

ALKHABEER DIVERSIFIED INCOME TRADED FUND – Expressed in Saudi Riyals
(Managed by Alkhabeer Capital Company)

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) AND THE
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022**

ALKHABEER DIVERSIFIED INCOME TRADED FUND – Expressed in Saudi Riyals
(Managed by Alkhabeer Capital Company)
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FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022

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Independent Auditor's Review Report on the Interim Condensed Financial Statements

To: The Unitholders

Alkhabeer Diversified Income Traded Fund – Expressed in Saudi Riyal
(Managed by Alkhabeer Capital Company)
Jeddah, Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed statement of financial position of **Alkhabeer Diversified Income Traded Fund ("The Fund")** managed by **Alkhabeer Capital Company ("Fund Manager")** as at June 30, 2022, and the related statements of profit or loss and other comprehensive income, interim condensed statement of changes in equity attributable to unitholders and interim condensed cash flows for the six-month period then ended, and notes which form an integral part of these interim condensed financial statements. The Fund's management are responsible for the preparation of these interim condensed financial statements and ensuring that they present fairly in accordance with the International Accounting Standard No. (34) "Interim Financial Reporting" (IAS 34), as 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 Auditing Standard Review Engagement (2410) "Review of Interim Financial Information Performed by the Independent Auditor of the Fund" (ISRE 2410) 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 ('ISAs'), 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 the audit course. 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 information are not fairly presented, in all material respects, the fund's financial position as at June 30, 2022 and financial performance, and its cash flows for the six-month period then ended in accordance with the International Financial Reporting Standards "IFRS" that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by Saudi Organization for Chartered and Professional Accountants.

AlAzem, AlSudairy, AlShaikh & Partners
For Professional Consulting



Abdullah M. AlAzem
License No. 335

23 Muharam 1444H (August 21, 2022)
Jeddah, Kingdom of Saudi Arabia

ALKHABEER DIVERSIFIED INCOME TRADED FUND

(Managed by Alkhabeer Capital Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**AS AT JUNE 30, 2022**

(Expressed in Saudi Riyals)

		As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
	Notes		
ASSETS			
Cash and cash equivalents	4	43,684,230	63,076,819
Dividends receivable	5	5,974,274	4,498,681
Prepaid expenses and other debit balances		3,520,698	4,364,340
Financial assets measured at fair value through profit or loss	6	530,302,441	528,876,710
Total Assets		583,481,643	600,816,550
LIABILITIES AND EQUITY ATTRIBUTABLE TO UNITHOLDERS			
LIABILITIES			
Murabaha facilities	7	107,583,784	113,306,286
Accrued expenses and other credit balances		219,390	234,146
Due to related parties	8	2,730,960	2,806,418
Total Liabilities		110,534,134	116,346,850
EQUITY ATTRIBUTABLE TO UNITHOLDERS		472,947,509	484,469,700
Total Liabilities and Equity		583,481,643	600,816,550
Number of units issued (unit)		47,281,470	47,281,470
Equity per unit		10.0028	10.2465

The accompanying notes from (1) to (19) form an integral part of these interim condensed financial statements.

ALKHABEER DIVERSIFIED INCOME TRADED FUND
(Managed by Alkhabeer Capital Company)
**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(Expressed in Saudi Riyals)

		FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022	FOR THE PERIOD FROM INCEPTION ON JANUARY 7, 2021 TO JUNE 30, 2021
	Notes	(Unaudited)	(Unaudited)
Dividends from financial assets measured at fair value through profit or loss		19,248,652	11,696,090
Realized profit from sale of financial assets measured at fair value through profit or loss	6	10,742	-
Unrealized losses from financial assets measured at fair value through profit or loss	6	(13,053,668)	(648,268)
Net revenues		6,205,726	11,047,822
Expenses			
Management fees	10	(2,358,412)	(2,312,581)
Administration and custody fees	10	(335,954)	(280,141)
Finance costs		(1,216,794)	(163,138)
Fund establishment and other expenses	9	(1,613,841)	(1,165,904)
Foreign currency losses		(382,548)	(214,530)
Total expenses		(5,907,549)	(4,136,294)
Profit for the period		298,177	6,911,528
Other comprehensive income		-	-
Total comprehensive income for the period		298,177	6,911,528

The accompanying notes from (1) to (19) form an integral part of these interim condensed financial statements.

ALKHABEER DIVERSIFIED INCOME TRADED FUND

(Managed by Alkhabeer Capital Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO UNITHOLDERS**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022**

(Expressed in Saudi Riyals)

		FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022	FOR THE PERIOD FROM INCEPTION ON JANUARY 7, 2021 TO JUNE 30, 2021
	Note	(Unaudited)	(Unaudited)
Equity Attributable to Unitholders			
Equity attributable to unitholders at the beginning of the period		484,469,700	-
Proceeds from initial offering of units		-	472,814,700
Total comprehensive income for the period		298,177	6,911,528
Dividends	17	(11,820,368)	-
Equity attributable to unitholders at the end of the period		472,947,509	479,726,228

The accompanying notes from (1) to (19) form an integral part of these interim condensed financial statements.

ALKHABEER DIVERSIFIED INCOME TRADED FUND
(Managed by Alkhabeer Capital Company)
INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(Expressed in Saudi Riyals)

	FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022 (Unaudited)	FOR THE PERIOD FROM INCEPTION ON JANUARY 7, 2021 TO JUNE 30, 2021 (Unaudited)
<u>CASH FLOW FROM OPERATING ACTIVITIES:</u>		
Profit for the period	298,177	6,911,528
Adjustment:		
Finance costs	1,216,794	163,138
Unrealized losses from financial assets measured at fair value through profit or loss	13,053,668	648,268
Realized profit from sale of financial assets measured at fair value through profit or loss	(10,742)	-
Changes in operating assets and liabilities:		
Dividends receivable	(1,475,593)	(3,995,035)
Prepaid expenses and other debit balances	843,642	(3,718,046)
Accrued expenses and other credit balances	(208,270)	95,043
Due to related parties	(75,458)	2,618,253
	13,642,218	2,723,149
Finance costs paid	(1,023,280)	(163,138)
Net cash provided by operating activities	12,618,938	2,560,011
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Additions to financial assets measured at fair value through profit or loss	(187,018,099)	(473,454,632)
Proceed from disposals of financial assets measured at fair value through profit or loss	172,549,442	-
Net cash used in investing activities	(14,468,657)	(473,454,632)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Net movement in murabaha facilities	(5,722,502)	37,458,037
Proceeds from initial offering of units	-	472,814,700
Dividends paid	(11,820,368)	-
Net cash (used in) / provided by financing activities	(17,542,870)	510,272,737
Net change in cash and cash equivalents	(19,392,589)	39,378,116
Cash and cash equivalents at the beginning of the period	63,076,819	-
Cash and cash equivalents at the end of the period	43,684,230	39,378,116

The accompanying notes from (1) to (19) form an integral part of these interim condensed financial statements.

ALKHABEER DIVERSIFIED INCOME TRADED FUND
(Managed by Alkhabeer Capital Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(Expressed in Saudi Riyals)

1- THE FUND AND ITS ACTIVITIES

Alkhabeer Diversified Income Traded Fund (the "Fund") is a closed-ended Shari'a compliant investment traded fund that was established in accordance with the applicable laws and regulations of the Kingdom of Saudi Arabia and it is subject to Capital Market Authority (CMA) control and supervision. The Fund was established on 7 January 2021 and managed by Alkhabeer Capital Company ("Alkhabeer Capital" or the "Fund Manager"), for the benefit of the Fund's unitholders. The Fund is ultimately supervised by the Fund Board. Alinma Investment Company acts as the Custodian of the Fund. The first operating year of the Fund is 2021.

The Fund's investment objective is to generate periodic income for investors by investing in income-generating assets compliant with the guidelines of the Shari'a Supervisory Committee

The approval of the Capital Market Authority (CMA) of the offering and registration of the Units of Alkhabeer Diversified Income Traded Fund on Saudi Tadawul was given on September 17, 2020, (corresponding to Muharram 29, 1442H), and it was listed on Saudi Tadawul on January 19, 2021.

In dealing with the unitholders, the Fund Manager considers the Fund as an independent entity. Accordingly, the Fund prepares its own financial statements. Furthermore, unitholders are considered the owners of the the Fund and dividends is made based on their respective ownership in the total number of outstanding units.

The Fund term is for 99 year, from the date of listing of the Fund units on Saudi Tadawul, renewable at the Fund Manager's discretion after obtaining CMA's approval.

The Fund is subject to the Shari'a committee guidelines for investments and transactions. The books and records of the Fund are maintained in Saudi Riyals (SR), which is the functional and presentation currency of the Fund.

2- REGULATORY AUTHORITY

The Fund was established and its units are offered based on the Investment Funds Regulations issued by CMA, Resolution number 1-219-2006 dated 03/12/1427H ("Investment Funds Regulations") issued by Royal Decree No. M/30 dated 2/6/1424H and amended in agreement to the CMA Board Resolution No. 2-22-2021 dated 12/7/1442H (corresponding to 24/2/2021) to be updated with the rapid developments and changes regarding the regulations and rules of the Authority in the Kingdom of Saudi Arabia.

3- BASIS OF PREPARATION OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

Statement of compliance

These interim condensed financial statements have been prepared in accordance with the International Accounting Standard (34) "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA considering that the financial performance for the interim condensed financial six-month period ended in June 30, 2022, may not necessarily be indicative of the expected results for the year that will be ended on December 31, 2022, whereas no allocation has been made to the profit for the period, for the provisions calculated at the annual financial statements at December 31, 2022.

ALKHABEER DIVERSIFIED INCOME TRADED FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022

(Expressed in Saudi Riyals)

The interim condensed financial statements do not include all of the information and required for the annual financial statements, and should be read in conjunction with the Fund's annual financial statements for the year ended December 31, 2021. The International Accounting Standard (34) states that the objective of preparing the interim condensed financial statements is to update on the latest complete discloser annual financial statements. Therefore, the International Accounting Standard (34) require less disclosure in the interim condensed financial statements to be reported compared to the disclosure required by the International Financial Reporting Standards ("IFRS") in the annual financial statements.

Basis of measurement

These interim condensed financial statements of the Fund have been prepared on a historical cost basis except for the items which measured at fair value, present value, net realizable value, and replacement cost in line with the accrual basis of accounting and going concern assumption. The Fund does not have an operating cycle that can be clearly defined. Therefore, current and non-current assets and liabilities are not presented in the interim condensed statement of financial position, and the values of assets and liabilities are presented according to liquidity and classified as a current.

Functional and presentation currency

These interim condensed financial statements are presented in Saudi Riyals, which is the Fund's functional and presentation currency.

Fair value measurement

The fair value represents the amount that was received from selling an asset or paid it to transfer a liability between informed parties under the same terms of business with others. The fair value measurement depends on the following conditions:

- The principal market for assets or liabilities, or
- The most advantageous market for assets and liabilities in the absence of a primary market, or
- Use discounted cash flows in the absence of a major market or the most advantageous market.

Assets or liabilities measured at fair value

- Separate assets or liabilities.
- A group of assets or a group of liabilities or a group of assets and liabilities.
- A set of accounting policies and notes that require calculating the fair value of financial and non-financial assets and liabilities.
- The Fund uses market inputs that are observable as far as possible when measuring the fair value of assets and liabilities.

The Fund determines fair value using valuation techniques. The Fund also uses the following levels which reflect the importance of inputs used in determining fair value:

- **Level 1:** quoted prices (unadjusted) in an active market for similar assets or liabilities.
- **Level 2:** valuation methods based on inputs other than quoted prices included in Level 1 that can be observable for assets and liabilities, directly or indirectly.
- **Level 3:** valuation techniques that use inputs that have an important impact on fair value but are not based on observable inputs.

ALKHABEER DIVERSIFIED INCOME TRADED FUND
(Managed by Alkhabeer Capital Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
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The Fund recognizes transfers between fair value levels at the end of the reporting period at the same time as the change occurs, the Fund' manager believes that its estimates and assumptions are reasonable and sufficient.

Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents includes Cash at banks and cash at Portfolios, which are not subject to significant risk of changes in value.

Murabaha facilities

Murabaha facilities are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the credit facilities using the effective interest method. Fees paid on the establishment of credit facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be withdrawn. In this case, the fee is deferred until the withdrawn occurs.

To the extent that there is no evidence that it is probable that some or all of the facility will be withdrawn, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it belongs.

IAS 23, "Borrowing cost" requires any incremental transaction cost to be amortized using the Effective Interest Rate (EIR). The Fund accounts for finance cost (Interest cost and amortization of transaction cost) using effective interest rate method. For floating rate loans, EIR determined at initial recognition of loan liabilities is used for the entire contract period. Borrowing cost incurred for any qualifying assets are capitalized as part of the cost of the asset.

Revenue recognition

Revenue is recognized on an accrual basis to the extent that it is probable that the economic benefits to the fund and the revenues can be measured reliably, regardless of the time of payments.

The fund recognizes revenues as follows:

Sukuk investments

Investments are made in sovereign or quasi-sovereign sukuk or corporate sukuk offered publicly or privately, issued locally and internationally and in compliance with the regulations of the Shariah Board, and the currency of these sukuks is either the Saudi riyal, the US dollar, or any other currency linked to the US dollar. The fund manager has the right to invest in any investment grade sukuk issuance, and he must not invest more than 5% of the fund's assets in sukuk rated below investment grade, or in unrated sukuk, provided that the credit rating rate of the sukuk portfolio is an Investments (Baa3-/BBB or higher as rated by Standard & Poor's/Fitch or Moody's). In the event that the credit rating degrees vary according to the companies approved for the rating, the lower rating grade must be applied.

The fund can invest in the sukuk by an intermediary broker, and the fund manager is responsible for appointing the intermediary broker in accordance with the rules and regulations issued by the Capital Market Authority.

ALKHABEER DIVERSIFIED INCOME TRADED FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022

(Expressed in Saudi Riyals)

Trade finance deals

Investments in trade finance deals are made through a diversified portfolio of short-term trade finance deals with asset guarantees and/or insurance contracts, in compliance with the Shariah Board's controls, distributed in global markets outside the Kingdom of Saudi Arabia and subject to the rules and regulations issued by the financial and supervisory bodies regulating those markets. in the countries in which you work. The fund manager will contract with an executing broker to carry out the trade finance deals. In this case, the implementing broker shall abide by the indicative investment controls agreed upon with the fund manager, and the fund manager shall be responsible for appointing the implementing broker in accordance with the rules and regulations issued by the Capital Market Authority.

Leasing deals

Investments in Al-Ijara transactions are made through a diversified portfolio consisting of medium to long-term lease contracts that are used to supply different types of equipment in multiple sectors, and are compatible with the controls of the Shariah Board and distributed in global markets outside the Kingdom of Saudi Arabia and are subject to the rules and regulations issued by the financial and supervisory bodies Regulating those markets in the countries in which they operate. These include - but are not limited to - transportation, public utilities, shipping, hygiene and maintenance, chemical production, food packaging, and health care. Al-Ijarah transactions are secured by the ownership of the assets in favor of the fund. The fund manager will contract with an executing broker to carry out Al-Ijarah transactions. In this case, the implementing broker shall abide by the indicative investment controls agreed upon with the fund manager, and the fund manager shall be responsible for appointing the implementing broker in accordance with the rules and regulations issued by the Capital Market Authority.

Income funds

Investments are made in income funds that are managed by fund managers, including the fund manager, who are licensed by the Authority or a similar entity in the event of investing in funds outside the Kingdom of Saudi Arabia, provided that they are in compliance with the Shariah Board's regulations. These funds invest in different income-generating asset classes, including "but not limited to" trade finance, credit finance, Al-Ijarah, sukuk, income-generating shares and Murabaha deals. The fund manager will make sure when investing in any of these funds that the investment strategy of the target fund is compatible with the investment strategy of the fund. Income funds that can be invested in include funds offered publicly or privately, provided that the investment in private funds does not exceed 25% of the fund's net asset value.

Murabaha deals

Murabaha transactions are invested in Saudi Riyal at banks licensed by the Saudi Arabian Monetary Agency and operating in the Kingdom of Saudi Arabia, provided that they are in compliance with the Shariah Board's regulations.

Dividends

Interim and final dividends are recorded as liability in the period in which they are approved by the Fund Board.

Zakat and income tax

Zakat and income tax are an obligation on the unitholders, therefore, no provision for such liabilities is made in these interim condensed financial statements.

ALKHABEER DIVERSIFIED INCOME TRADED FUND
(Managed by Alkhabeer Capital Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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Provisions and contingent liabilities

Provisions are recognized when the Fund has a present obligation (legal or contractual) as a result of past events, and it is probable that an outflow of resources involving economic benefits will be required to settle the obligation. In addition, a reliable estimate of the amount of the obligation can be made.

Net equity of the unit

The net equity of the unit is calculated and disclosed in the financial position by dividing the net assets of the Fund attributable to unitholders by the number of issued units.

Financial instruments

A financial instrument is any contract that gives a rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

A financial asset includes the followings:

- a) Cash and cash equivalents
- b) Equity instruments in another entity, or
- c) A contractual right to receive cash or another financial asset from another entity or to exchange financial assets or liabilities with another entity under conditions that are expected to be favorable to the entity.
- d) A contract that may or will be settled in the entity's owned equity instruments.

Classification and initial recognition

The Fund classifies its financial assets in the following measuring categories:

- Financial assets measured at fair value (either through profit or loss, or through other comprehensive income), and
- Financial assets measured at amortized cost.

Classification depends on the business model of the Fund to manage financial assets, and on the contractual terms of cash flows.

For assets measured at fair value, gain and losses will either be recorded in profit or loss or other comprehensive income (OCI). For investment in debt instruments, this will depend on the business model in which investment is held. For investment in equity instruments, this will depend on whether the Fund has made an irreversible selection at the time of initial recognition to account for the equity instruments at fair value through OCI. The Fund reclassifies debt instruments only when its business model for managing those assets changes.

At initial recognition, the Fund measures a financial asset (not classified as part of fair value through profit or loss) at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset through OCI. In the case of financial assets measured at fair value through profit or loss, the transaction costs are recorded in the statement of profit or loss.

ALKHABEER DIVERSIFIED INCOME TRADED FUND
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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(Expressed in Saudi Riyals)

Subsequent measurement

Equity instruments

The Fund subsequently measures all equity investments at fair value. Where the Fund's management has elected to present fair value gains or losses on equity investments in OCI, there is no subsequent reclassification of fair value gains or losses to profit or loss. Dividends from such investments continue to be recognized in profit or loss as other income when the Fund's right to receive payments is established. Impairment losses and reversal of impairment losses on equity investments measured at FVOCI are treated separately within net assets.

Changes in the fair value of financial assets measured at fair value are recognized at fair value through profits and losses in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Fund's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Fund classified its debt instruments:

• **Amortized cost**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt instrument that is measured at amortized cost and is not part of a hedging relationship is recognized in statement of profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

• **Fair value through profit or loss (FVTPL)**

Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through statement of profit or loss (FVTPL). A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship as part of profit or loss. It is recognized in net as gains or losses in the year it occurs. Similarly, interest income from these financial assets is included as financial interest in gains or losses.

Effective interest rate (EIR) method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net book value on initial recognition.

Impairment

The Fund assesses on a forward looking basis the expected credit losses associated with its financial assets measured at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ALKHABEER DIVERSIFIED INCOME TRADED FUND
(Managed by Alkhabeer Capital Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(Expressed in Saudi Riyals)

Financial liabilities

A financial liability is classified as follows:

- Contractual obligation to deliver cash or another financial asset to another entity.
- Contractual obligation to exchange financial instruments with another entity under conditions that are expected to be unfavorable to the entity.
- A non-derivative contract for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments.

Recognition and measurement

All financial liabilities are recognized initially at fair value. Subsequently, it is measured at amortized cost using effective interest rate methods. The Fund's financial liabilities include accrued expenses and other liabilities and due to a related party.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the interim condensed statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

De-recognition of financial assets

The Fund de-recognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognizes its retained interest in the asset and liability related to the amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognize the financial asset and also recognizes the liabilities associated with the proceeds received.

On de-recognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the amount of the consideration received and accrued is recognized in the profit or loss. In addition, on de-recognition of an investment in a debt instrument classified as at FVTOCI, the gain or loss previously recognized in the revaluation reserve is reclassified to the profit or loss. In contrast, on de-recognition of an investment in equity instrument which the Fund has elected on initial recognition to measure at FVTPL, the gains or losses are recognized in the interim condensed financial statement of profit or loss.

The Funds' financial liabilities are de-recognized only if relieved, cancelled or expired. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable, including any non-cash assets transferred or liabilities incurred, is recognized in profit or loss.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Fund's interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses and assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of assets or liabilities affected in future years.

ALKHABEER DIVERSIFIED INCOME TRADED FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022

(Expressed in Saudi Riyals)

Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the interim condensed statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to the models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and price volatility risk. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Impairment of non-financial assets

Assets subject to depreciation and amortization are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in profit or loss for the amount that exceeds the carrying amount of the asset over its recoverable amount. Recoverable value is the fair value of the asset less costs to sell or value in use (whichever is higher). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separate cash flows (cash-generating units). Prior impairment in non-financial assets (other than goodwill) are reviewed to reflect the potential impairment at each reporting date.

An impairment loss recognized in prior periods is evaluated at each reporting date to determine whether there are indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that could have been determined, net of depreciation or amortization, had the impairment loss not been recognized previously.

4- CASH AND CASH EQUIVALENTS

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Cash at banks	43,083,085	54,362,133
Cash at portfolios*	601,145	8,714,686
	43,684,230	63,076,819

*This item represents the cash balances at Sukuk portfolio.

5- DIVIDENDS RECEIVABLE

The value of the dividends receivable is the profits due to the Fund resulting from investing in financial assets measured at fair value through profit or loss that the Fund has not received up to the date of preparing the interim condensed financial statements.

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6- FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The investment portfolio and its fair value at the date of the interim condensed financial statements is as following:

<u>June 30, 2022</u>	Sukuk investments*	Investments in funds*	Investments in trade financing**	Leasing deals**	Islamic Leasing and Finance 18**	Islamic Leasing and Finance 19**	Islamic Leasing and Finance 23**	Fair value as at June 30, 2022 (Unaudited)
Balance at the beginning of the period	76,301,844	94,450,491	138,235,898	62,155,418	106,528,180	45,064,800	6,140,079	528,876,710
Additions	12,544,990	45,076,752	129,226,006	170,351	-	-	-	187,018,099
Disposals	(4,993,841)	(173,022)	(148,441,986)	-	(13,903,972)	(5,031,879)	(4,742)	(172,549,442)
Unrealized losses	(12,590,550)	(463,118)	-	-	-	-	-	(13,053,668)
Realized profit	10,742	-	-	-	-	-	-	10,742
Balance at the end of the period	71,273,185	138,891,103	119,019,918	62,325,769	92,624,208	40,032,921	6,135,337	530,302,441

*The Fund re-valuate the investments on the date of the interim condensed financial statements, which resulted in unrealized losses amounted to SAR 13,053,668.

**The fair value of the above assets not differ from the book value as at June 30, 2022.

<u>December 31, 2021</u>	Sukuk investments*	Investments in funds*	Investments in trade financing**	Leasing deals**	Islamic Leasing and Finance 18**	Islamic Leasing and Finance 19**	Islamic Leasing and Finance 23**	Fair value as at December 31, 2021 (Audited)
Balance at the beginning of the period	-	-	-	-	-	-	-	-
Additions	120,653,421	95,494,466	418,265,569	63,935,685	112,662,000	45,064,800	6,140,079	862,216,020
Disposals	(44,379,533)	(700,403)	(280,029,671)	(1,780,267)	(6,133,820)	-	-	(333,023,694)
Unrealized losses	(914,414)	(343,572)	-	-	-	-	-	(1,257,986)
Realized profit	942,370	-	-	-	-	-	-	942,370
Balance at the end of the period	76,301,844	94,450,491	138,235,898	62,155,418	106,528,180	45,064,800	6,140,079	528,876,710

*The Fund re-valuate the investments on the date of the financial statements and this resulted in unrealized losses amounted to SAR 1,257,986.

**The fair value of the above assets not differ from the book value as at December 31, 2021.

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7- MURABAHA FACILITIES

The Fund has a Murabaha facility agreements with two commercial brokers, amounted to SAR 107,583,784 and its details are as follows:

a. National bank of Kuwait

On June 9, 2022, the Fund obtained Islamic financing facilities from the National Bank of Kuwait amounted to SAR 70,102,954, for the purposes of buying and selling precious metals (platinum). These facilities will be repaid as of September 8, 2022, after calculating Murabaha Percentage agreed on.

The facilities are secured against financial assets at fair value through profit or loss.

b. Shuaa capital

On June 10, 2022, the Fund obtained Islamic financing facilities from the Shuaa capital amounted to SAR 37,480,830, for the purposes of buying and selling precious metals (platinum). These facilities will be repaid as of July 6, 2022, after calculating Murabaha Percentage agreed on.

The facilities are secured against financial assets at fair value through profit or loss.

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8- RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent the management fees, custody fees, and compensation to independent board members.

Due to related parties' transactions consist of the following:

Related parties	Nature of transaction	Volume of transaction		Balance	
		For the six-month period ended June 30, 2022 (Unaudited)	For the period from inception on January 7, 2021 to June 30, 2021 (unaudited)	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Alkhabeer Capital Company (Fund Manager)	Management fees	2,358,412	2,312,581		
	Administrative fees	286,365	231,258		
	Expenses paid on behalf of the Fund	-	5,000		
	Payments to the Fund Manager	(2,756,988)	-	2,594,254	2,706,465
Alinma Investment Company	Custody fees	49,589	48,883	115,706	66,117
Fund Board	Total remuneration paid to Independent Fund Board Members	20,972	20,531		
	Payments to the Fund's board members	(33,808)	-	21,000	33,836
				<u>2,730,960</u>	<u>2,806,418</u>

9- FUND ESTABLISHMENT AND OTHER EXPENSES

	For the six-month period ended June 30, 2022 (Unaudited)	For the period from inception on January 7, 2021 to June 30, 2021 (unaudited)
Value added tax	412,196	531,619
Commissions	337,378	-
Previous years adjustments	237,972	-
Professional and consulting fees	227,405	108,597
Initial registration and listing fees	123,763	409,915
Other expenses	275,127	115,773
	<u>1,613,841</u>	<u>1,165,904</u>

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10- ADMINISTRATIVE FEES AND OTHER EXPENSES

The Fund is managed by the Fund manager, management fees and charges are calculated as per the terms and conditions of the Fund as follows:

a) Administrative fees

The Fund administrator is entitled to receive a maximum fees equivalent to 0.1% annually (as indicated in the Fund's terms and conditions) of the net asset value, on a semi-annual basis.

b) Management fees

The Fund Manager is entitled to receive fees equivalent to 1% annually (as indicated in the terms and conditions of the Fund) of the net asset value, on a semi-annual basis.

c) Custody fees

The custodian is entitled to receive maximum fees equivalent to 0.1% annually (as indicated in the terms and conditions of the Fund) of the total assets, or a minimum of 100,000 Saudi Riyal per year on a semi-annual basis.

d) Subscription fees

The Fund manager is entitled to receive a subscription fee of 1% of the paid and allocated subscription amounts in the event of any future proposals to increase the Fund's capital, and these subscription fees are deducted upon receipt of the subscription amount and paid to the Fund manager, in addition to the subscription amount.

11- SHARIYAH COMPLIANCE

The Fund operates in accordance with the provisions of Sharia law, as determined by the Sharia advisor. The Sharia advisor has reviewed the Fund's public offering document and confirmed that it is in compliance with Sharia provisions.

12- LAST VALUATION DATE

The last date for valuation during the period is June 30, 2022.

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13- RISK MANAGEMENT

The Fund's activities expose it to various financial risks, and these risks include: market risk (including currency risk, fair value risk and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Fund's overall risk management program focuses on the unpredictability of financial market conditions and seeks to minimize potential adverse effects on the Fund's financial performance.

a) Currency risk

Currency risk is the risk that the value of a financial instrument denominated in foreign currencies. The Fund deals mainly in Saudi Riyal.

b) Fair value and cash flow interest rate risk

Fair value and cash flow interest rate risk are the exposures to various risks related to the effect of fluctuations in market interest rates on the financial position and cash flows of the Fund.

c) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the instrument or its issuer, or factors affecting all instruments traded in the market. The Fund is not exposed to price risk.

d) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Fund is exposed to credit risk in respect of its receivables from investment at fair value through profit or loss, cash and cash equivalents, Dividends receivables and certain other receivable balances.

e) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.

Non-derivative financial liabilities	Book value	Less than one year	More than one year
Murabaha facilities	107,583,784	107,583,784	-
Accrued expenses and other credit balances	219,390	219,390	-
Due to related parties	2,730,960	2,730,960	-
	110,534,134	110,534,134	-

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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14- FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Fair Value				
	Amortized Cost	Fair Value	Level (1)	Level (2)	Level (3)	Total
<u>Financial Assets</u>						
Cash and cash equivalents	43,684,230	-	-	-	-	43,684,230
Dividends receivable	5,974,274	-	-	-	-	5,974,274
Prepaid expenses and other debit balances	3,520,698	-	-	-	-	3,520,698
Financial assets measured at fair value through profit or loss	-	530,302,441	530,302,441	-	-	530,302,441
	53,179,202	530,302,441	530,302,441	-	-	583,481,643
<u>Financial Liabilities</u>						
Murabaha facilities	107,583,784	-	-	-	-	107,583,784
Accrued expenses and other credit balances	219,390	-	-	-	-	219,390
Due to related parties	2,730,960	-	-	-	-	2,730,960
	110,534,134	-	-	-	-	110,534,134

15- OPERATING SEGMENTS

The fund generates investment returns and all fund operations are executed inside and outside the Kingdom of Saudi Arabia. The fund's operations are monitored by the fund management under one sector. Thus no separate information is required.

16- IMPACT OF COVID-19

The existence of novel coronavirus (COVID-19) was confirmed in early 2020 and has spread across multiple geographies, causing disruptions to businesses and economic activity. In response to the spread of COVID-19 and its resulting disruptions to the social and economic activities, the Fund's management has assigned a task force to assess and monitor the possible impact on its business in Saudi Arabia and other geographies where Fund operates. The management has also taken a series of preventive measures to ensure the health and safety of its employees, customers and wider community as well as to ensure the continuity of its operations. Since the fund achieved positive results during the 2021 pandemic period, and consequently management believes that COVID-19 had no material impact on the reported financial position and results for the period ended June 30, 2022.

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Currently, many countries, including countries where the Fund is operating, are constantly addressing the continued increase in recorded cases of COVID-19 and the implications to the economy. COVID-19 is an evolving situation, the Fund is monitoring closely any material impacts to the operations and continuity of business activities. The priority of the Fund remains to protect the health, safety and welfare of employees, customers, and partners, as well as support the Government and its agencies as they work to reduce the impact of the outbreak.

At this stage, the Fund is unable to reliably estimate the future impact of COVID-19, given the lack of certainty on possible end date of the pandemic or vaccination of large part of community that could continue impacting the world economies. Management believes that COVID-19 had no material impact on the financial statement for the period ended June 30, 2021. Further, management is monitoring and keeping an eye on the situation through their task force.

17- DIVIDENDS

On January 25, 2022, the Fund's Board of Directors approved the payment of dividends for the period from July 1, 2021 to December 31, 2021 (second half of the year 2021) amounted to 0.25 SAR per unit, with total of SAR 11,820,367.5 to unitholders. These dividends were paid on February 21, 2022.

18- SUBSEQUENT EVENTS

On 4 August, 2022, the Fund's Board of Directors approved the payment of dividends for the period from January 1, 2022 to June 30, 2022 (first half of the year 2022) in the amount of 0.26 SAR per unit, which totaling 12,293,182.2 SAR to unit holders.

19- APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Funds Board of Directors on Muharam 20, 1444H (August 18, 2022).