

ALJAZIRA GCC INCOME 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 GCC INCOME 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	4
INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS	5
INTERIM STATEMENT OF CASH FLOWS	6
NOTES TO THE INTERIM FINANCIAL STATEMENTS	7 - 16

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

TO THE UNITHOLDERS OF ALJAZIRA GCC INCOME FUND

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of ALJAZIRA GCC INCOME FUND (the "Fund"), managed by Aljazira Capital Company (the Fund Manager) as at 30 June 2023 and the related interim statement of comprehensive income, 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 GCC INCOME FUND**Open-Ended Fund**

(Managed by Aljazira Capital Company)

INTERIM STATEMENT OF FINANCIAL POSITION**As at 30 June 2023****(Amounts in Saudi Riyals)**

	Notes	30 June 2023 (Un-audited)	31 December 2022 (Audited)
<u>ASSETS</u>			
Cash and cash equivalents	4	1,257,851	523,020
Investments carried at fair value through profit or loss (FVTPL)	5	19,118,760	18,988,075
Accrued dividend		705,337	701,666
Prepayments and other receivables		-	60,466
TOTAL ASSETS		21,081,948	20,273,227
<u>LIABILITIES</u>			
Management fee payable	6	77,525	90,040
Accrued expenses and other liabilities		146,622	168,519
TOTAL LIABILITIES		224,147	258,559
NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS		20,857,801	20,014,668
Units in issue (in numbers)	7	108,310	127,149
Net Asset (Equity) Value per unit		192.58	157.41

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

ALJAZIRA GCC INCOME FUND**Open-Ended Fund**

(Managed by Aljazira Capital Company)

INTERIM STATEMENT OF COMPREHENSIVE INCOME**For the six-months period ended 30 June 2023****(Amounts in Saudi Riyals)**

	Notes	30 June 2023 (Un-audited)	30 June 2022 (Un-audited)
<u>Income</u>			
Net gain from investments carried at FVTPL	8	4,227,151	12,110,114
Dividend income		358,221	493,313
Other income		-	142,872
		4,585,372	12,746,299
<u>Expenses</u>			
Management fee	6	(161,015)	(383,635)
Custody fees		(4,294)	(10,230)
Other expenses		(69,691)	(52,312)
		(235,000)	(446,177)
Net income for the period		4,350,372	12,300,122
Other comprehensive income for the period		-	-
Total comprehensive income for the period		4,350,372	12,300,122

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

ALJAZIRA GCC INCOME 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 Saudi Riyals)**

	Notes	30 June 2023 (Un-audited)	30 June 2022 (Un-audited)
Net assets (Equity) attributable to the Unitholders at beginning of the period		20,014,668	69,357,701
Total comprehensive income for the period		4,350,372	12,300,122
Changes from unit transactions			
Issuance of units		1,025,085	5,097,370
Redemption of units		(4,175,386)	(67,726,540)
Net changes from unit transactions		(3,150,301)	(62,629,170)
Payment of dividends to unitholders	12	(356,938)	(478,834)
Net assets (Equity) attributable to the Unitholders at end of the period		20,857,801	18,549,819

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

ALJAZIRA GCC INCOME 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 Saudi Riyals)**

	Notes	30 June 2023 (Un-audited)	30 June 2022 (Un-audited)
<u>Cash flows from operating activities:</u>			
Net income for the period		4,350,372	12,300,122
Adjustments for:			
- Unrealized gain from investments carried at FVTPL	8	(1,615,110)	(482,279)
		<u>2,735,262</u>	<u>11,817,843</u>
<u>Net changes in operating assets and liabilities:</u>			
Investments carried at FVTPL		1,484,425	52,019,817
Prepayments and other receivables		60,466	(6,992)
Accrued dividend		(3,671)	76,043
Management fee payable		(12,515)	(210,395)
Accrued expenses and other liabilities		(21,897)	25,980
Net cash generated from operating activities		<u>4,242,070</u>	<u>63,722,296</u>
<u>Cash flows from financing activities:</u>			
Proceeds from issuance of units		1,025,085	5,097,370
Redemption of units, net of redemption payable		(4,175,386)	(67,565,735)
Payment of dividends to unitholders		(356,938)	(478,834)
Net cash used in financing activities		<u>(3,507,239)</u>	<u>(62,947,199)</u>
Net increase in cash and cash equivalents		734,831	775,097
Cash and cash equivalents at beginning of the period	4	<u>523,020</u>	<u>1,604,481</u>
Cash and cash equivalents at end of the period	4	<u>1,257,851</u>	<u>2,379,578</u>
<u>Supplementary information:</u>			
Payable to Unitholders on account of redemption		<u>-</u>	<u>160,805</u>

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

ALJAZIRA GCC INCOME 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 Saudi Riyals)

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Aljazira GCC Income Fund (the “Fund”) is an open-ended investment Fund established and managed through an agreement between Aljazira Capital - 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 for establishment of the Fund was granted through its letter no 2414/5 dated 25 Jumada Al- Thani 1434H (corresponding to 05 May 2013). The Fund commenced its operations on 13 July 2013.

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 primarily in Shariah compliant equities, issued and traded in GCC capital markets. The Fund focuses on dividend distributing equities. The Fund’s net income is reinvested 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 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

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).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-months period ended 30 June 2023

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

4 CASH AND CASH EQUIVALENTS

	Notes	30 June 2023 (Un-audited)	31 December 2022 (Audited)
Cash at Bank	4.1, 6	15,653	31,662
Cash with Custodian	4.2	1,242,198	491,358
		1,257,851	523,020

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).

ALJAZIRA GCC INCOME 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 Saudi Riyals)****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	%
Insurance	2,997,872	3,557,269	18.61%
Energy & Utilities	2,415,253	3,267,590	17.09%
Banks & Financial Services	1,726,420	2,686,204	14.05%
Materials	1,859,358	2,024,388	10.59%
Telecommunications & Information Technology	1,039,596	1,291,877	6.76%
Real Estate Management & Development	846,007	1,111,825	5.82%
Retailing	832,042	1,108,086	5.80%
Consumer Services	397,304	695,650	3.64%
Health Care Equipment & Services	270,504	680,644	3.56%
Capital Goods	421,934	678,095	3.55%
Transportation	653,684	617,739	3.23%
Industrial Investment	360,271	427,122	2.23%
Software & Services	301,007	405,338	2.12%
Telecommunication Services	280,872	297,507	1.56%
Consumer Discretionary	213,663	269,426	1.41%
Total	14,615,787	19,118,760	100%

Industry sector	31 December 2022 (Audited)		
	Cost	Fair value	%
Banks & Financial Services	4,275,413	4,093,030	21.56%
Materials	3,956,938	3,473,290	18.29%
Energy & Utilities	3,164,825	3,311,762	17.44%
Consumer Services	1,548,594	1,758,332	9.26%
Telecommunication Services	2,003,703	1,616,482	8.51%
Health Care Equipment & Services	753,519	861,993	4.54%
Transportation	904,886	849,939	4.48%
Real Estate Management & Development	665,880	746,364	3.93%
Capital Goods	706,450	643,776	3.39%
Industrial Investment	409,316	411,866	2.17%
Software & Services	452,368	411,489	2.17%
Food & Staples Retailing	265,970	273,038	1.44%
Consumer Discretionary	246,417	249,102	1.31%
Retailing	333,084	217,527	1.15%
Food & Beverages	63,863	70,085	0.37%
Total	19,751,226	18,988,075	100%

ALJAZIRA GCC INCOME 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 Saudi Riyals)****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. These expenses are not expected to exceed an annual rate of 0.25% of the value of Fund's net assets (equity) calculated on daily basis.

Transactions with related parties

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

Related parties	Nature of relationship	Nature of transaction	30 June 2023 (Un-audited)	30 June 2022 (Un-audited)
Aljazira Capital Company	Fund Manager	Management fee	(161,015)	(383,635)
		Shares purchased during the period	-	-
		Shares disposed during the period	(23,459)	(50,645)
Bank Aljazira	Affiliate	Unrealized gain/ (loss) during the period	-	85,287
		Realized gain/ (loss) during the period	-	618,349
		Dividend income		40,237
Fund's Board	Key executive	Board remuneration	(5,754)	(5,951)

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 as at period end/ year end are as follows:

Related parties and nature of relationship	30 June 2023 (Un-audited)	31 December 2022 (Audited)
	<i>(Unit in numbers)</i>	
Fund Manager		
Aljazira Capital Company	37,899	37,899

Balances with related parties

Related parties	Nature of relationship	Nature of transaction	30 June 2023 (Un-audited)	31 December 2022 (Audited)
Bank Aljazira	Affiliate	Cash at bank	15,653	31,662
Aljazira Capital Company	Fund Manager	Management fee payable	(77,525)	(90,040)
Fund's Board	Key executive	Remuneration payable *	(11,934)	(11,934)

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

ALJAZIRA GCC INCOME 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 Saudi Riyals)

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	127,149	466,227
Units issued during the period / year	5,908	54,529
Units redeemed during the period / year	(24,747)	(393,607)
Net change in units	(18,839)	(339,078)
Units at end of the period / year	108,310	127,149

8 NET GAIN FROM INVESTMENTS CARRIED AT FVTPL

	30 June 2023 (Un-audited)	30 June 2022 (Un-audited)
Unrealized gain on revaluation of investments	1,615,110	482,279
Realised gain on disposal of investments	2,612,041	11,627,835
	4,227,151	12,110,114

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	1,257,851	-
Investments measured at fair value through profit or loss	-	19,118,760
Dividend receivable	705,337	-
Total	1,963,188	19,118,760
Liabilities as per interim statement of financial position		
Management fee payable	77,525	-
Accrued expenses and other liabilities	146,622	-
Total	224,147	-
31 December 2022 (Audited)	Amortized cost	FVTPL
Assets as per statement of financial position		
Cash and cash equivalents	523,020	-
Investments carried at FVTPL	-	18,988,075
Dividend receivable	701,666	-
Prepayments and other receivables	60,466	-
Total	1,285,152	18,988,075
Liabilities as per statement of financial position		
Management fee payable	90,040	-
Accrued expenses and other liabilities	168,519	-
Total	258,559	-

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six-months period ended 30 June 2023
(Amounts in Saudi Riyals)

10 FINANCIAL RISK MANAGEMENT

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

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

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

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

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

(a) Market risk

(i) Foreign exchange risk

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

The Fund's investments in equity instruments measured at FVTPL are expose to the foreign exchange risk in the following currencies:

Currency	Country	30 June 2023 (Unaudited)		31 December 2022 (Audited)	
		Fair Value	%	Fair value	%
AED	United Arab Emirates	2,532,041	13.24	3,549,540	18.69
KWD	Kuwait	798,770	4.18	858,607	4.52
QAR	Qatar	412,605	2.16	501,980	2.64
USD	United States of America	-	-	2,948	0.02
		3,743,416	19.58	4,913,075	25.87

The effect on the net assets value (as a result of the change in the fair value of investments as at 30 June 2023 and 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 (Unaudited)		31 December 2022 (Audited)	
		Potential reasonable change %	Effect on NAV	Potential reasonable change %	Effect on NAV
AED	UAE	+/- 1%	25,320	+/- 1%	35,495
KWD	Kuwait	+/- 1%	7,988	+/- 1%	8,586
QAR	Qatar	+/- 1%	4,126	+/- 1%	5,020
USD	USA	-	-	+/- 1%	29

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six-months period ended 30 June 2023
(Amounts in Saudi Riyals)

10 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(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 variable commission rate bearing financial instruments.

(iii) Price risk

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

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

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 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		31 December 2022	
	(Un-audited)		(Audited)	
	Potential reasonable change %	Effect on NAV	Potential reasonable change %	Effect on NAV
Insurance	+/- 1%	35,573	+/- 1%	-
Energy & Utilities	+/- 1%	32,676	+/- 1%	33,118
Banks & Financial Services	+/- 1%	26,862	+/- 1%	40,930
Materials	+/- 1%	20,244	+/- 1%	34,733
Telecommunication and Information Technology	+/- 1%	12,919	+/- 1%	-
Real Estate Management & Development	+/- 1%	11,118	+/- 1%	7,464
Retailing	+/- 1%	11,081	+/- 1%	2,175
Consumer Services	+/- 1%	6,957	+/- 1%	17,583
Health Care Equipment & Services	+/- 1%	6,806	+/- 1%	8,620
Capital Goods	+/- 1%	6,781	+/- 1%	6,438
Transportation	+/- 1%	6,177	+/- 1%	8,499
Industrial Investment	+/- 1%	4,271	+/- 1%	4,119
Software & Services	+/- 1%	4,053	+/- 1%	4,115
Telecommunication Services	+/- 1%	2,975	+/- 1%	16,165
Consumer Discretionary	+/- 1%	2,694	+/- 1%	2,491
Food & Staples Retailing	+/- 1%	-	+/- 1%	2,730
Food & Beverages	+/- 1%	-	+/- 1%	701

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six-months period ended 30 June 2023
(Amounts in Saudi Riyals)

10 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

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

It is the Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Fund is exposed to credit risk for its cash and cash equivalents, transactions under settlement 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.

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		
BBB+	15,653	31,662
Unrated	1,242,198	491,358

(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. 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.

(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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six-months period ended 30 June 2023
(Amounts in Saudi Riyals)

10 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) 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.

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.

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 the high credit quality of counterparty. For all other financial assets and liabilities, the carrying value is an approximation of fair value.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-months period ended 30 June 2023

(Amounts in Saudi Riyals)

12 DIVIDEND DISTRIBUTION

In accordance with the approved terms and conditions, the Fund has to distribute dividend at the end of May and November every year. The Fund's Board approved to distribute dividends with regards to period ended 31 May 2023 [2022: 31 May 2022] amounting to SAR 356,938 [2022: SAR 478,834] to its Unitholders.

13 EVENTS AFTER THE END OF THE REPORTING PERIOD

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

14 LAST VALUATION DAY

The last valuation day for the purpose of preparation of these interim condensed financial statements was 22 June 2023 (2022: 29 December 2022).

15 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved and authorized for issue by the Fund's Board on 22 Muharram 1445H corresponding to 9 August 2023G.