

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

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

INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)
For the six-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 SUKUK FUND

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of ALJAZIRA SUKUK FUND (the "Fund"), managed by Aljazira Capital Company (the Fund Manager) as at 30 June 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.

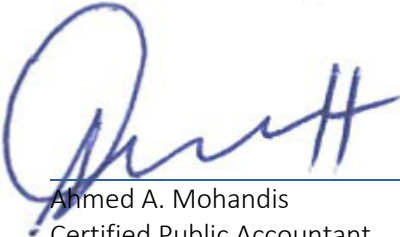
SCOPE OF REVIEW

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
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Riyadh: 23 Muharram 1445H

Corresponding to: 10 August 2023



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ALJAZIRA SUKUK FUND**Open-Ended Fund**

(Managed by Aljazira Capital Company)

INTERIM STATEMENT OF FINANCIAL POSITION**As at 30 June 2023****(Amounts in United States Dollar)**

	Notes	30 June 2023 (Un-audited)	31 December 2022 (Audited)
<u>ASSETS</u>			
Cash and cash equivalents	4	-	991,629
Investments carried at fair value through profit or loss (FVTPL)	5	32,437,396	38,830,750
Receivable against sale of investments		816,560	-
Accrued special commission income		376,082	336,945
Prepayments and other receivables		2,236	1,437
TOTAL ASSETS		33,632,274	40,160,761
<u>LIABILITIES</u>			
Management fee payable	6	61,540	156,600
Payable to Unitholders on account of redemption		355,000	-
Accrued expenses and other liabilities		100,122	65,845
TOTAL LIABILITIES		516,662	222,445
NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS		33,115,612	39,938,316
Units in issue (in numbers)	7	363,123	448,173
Net Asset (Equity) Value per unit		91.20	89.11

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

ALJAZIRA SUKUK FUND**Open-Ended Fund**

(Managed by Aljazira Capital Company)

INTERIM STATEMENT OF 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	224,241	(2,979,742)
Special commission income		778,794	624,413
Other income		55,005	251
		<u>1,058,040</u>	<u>(2,355,078)</u>
<u>Expenses</u>			
Management fee	6	(135,469)	(123,939)
Custody fees		(13,132)	(11,866)
Other expenses		(19,418)	(41,554)
		<u>(168,019)</u>	<u>(177,359)</u>
Net income / (loss) for the period		890,021	(2,532,437)
Other comprehensive income for the period		-	-
Total comprehensive income / (loss) for the period		890,021	(2,532,437)

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

ALJAZIRA SUKUK FUND**Open-Ended Fund**

(Managed by Aljazira Capital Company)

INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS**For the six-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	39,938,316	25,258,016
Total comprehensive income / (loss) for the period	890,021	(2,532,437)
Changes from unit transactions		
Issuance of units	2,317,744	36,300,941
Redemption of units	(10,030,469)	(19,053,095)
Net changes from unit transactions	(7,712,725)	17,247,846
Dividend distribution	-	(1,136,559)
Net assets (Equity) attributable to the Unitholders at end of the period	33,115,612	38,836,866

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

ALJAZIRA SUKUK FUND**Open-Ended Fund**

(Managed by Aljazira Capital Company)

INTERIM STATEMENT OF CASH FLOWS

For the six-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		890,021	(2,532,437)
Adjustments for:			
- Unrealized (gain) / loss from investments carried at FVTPL	8	(552,619)	2,509,282
		<u>337,402</u>	<u>(23,155)</u>
<u>Net changes in operating assets and liabilities:</u>			
Investments carried at FVTPL		6,945,973	(15,611,810)
Receivable against sale of investments		(816,560)	-
Accrued special commission income		(39,137)	(36,622)
Prepayments and other receivables		(799)	16
Management fee payable		(95,060)	25,786
Accrued expenses and other liabilities		34,277	22,163
Net cash generated from / (used in) operating activities		<u>6,366,096</u>	<u>(15,623,622)</u>
<u>Cash flows from financing activities:</u>			
Proceeds from issuance of units		2,317,744	36,300,941
Redemption of units *		(9,675,469)	(19,053,095)
Dividend paid		-	(1,136,559)
Net cash (used in) / generated from financing activities		<u>(7,357,725)</u>	<u>16,111,287</u>
Net (decrease) / increase in cash and cash equivalents			
		(991,629)	487,665
Cash and cash equivalents at beginning of the period	4	<u>991,629</u>	<u>1,229,549</u>
Cash and cash equivalents at end of the period	4	<u>-</u>	<u>1,717,214</u>
Supplementary information:			
Payable to Unitholders on account of redemption		<u>355,000</u>	<u>-</u>

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

ALJAZIRA SUKUK FUND

Open-Ended Fund

(Managed by Aljazira Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-months period ended 30 June 2023

(Amounts in United States Dollars)

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Aljazira Sukuk Fund (the “Fund”) is an open-ended, Saudi Investment Fund established and managed through an agreement between Aljazira Capital Company – a Saudi Closed Joint Stock Company (the “Fund Manager”) and the investors (the “unitholders”) in the Fund. The Fund Manager is a wholly owned subsidiary of Bank Aljazira (the “Bank”). The Capital Market Authority (“CMA”) approval to continue issuing units to public was granted vide its letter No. 495/5 dated 19 Sha’ban 1441H (corresponding to 12 April 2020). The Fund commenced its operations 4 Muharram 1442H (corresponding to 23 August 2020).

The Fund operates under the terms and conditions contained in its prospectus with the prime objective of generating income in the medium to long term and to disburse cash dividends to investors. 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 Northern Trust (the “Administrator”). The Fund’s assets are held in the custody of Northern Trust Securities (the “Custodian”). Franklin Templeton Investment Limited acts as a Fund Sub Manager. Fee paid to the Fund Sub Manager is borne by the Fund Manager.

The Fund is governed by the Investment Fund Regulations (the “Regulations”) published by CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) thereafter amended on 16 Sha’ban 1437H (corresponding to 23 May 2016). The regulation was further amended (the “Amended Regulations”) on 17 Rajab 1442H (corresponding to 1 March 2021) detailing requirements for all funds within the Kingdom of Saudi Arabia. The Amended Regulations have effective dates starting from 19 Ramadan 1442H (corresponding to 1 May 2021).

2 BASIS OF PREPARATION

2.1. Statement of compliance

These interim condensed financial statements of the Fund have been prepared in accordance with International Accounting Standard (IAS) 34 - Interim Financial Reporting that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by the Saudi Organization for Certified Public Accountants (SOCPA) and should be read in conjunction with the Fund’s last annual financial statement for the period ended 31 December 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 income.

ALJAZIRA SUKUK FUND

Open-Ended 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)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 New standards, interpretations and amendments

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used and disclosed in the annual financial statements of the Fund for the period ended 31 December 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

	<u>Notes</u>	<u>30 June 2023</u> <u>(Un-audited)</u>	<u>31 December 2022</u> <u>(Audited)</u>
Cash with Custodian	4.1	-	991,629
		-	991,629

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

ALJAZIRA SUKUK FUND**Open-Ended 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)

5 INVESTMENTS CARRIED AT FVTPL

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

QUOTED	30 June 2023		
	(Un-audited)		
	Cost	Fair value	%
Perusahaan Penerbit SBSN	6,652,642	6,082,455	18.75%
Saudi Electricity Global	3,272,338	3,115,208	9.60%
KSA Sukuk Ltd	2,363,546	2,219,051	6.84%
ICDPS Sukuk Ltd	1,593,926	1,488,338	4.59%
SA Global Sukuk	1,366,810	1,249,700	3.85%
DAE Sukuk DIFC Ltd	1,278,550	1,241,656	3.83%
Aldar Sukuk Ltd	1,335,380	1,238,791	3.82%
Hong Kong Sukuk	1,253,957	1,154,340	3.56%
Maldives Sukuk Issuance	1,296,960	1,141,012	3.52%
MAF Sukuk Ltd	1,080,926	1,039,742	3.21%
KIB Sukuk Ltd	1,024,616	955,654	2.95%
Egypt Taskeen Co	928,332	931,972	2.87%
FAB Sukuk Company	940,000	916,960	2.83%
Arab National Bank	904,754	858,871	2.65%
DP World Crescent	645,880	609,129	1.88%
Boubyan Sukuk Ltd	640,345	605,136	1.87%
Equate Sukuk Spc	508,750	494,433	1.52%
Others	6,499,240	6,397,697	19.72%
Total	33,586,952	31,740,145	97.85%
UNQUOTED			
International Islamic Liquidity Management 2 SA	700,000	697,251	2.15%
Total	34,286,952	32,437,396	100.00%

ALJAZIRA SUKUK 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 (CONTINUED)

	31 December 2022		
	(Audited)		
	Cost	Fair value	%
<u>QUOTED</u>			
Perusahaan Penerbit SBSN	5,606,605	4,954,106	12.76%
SA Global Sukuk Limited	3,909,482	3,637,535	9.37%
KSA Sukuk Limited	3,501,699	3,327,525	8.57%
Saudi Electricity Global Sukuk Company	2,592,452	2,404,067	6.19%
DIFC Sukuk Limited	1,278,550	1,238,744	3.19%
Maldives Sukuk Issuance	1,296,960	1,086,833	2.80%
Arab National Bank	1,346,219	1,280,608	3.30%
Hong Kong Sukuk	1,253,957	1,144,932	2.95%
MAF Sukuk	1,080,926	1,035,038	2.67%
Aldar Sukuk	1,335,380	1,211,056	3.12%
Equate Sukuk SPC Limited	1,017,500	982,725	2.53%
DP World Crescent Limited	1,270,988	1,201,402	3.09%
ICDPS Sukuk Limited	1,593,926	1,495,000	3.85%
KIB Sukuk Limited	1,024,616	982,223	2.53%
Riyad Bank	899,380	853,470	2.20%
FAB Sukuk	940,000	906,560	2.33%
DP WORLD SALAAM	905,330	892,625	2.30%
Others	6,751,687	6,500,306	16.74%
Total	38,546,002	36,010,828	92.74%
<u>UNQUOTED</u>			
International Islamic Liquidity Management 2 SA	2,830,000	2,819,922	7.26%
Total	41,376,002	38,830,750	100%

6 RELATED PARTIES TRANSACTIONS AND BALANCES***Management fee and other expenses***

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

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

ALJAZIRA SUKUK 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 (CONTINUED)***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	(135,469)	(123,939)
Bank Aljazira	Affiliate	Bank charges	-	(360)
Fund's Board	Key executive	Board remuneration	(2,213)	(2,127)

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 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	100,000	100,000
Funds managed by the Fund Manager		
Aljazira Asset Allocation Fund- Growth Strategy	61,124	54,269
Aljazira Asset Allocation Fund- Moderate Strategy	63,836	59,902
Aljazira Asset Allocation Fund- Conservative Strategy	61,076	141,158

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	(61,540)	(156,600)
Fund's Board	Key executive	Remuneration payable *	(2,022)	(8,345)

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

ALJAZIRA SUKUK 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	448,173	249,615
Units issued during the period / year	25,586	472,428
Units redeemed during the period / year	(110,636)	(273,870)
Net change in units	(85,050)	198,558
Units at end of the period / year	363,123	448,173

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	552,619	(2,509,282)
Realised loss on disposal of investments	(328,378)	(470,460)
	224,241	(2,979,742)

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	-	-
Investments carried at FVTPL	-	32,437,396
Receivable against sale of investments	816,560	-
Accrued special commission income	376,082	-
Prepayments and other receivables	2,236	-
Total	1,194,878	32,437,396
Management fee payable	61,540	-
Payable to Unitholders on account of redemption	355,000	-
Accrued expenses and other liabilities	100,122	-
Total	516,662	-
31 December 2022 (Audited)		
Assets as per statement of financial position		
Cash and cash equivalents	991,629	-
Investments carried at FVTPL	-	38,830,750
Prepayments and other receivables	1,437	-
Accrued special commission income	336,945	-
Total	1,330,011	38,830,750
Management fee payable	156,600	-
Other payables	65,845	-
Total	222,445	-

ALJAZIRA SUKUK 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

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

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

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

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

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

Exposure

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

	30 June 2023 (Un-audited)		31 December 2022 (Audited)	
	Amount in USD	Percentage	Amount in USD	Percentage
Fixed rate	32,437,396		38,830,750	100

ALJAZIRA SUKUK 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) 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.

(b) Credit risk

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

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

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

Credit ratings

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

Rating of financial institution	30 June 2023 (Un-audited)	31 December 2022 (Audited)
Cash and cash equivalents		
Unrated	-	991,629
Sukuk		
A (Fitch)	5,758,983	2,285,744
A1 (Moody's)	1,846,110	-
baa2 (Moody's)	1,244,225	-
baa1 (Moody's)	1,238,791	1,211,056
baa3 (Moody's)	1,962,433	19,251,800
BBB(Fitch)	9,515,951	13,312,451
A2 (Moody's)	637,400	197,811
BB+(Fitch)	605,136	-
BBB+(Fitch)	497,585	-
B+(Fitch)	1,661,594	-
A-(Fitch)	2,824,888	-
AA-(Fitch)	1,488,338	-
AAA (S&P)	1,241,850	1,632,133
Ba3 (Moody's)	-	714,212
b1 (Moody's)	691,360	-
Aa3 (Moody's)	1,154,340	-
Unrated	68,412	225,543
	32,437,396	38,830,750

ALJAZIRA SUKUK 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)

(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 month 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.

(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 is assumed to approximate its fair value.

ALJAZIRA SUKUK 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 (CONTINUED)

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed debt instruments. The Fund does not adjust the quoted price for these instruments.

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

30 June 2023 (Un-audited)	Level 1	Level 2	Level 3	Total
Investments carried at FVTPL	31,740,145	697,251	-	32,437,396
31 December 2022 (Audited)	Level 1	Level 2	Level 3	Total
Investments carried at FVTPL	36,010,828	2,819,922	-	38,830,750

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

For assets and liabilities that are measured at fair value on a recurring basis, the Fund identifies transfers between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) and deems transfers to have occurred at the end of the reporting period during which the change has occurred. During the period, there was no transfer in fair value hierarchy for the financial assets held at FVTPL.

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

12 DIVIDEND DISTRIBUTION

During March 2023, the terms and conditions of the Fund were modified with respect to dividend distribution policy in order to reinvest the profits in accordance with the targeted investment strategy. Accordingly, no cash distributions were made during the current period.

For the period ended 30 June 2022, the Fund's Board approved to distribute dividends with regards to period ended 31 December 2022 and 30 June 2022 amounting to USD 552,700 and USD 583,859 to its unitholders respectively.

13 EVENTS AFTER THE END OF THE REPORTING PERIOD

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

14 LAST VALUATION DAY

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-months period ended 30 June 2023

(Amounts in United States Dollars)

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.