

ALJAZIRA JAPANESE 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 JAPANESE EQUITIES FUND

Open-Ended Fund

(Managed by Aljazira Capital Company)

INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)

For the six-months period ended 30 June 2023

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

TO THE UNITHOLDERS OF ALJAZIRA JAPANESE EQUITIES FUND

INTRODUCTION

We have reviewed the accompanying interim statement of financial position ALJAZIRA JAPANESE EQUITIES FUND (the "Fund"), managed by Aljazira Capital Company (the Fund Manager) as at 30 June 2023 and the related interim statement of comprehensive 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 JAPANESE 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	407,044	1,044,445
Investments carried at fair value through profit or loss (FVTPL)	5	52,060,245	45,165,600
Receivable against sale of investments		870,334	114,658
Accrued dividend		156,234	26,874
Prepayment and other receivables		674	-
TOTAL ASSETS		53,494,531	46,351,577
<u>LIABILITIES</u>			
Management fee payable	6	204,206	396,826
Payable to unitholders on account of redemption		500	-
Payable against purchase of investments		98,910	-
Accrued expenses and other liabilities		325,602	116,612
TOTAL LIABILITIES		629,218	513,438
NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS		52,865,313	45,838,139
Units in issue (in numbers)	7	259,632	268,619
Net Asset (Equity) Value per unit		203.62	170.64

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

ALJAZIRA JAPANESE 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	9,557,981	(23,812,214)
Dividend income		326,064	455,240
		9,884,045	(23,356,974)
<u>Expenses</u>			
Management fees	6	(412,196)	(522,854)
Custody fees		(6,615)	(16,389)
Other expenses		(736,556)	(183,036)
		(1,155,367)	(722,279)
Net income / (loss) for the period		8,728,678	(24,079,253)
Other Comprehensive income		-	-
Total comprehensive income / (loss) for the period		8,728,678	(24,079,253)

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

ALJAZIRA JAPANESE 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	45,838,139	83,013,910
Total comprehensive income / (loss) for the period	8,728,678	(24,079,253)
Changes from unit transactions		
Issuance of units	1,542,193	2,932,764
Redemption of units	(3,243,697)	(16,209,617)
Net changes from unit transactions	(1,701,504)	(13,276,853)
Net assets (Equity) attributable to the Unitholders at end of the period	52,865,313	45,657,804

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

ALJAZIRA JAPANESE 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)**

	Notes	30 June 2023 (Un-audited)	30 June 2022 (Un-audited)
<u>Cash flows from operating activities:</u>			
Net income / (loss) for the period		8,728,678	(24,079,253)
Adjustments for:			
- Unrealized (gain) / loss from investments carried at FVTPL	8	(8,143,488)	27,049,615
		585,190	2,970,362
<u>Net changes in operating assets and liabilities:</u>			
Investments carried at FVTPL		1,248,843	9,742,985
Receivable against sale of investments		(755,676)	197,897
Accrued dividend		(129,360)	(31,693)
Due from related party		-	(42,259)
Prepayment and other receivables		(674)	-
Management fee payable		(192,620)	(161,414)
Payable against purchase of investments		98,910	94,164
Accrued expenses and other liabilities		208,990	(32,584)
Net cash generated from operating activities		1,063,603	12,737,458
<u>Cash flows from financing activities:</u>			
Proceeds from issuance of units, net off receivable on account of subscription		1,542,193	2,715,490
Redemption of units, net off payables against redemption of units		(3,243,197)	(16,130,364)
Net cash used in financing activities		(1,701,004)	(13,414,874)
Net decrease in cash and cash equivalents		(637,401)	(677,416)
Cash and cash equivalents at beginning of the period	4	1,044,445	1,796,254
Cash and cash equivalents at end of the period	4	407,044	1,118,838
<u>Supplementary information</u>			
Payable to unitholders on account of redemption		500	79,253
Receivable from unitholder on account of subscription		-	217,274

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

ALJAZIRA JAPANESE 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

Aljazira Japanese 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 17 April 2000.

The Fund operates under the terms and conditions contained in its prospectus with the prime objective of providing the investors with the opportunities to invest in Shariah compliant equities, issued and traded in Japan and invest in other Funds. The Fund’s net income is re-invested in the Fund, which is reflected in the net assets 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”). Nomura Islamic Asset Management SDN BHD act as a Sub Manager to the Fund. Fee paid to the 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 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 JAPANESE 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	407,044	1,044,445
		407,044	1,044,445

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

ALJAZIRA JAPANESE 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	%
Semiconductors	4,448,015	8,722,688	16.75
Pharmaceuticals	4,108,193	6,309,479	12.12
Retail	3,711,261	5,400,101	10.37
Chemicals	3,631,919	4,929,495	9.47
Electronics	4,902,655	4,643,897	8.92
Building Materials	1,669,375	3,023,084	5.81
Machinery-Diversified	1,467,744	2,707,212	5.20
Auto Parts and Equipment	2,600,230	2,579,632	4.96
Commercial Services	1,464,350	2,289,596	4.40
Entertainment sector	1,964,745	2,158,923	4.15
Hand/Machine Tools	1,100,480	1,913,772	3.68
Software	1,144,419	1,665,591	3.20
Others	5,360,585	5,716,775	10.98
Total	37,573,971	52,060,245	100.00%

Industry sector	31 December 2022 (Audited)		
	Cost	Fair value	%
Pharmaceuticals	4,961,417	6,793,234	15.04
Retail	4,439,658	5,501,272	12.18
Semiconductors	3,689,580	5,360,480	11.87
Chemicals	3,761,032	4,161,696	9.21
Electric and electronics	4,387,839	3,522,674	7.80
Auto parts and equipment	3,310,221	2,407,308	5.33
Machinery diversified	1,624,554	2,407,082	5.33
Commercial services	1,256,001	2,105,178	4.66
Entertainment sector	1,964,745	1,981,670	4.39
Healthcare products	2,241,596	1,975,940	4.37
Building materials	1,147,963	1,883,430	4.17
Hand / machine tools	1,309,177	1,718,784	3.81
Software	1,160,483	1,712,874	3.79
Apparel	784,531	963,471	2.13
Environmental control	448,590	704,665	1.56
Distribution/Wholesale	732,569	696,918	1.54
Others	1,602,854	1,268,924	2.81
Total	38,822,810	45,165,600	100%

ALJAZIRA JAPANESE 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	(412,196)	(522,854)
		Performance fee	(689,560)	-
Bank Aljazira	Affiliate	Bank charges	-	450
Fund's Board	Key executive	Board remuneration	2,218	(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	242,439	250,975

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	-	590
Aljazira Capital Company	Fund Manager	Management fee payable	(204,206)	(396,826)
		Performance fee payable *	(205,744)	11,652
Fund's Board	Key executive	Remuneration payable *	(2,022)	12,776

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

ALJAZIRA JAPANESE 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	268,619	344,624
Units issued during the period / year	8,274	24,447
Units redeemed during the period / year	(17,261)	(100,452)
Net change in units	(8,987)	(76,005)
Units at end of the period / year	259,632	268,619

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	8,143,488	(27,049,615)
Realised gain on disposal of investments	1,414,493	3,237,401
	9,557,981	(23,812,214)

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	407,044	-
Investments carried at FVTPL	-	52,060,245
Receivable against sale of investments	870,334	-
Accrued dividends	156,234	-
Prepayment and other receivables	674	-
Total	1,434,286	52,060,245
Liabilities as per interim statement of financial position		
Management fee payable	204,206	-
Payable to Unitholders on account of redemption	500	-
Payable against purchase of investments	98,910	-
Accrued expenses and other liabilities	325,602	-
Total	629,218	-

ALJAZIRA JAPANESE 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)****9 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)**

31 December 2022 (Audited)	Amortized cost	FVTPL
Assets as per statement of financial position		
Cash and cash equivalents	1,044,445	-
Investments carried at FVPL	-	45,165,600
Receivable against sale of investments	114,658	-
Dividend receivable	26,874	-
Total	1,185,977	45,165,600
31 December 2022 (Audited)	Amortized cost	FVTPL
Liabilities as per statement of financial position		
Management fee payable	396,826	-
Accrued expenses and other liabilities	116,612	-
Total	513,438	-

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.

ALJAZIRA JAPANESE 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) Market risk***(i) Foreign exchange risk (continued)*

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	%
JPY	Japan	52,060,245	100%	45,165,600	100%
		52,060,245	100%	45,165,600	100%

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
JPY	Japan	520,602	+/- 1%	+/- 1%	451,656

(ii) Commission rate risk

Commission rate risk is the risk that the value of the future cash flows of a financial instrument or fair values of fixed coupon financial instruments will fluctuate due to changes in market commission rates.

The Fund is not subject to commission rate risk, as it does not have any commission bearing financial instruments.

(iii) Price risk

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

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

ALJAZIRA JAPANESE 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) Market risk (Continued)***(iii) Price risk (Continued)*

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
Semiconductors	+/- 1%	87,227	+/- 1%	53,604
Pharmaceuticals	+/- 1%	63,095	+/- 1%	67,932
Retail	+/- 1%	54,001	+/- 1%	55,013
Chemicals	+/- 1%	49,295	+/- 1%	41,616
Electric and electronics	+/- 1%	46,439	+/- 1%	35,227
Building materials	+/- 1%	30,231	+/- 1%	18,834
Machinery diversified	+/- 1%	27,072	+/- 1%	24,071
Auto parts and equipment	+/- 1%	25,796	+/- 1%	24,073
Commercial services	+/- 1%	22,896	+/- 1%	21,052
Entertainment sector	+/- 1%	21,589	+/- 1%	19,817
Hand / Machine tools	+/- 1%	19,138	+/- 1%	17,188
Software	+/- 1%	16,656	+/- 1%	17,129
Healthcare products	+/- 1%	-	+/- 1%	19,759
Apparel	+/- 1%	-	+/- 1%	9,634
Environmental control	+/- 1%	-	+/- 1%	7,046
Distribution/Wholesale	+/- 1%	-	+/- 1%	6,969
Others	+/- 1%	57,168	+/- 1%	12,689

(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, dividends receivable, due from a related party 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.

ALJAZIRA JAPANESE 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)****(b) Credit risk (Continued)*****Credit ratings***

The credit quality of the Fund's bank balance is assessed with reference to external credit ratings which, in all cases, are above investment-grade rating. The bank balances 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	407,044	1,044,445

(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 Saudi 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 unitsholdes 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 JAPANESE 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.

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.

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).

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.