalents	619,281	-
Investments carried at FVTPL	-	46,113,199
Receivable against sale of investments	422,308	-
Dividend receivable	27,711	-
Prepayments and other receivables	2,049	-
Total	1,071,349	46,113,199
Liabilities as per interim statement of financial position		
Management fee payable	186,687	-
Payable against purchase of investments	372,270	-
Accrued expenses and other liabilities	119,139	-
Total	678,096	-
31 December 2022 (Audited)	Amortized cost	FVTPL
Assets as per statement of financial position		
Cash and cash equivalents	1,210,783	-
Investments carried at FVTPL	-	42,257,818
Dividend receivable	17,654	-
Prepayments and other receivables	768	-
Total	1,229,205	42,257,818

ALJAZIRA EUROPEAN EQUITIES FUND

Open-Ended Fund

(Managed by Aljazira Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-months period ended 30 June 2023

(Amounts in United States Dollars)

10 FINANCIAL RISK MANAGEMENT

10.1 Financial risk factors

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's significant investments in equity instruments carried at fair value through profit or loss are exposed to the foreign exchange risk in following currencies:

Currency	Country	30 June 2023 (Un-audited)		31 December 2022 (Audited)	
		Fair value	%	Fair value	%
EUR	Europe	20,921,907	45.37	20,387,784	48.25
CHF	Switzerland	10,253,969	22.24	9,666,143	22.87
GBP	United Kingdom	6,955,366	15.08	5,401,323	12.78
DKK	Denmark	4,069,395	8.82	3,383,263	8.01
SEK	Sweden	3,212,518	6.97	2,805,297	6.64
NOK	Norway	321,795	0.70	62,119	0.15
		45,734,952	99.18	41,705,928	98.69

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

(Managed by Aljazira Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**For the six-months period ended 30 June 2023****(Amounts in United States Dollars)****10 FINANCIAL RISK MANAGEMENT (CONTINUED)****10.1 Financial risk factors (continued)****(a) Market risk (continued)***(i) Foreign exchange risk (continued)*

The effect on the net assets (equity) value (as a result of the change in the fair value of investments as at 30 June 2023 and 31 December 2022) due to a reasonably possible change in exchange rates based on the currency concentration, with all other variables held constant is as follows:

Currency	Country	30 June 2023 (Un-audited)		31 December 2022 (Audited)	
		Potential reasonable change %	Effect on NAV	Potential reasonable change %	Effect on NAV
EUR	Europe	209,219	+/- 1%	+/- 1%	203,877
CHF	Switzerland	102,540	+/- 1%	+/- 1%	96,661
GBP	United Kingdom	69,553	+/- 1%	+/- 1%	54,013
DKK	Denmark	40,694	+/- 1%	+/- 1%	33,833
SEK	Sweden	32,125	+/- 1%	+/- 1%	28,053
NOK	Norway	3,218	+/- 1%	+/- 1%	621

(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 significant 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 statement of financial position date, the Fund has investments in listed equity securities.

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

(Managed by Aljazira Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**For the six-months period ended 30 June 2023****(Amounts in United States Dollars)****10 FINANCIAL RISK MANAGEMENT (CONTINUED)****10.1 Financial risk factors (continued)****(a) Market risk (continued)***(iii) Price risk (continued)*

The effect on the net assets value (as a result of the change in the fair value of significant investments as at 30 June 2023 and 31 December 2022) 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 2023 (Un-audited)		31 December 2022 (Audited)	
	Potential reasonable change %	Effect on NAV	Potential reasonable change %	Effect on NAV
Pharmaceuticals	128,405	+/- 1%	+/- 1%	105,578
Semiconductors	41,084	+/- 1%	+/- 1%	34,965
Food	32,209	+/- 1%	+/- 1%	36,674
Retail	28,868	+/- 1%	+/- 1%	21,779
Cosmetics and personal care	28,070	+/- 1%	+/- 1%	27,823
Software services	19,949	+/- 1%	+/- 1%	11,529
Metal Fabricate/Hardware	15,843	+/- 1%	+/- 1%	10,623
Apparel	15,699	+/- 1%	+/- 1%	11,663
Machinery diversified	13,169	+/- 1%	+/- 1%	-
Computers	13,167	+/- 1%	+/- 1%	9,685
Healthcare products	13,041	+/- 1%	+/- 1%	12,220
Building Materials	12,222	+/- 1%	+/- 1%	-
Electrical component and equipment	12,055	+/- 1%	+/- 1%	11,786
Others	87,350	+/- 1%	+/- 1%	86,370
Commercial services	-	+/- 1%	+/- 1%	17,491
Chemical	-	+/- 1%	+/- 1%	12,511
Media	-	+/- 1%	+/- 1%	11,874

(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, dividend receivable and receivable against sale of investments. Cash and cash equivalents are placed with reputable financial institutions; hence the credit risk is minimal. For other assets, credit risk is also low.

ALJAZIRA EUROPEAN EQUITIES FUND

Open-Ended Fund

(Managed by Aljazira Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-months period ended 30 June 2023

(Amounts in United States Dollars)

10 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) 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 2023 (Un-audited)	31 December 2022 (Audited)
Cash and cash equivalents		
Unrated	619,281	1,210,783

(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 Monday and Tuesday day and it is, therefore, exposed to the liquidity risk of meeting Unitholder redemptions. The Fund's financial liabilities primarily consist of payables which are expected to be settled within one months from the 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.

The contractual and expected maturity of all liabilities outstanding at the reporting date are within 12 months (2022: due within 12 months).

(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.

10.2 Capital risk Management

The capital of the Fund is represented by the equity attributable to holders of redeemable units. The amount of equity attributable to holders of redeemable units can change significantly on each Valuation Day, as the Fund is subject to subscriptions and redemptions at the discretion of unitholders on every Valuation Day, as well as changes resulting from the Fund's performance. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders, provide benefits for other unitholders and maintain a strong capital base to support the development of the investment activities of the Fund.

The Fund Manager monitor capital on the basis of the value of equity attributable to unitholders.

ALJAZIRA EUROPEAN EQUITIES FUND

Open-Ended Fund

(Managed by Aljazira Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-months period ended 30 June 2023

(Amounts in United States Dollars)

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.

30 June 2023 (Un-audited)	Fair value Level			Total
	1	2	3	

FINANCIAL ASSET

Investments carried at FVTPL	46,113,199	-	-	46,113,199
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31 December 2022 (Audited)	Fair value Level			Total
	1	2	3	

FINANCIAL ASSET

Investments carried at FVTPL	42,257,818	-	-	42,257,818
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During the year, there has been no transfer in fair value hierarchy for FVTPL investments.

Other financial instrument such as, cash at bank are short term assets whose carrying amount approximates their fair value. For all other financial assets and liabilities, the carrying value is an approximation of fair value.

ALJAZIRA EUROPEAN EQUITIES FUND

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-months period ended 30 June 2023

(Amounts in United States Dollars)

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 22 June 2023 (2022: 29 December 2022). 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 2023.

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 22 Muharram 1445H corresponding to 9 August 2023G.