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ALKHABEER DIVERSIFIED INCOME TRADED FUND – Expressed in Saudi Riyal
(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, 2023

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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, Kingdom of Saudi Arabia

Introduction

We have reviewed the 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, 2023, and interim condensed financial statements of profit or loss and other comprehensive income, changes in equity attributable to unitholders and cash flows for the six-month period then ended, and notes which form an integral part of these interim condensed financial statements. The Fund manager is responsible for the preparation and presentation of these interim condensed financial statements 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 Standard on Review Engagements (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 statements are not fairly presented, in all material respects, the Fund's financial position as at June 30, 2023 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.

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Abdullah M. AlAzem
License No. 335

23 Muharram 1445H (August 10, 2023)
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, 2023
(Expressed in Saudi Riyal)

	Note	**As at June 30, 2023 (Unaudited)**	As at December 31, 2022 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		**11,780,584**	17,392,966
Dividends receivables		**6,268,070**	5,820,868
Prepaid expenses and other debit balances		**28,759,716**	5,531,741
Total current assets		**46,808,370**	28,745,575
Non-current assets			
Financial assets	5	**459,917,751**	493,696,688
Total assets		**506,726,121**	522,442,263
LIABILITIES AND EQUITY ATTRIBUTABLE TO UNITHOLDERS			
Current liabilities			
Accrued expenses and other credit balances		**35,578**	371,295
Due to related parties	6	**3,039,824**	3,079,176
Total current liabilities		**3,075,402**	3,450,471
Non-current liabilities			
Credit facilities		**33,253,502**	48,754,009
Total liabilities		**36,328,904**	52,204,480
EQUITY ATTRIBUTABLE TO UNITHOLDERS		**470,397,217**	470,237,783
Total liabilities and equity attributable to unitholders		**506,726,121**	522,442,263
Number of units issued (unit)		**47,281,470**	47,281,470
Equity per unit		**9.9489**	9.9455

The accompanying notes from (1) to (14) 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, 2023
(Expressed in Saudi Riyal)

		FOR THE SIX-MONTH PERIOD ENDED JUNE 30,	
	Note	**2023 (Unaudited)**	2022 (Unaudited)
Dividends from financial assets		**20,369,797**	19,248,652
Realized gains from sale of financial assets		**-**	10,742
Unrealized losses from financial assets	5	**(728,502)**	(13,053,668)
Net revenue		**19,641,295**	6,205,726
Expenses			
Management fees	6	**(2,699,814)**	(2,358,412)
Administration and custody fees	6	**(327,009)**	(335,954)
Finance costs		**(1,320,081)**	(1,216,794)
Other expenses		**(983,332)**	(1,613,841)
Foreign currency differences losses		**(912,813)**	(382,548)
Total expenses		**(6,243,049)**	(5,907,549)
Profit for the period		**13,398,246**	298,177
Other comprehensive income		**-**	-
Total comprehensive income for the period		**13,398,246**	298,177

The accompanying notes from (1) to (14) 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, 2023
(Expressed in Saudi Riyal)

		FOR THE SIX-MONTH PERIOD ENDED JUNE 30,	
	Note	**2023 (Unaudited)**	2022 (Unaudited)
Equity attributable to unitholders			
Equity attributable to unitholders at the beginning of the period		**470,237,783**	484,469,700
Comprehensive income for the period		**13,398,246**	298,177
Dividends	12	**(13,238,812)**	(11,820,368)
Equity attributable to unitholders at the end of the period		**470,397,217**	472,947,509

The accompanying notes from (1) to (14) 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, 2023
(Expressed in Saudi Riyal)

	FOR THE SIX-MONTH PERIOD ENDED JUNE 30,	
	2023 (Unaudited)	2022 (Unaudited)
CASH FLOW FROM OPERATING ACTIVITIES:		
Profit for the period	**13,398,246**	298,177
Adjustments:		
Finance costs	**1,320,081**	1,216,794
Realized gains from sale of financial assets	**-**	(10,742)
Unrealized losses from financial assets	**728,502**	13,053,668
Changes in operating assets and liabilities:		
Dividends receivables	**(447,202)**	(1,475,593)
Prepaid expenses and other debit balances	**(856,415)**	843,642
Accrued expenses and other credit balances	**(335,717)**	(208,270)
Due to related parties	**(39,352)**	(75,458)
Net change in financial assets	**10,678,875**	(14,468,657)
Net cash provided by / (used in) operating activities	**24,447,018**	(826,439)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net movement in credit facilities	**(15,500,507)**	(5,722,502)
Dividends paid	**(13,238,812)**	(11,820,368)
Finance cost paid	**(1,320,081)**	(1,023,280)
Net cash used in financing activities	**(30,059,400)**	(18,566,150)
Net change in cash and cash equivalents	**(5,612,382)**	(19,392,589)
Cash and cash equivalents at the beginning of the period	**17,392,966**	63,076,819
Cash and cash equivalents at the end of the period	**11,780,584**	43,684,230
Non-Cash items:		
Uncollected amounts from trade finance investments sale	**22,371,560**	-

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

1- THE FUND AND ITS ACTIVITIES

Alkhabeer Diversified Income Traded Fund ("The Fund") is a closed-ended shari'a-compliant investment traded fund, established in accordance with applicable laws and regulations of the Kingdome of Saudi Arabia and it is subject to Capital Market Authority (“CMA”) control and supervision. The Fund has been established on January 7, 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 of Directors. Alinma Investment Company acts as the Custodian of the Fund. The year 2021 is the first year of operation for the Fund.

The objective of the Fund is to generate periodic income for investors by investing in income-generating assets that are compatible with the regulations of the Sharia Board.

The establishment of the Fund has been approved by the Capital Market Authority (“CMA”) on September 17, 2020 (corresponding to Muharram 29, 1442 H). The inception date of the Fund was January 7, 2021 (corresponding to Jamada Alawwal 23, 1442 H) and the Fund was listed on Saudi Tadawul on January 19, 2021 (corresponding to Jamada Alakhir 6, 1442 H).

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 owners of the assets of the Fund and distributions are made in relation to their respective ownership in the total number of outstanding units.

The Fund’s term is 99 years following the date of listing units on Saudi Tadawul. The term of the Fund may be extended at the Fund Manager's discretion subject to CMA approval.

The Fund is subject to the Sharia Boards guidelines in its investments and transactions.

2- REGULATORY AUTHORITY

The Fund was established and its units are offered based on the Investment Funds Regulations approved by the 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 by the CMA Board Resolution number 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 CMA in the Kingdom of Saudi Arabia.

3- BASIS OF PREPARATION 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 and the provisions specified by the fund regulations issued by the CMA, the terms and conditions of the fund and the information memorandum considering that the financial performance for the interim condensed financial six-month period ended in June 30, 2023, may not necessarily be indicative of the expected results for the year that will be ended on December 31, 2023.

The interim condensed financial statements do not include all of the required information and disclosures for the annual financial statements, and should be read in conjunction with the Fund's annual financial statements for the year ended December 31, 2022. 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 have been prepared on a historical cost basis except for the items that are measured at fair value, present value, net realizable value, and replacement cost in line with the accrual basis of accounting and going concern basis.

Functional and presentation currency

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

4- SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing the condensed interim financial statements are consistent with those used in preparing the Fund's annual financial statements for the year ended on December 31, 2022.

Zakat

According to the rules for zakat collection from investors in investment funds, investment funds are not required to pay zakat. However, an information declaration should be submitted to calculate the Zakat base of the Fund. Therefore, no provision for such liabilities is recorded in these interim condensed financial statements.

5- FINANCIAL ASSETS

a- Fair value through profit or loss:

June 30, 2023 (Unaudited)	**Sukuk investments**	**Investments in funds**	**Total**
Balance at the beginning of the period	**32,766,994**	**121,174,954**	**153,941,948**
Additions	**-**	**7,076,188**	**7,076,188**
Disposals	**-**	**(4,102,421)**	**(4,102,421)**
Unrealized losses / gains	**(771,158)**	**42,656**	**(728,502)**
Balance at the end of the period	**31,995,836**	**124,191,377**	**156,187,213**

December 31, 2022 (Audited)	Sukuk investments	Investments in funds	Total
Balance at the beginning of the year	76,301,844	94,450,491	170,752,335
Additions	12,293,276	274,544,048	286,837,324
Disposals	(47,448,407)	(246,559,365)	(294,007,772)
Unrealized losses	(8,379,719)	(1,260,220)	(9,639,939)
Balance at the end of the year	32,766,994	121,174,954	153,941,948

b- Amortized cost:

June 30, 2023 (Unaudited)	**Investments in trade financing**	**Leasing deals**	**Islamic leasing and finance XVlll***	**Islamic leasing and finance XIX***	**Islamic leasing and finance 23***	**Total**
Balance at the beginning of the period	**148,454,360**	**62,136,598**	**86,320,217**	**37,265,528**	**5,578,037**	**339,754,740**
Additions	**121,759,879**	**200,980**	**-**	**-**	**-**	**121,960,859**
Disposals	**(142,115,300)**	**(838,781)**	**(12,287,230)**	**(2,344,822)**	**(398,928)**	**(157,985,061)**
Balance at the end of the period	**128,098,939**	**61,498,797**	**74,032,987**	**34,920,706**	**5,179,109**	**303,730,538**

December 31, 2022 (Audited)	Investments in trade financing	Leasing deals	Islamic leasing and finance XVlll*	Islamic leasing and finance XIX*	Islamic leasing and finance 23*	Total
Balance at the beginning of the year	138,235,898	62,155,418	106,528,180	45,064,800	6,140,079	358,124,375
Additions	271,041,434	-	-	-	-	271,041,434
Disposals	(260,822,972)	(18,820)	(20,207,963)	(7,799,272)	(562,042)	(289,411,069)
Balance at the end of the year	148,454,360	62,136,598	86,320,217	37,265,528	5,578,037	339,754,740

* the credit facilities are secured against the financial assets above.

6- RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties' transactions represent the management fees, administration fees, custody fees, and compensations to the independent Board Members.

a) Due to related parties comprise the following:

			Volume of transaction		Balance	
Related parties	**Nature of relationship**	**Nature of transaction**	**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023 (Unaudited)**	FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022 (Unaudited)	**As at June 30, 2023 (Unaudited)**	As at December 31, 2022 (Audited)
Alkhabeer Capital Company	Fund Manager	Management fees	**2,699,814**	2,358,412		
		Administration fees	**269,981**	286,365		
		Payments	**(3,018,202)**	(2,756,988)	**2,969,796**	3,018,203
Alinma Investment Company	Custodian	Custody Fees	**57,028**	49,589		
		Payments	**(34,973)**	-	**57,028**	34,973
Fund Board of Directors	Board of Directors	Total compensation paid to Independent Fund board members	**13,000**	20,972		
		Payments	**(26,000)**	(33,808)	**13,000**	26,000
Second diversified income for investment company	Subsidiary for custodian	expenses on behalf the company	**125**	158		
		payments	**(125)**	(158)	-	-
					3,039,824	3,079,176

b) All transactions with related parties are approved by the Fund Manager.

7- SHARIYAH COMPLIANCE

The Fund operates in accordance with the Sharia Compliant, 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 Compliant.

8- LAST VALUATION DATE

The last date for valuation during the period is June 30, 2023.

9- 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) Market risk

- Currency risk

Currency risk is the risk that the value of a financial instrument denominated in foreign currencies will fluctuate due to changes in foreign exchange rates, in case the Fund does not hedge its currency exposure by means of hedging instruments.

During the year, the Fund did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars and accordingly the Fund does not have material exposure to other foreign currencies during the year ended June 30, 2023. Further, since the Saudi Riyal is pegged to the US dollar, the Fund is not exposed to significant foreign currency risk.

- Interest rate risk

Interest rate risks is the risk that the fair value or future cash flows of a financial instrument would fluctuate as a result of changes in interest rate. The Fund is exposed to interest rate risk because the Fund borrow funds at both fixed and floating interest rates. The risk is managed by the Fund by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring the most cost-effective hedging strategies are applied.

- Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk).

b) Credit risk

Credit risk is the risk that a counterpart 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 cash and cash equivalents, dividend receivables and other debit balances.

c) 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.

June 30, 2023 (Unaudited)	Book value	Less than one year	More than one year
Non-derivative financial liabilities			
Credit facilities	**33,253,502**	**-**	**33,253,502**
Due to related parties	**3,039,824**	**3,039,824**	**-**
Accrued expenses and other credit balances	**35,578**	**35,578**	**-**
	36,328,904	**3,075,402**	**33,253,502**

December 31, 2022 (Audited)	Book value	Less than one year	More than one year
Non-derivative financial liabilities			
Credit facilities	48,754,009	-	48,754,009
Due to related parties	3,079,176	3,079,176	-
Accrued expenses and other credit balances	371,295	371,295	-
	52,204,480	3,450,471	48,754,009

10- 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.

	Book value		**Fair Value**			
	Amortized Cost	**Fair Value**	**Level (1)**	**Level (2)**	**Level (3)**	**Total**
June 30, 2023 (Unaudited)						
Financial assets						
Cash and cash equivalents	**11,780,584**	**-**	**-**	**-**	**-**	**11,780,584**
Dividend receivables	**6,268,070**	**-**	**-**	**-**	**-**	**6,268,070**
Other debit balances	**26,324,305**	**-**	**-**	**-**	**-**	**26,324,305**
Financial assets	**303,730,538**	**156,187,213**	**-**	**156,187,213**	**-**	**459,917,751**
	348,103,497	**156,187,213**	**-**	**156,187,213**	**-**	**504,290,710**
Financial liabilities						
Due to related parties	**3,039,824**	**-**	**-**	**-**	**-**	**3,039,824**
Credit facilities	**33,253,502**	**-**	**-**	**-**	**-**	**33,253,502**
Accrued expenses and other credit balances	**35,578**	**-**	**-**	**-**	**-**	**35,578**
	36,328,904	**-**	**-**	**-**	**-**	**36,328,904**

	Book value		Fair Value			
	Amortized Cost	Fair Value	Level (1)	Level (2)	Level (3)	Total
December 31, 2022 (Audited):						
Financial assets						
Cash and cash equivalents	17,392,966	-	-	-	-	17,392,966
Dividend receivables	5,820,868	-	-	-	-	5,820,868
Other debit balances	2,630,420	-	-	-	-	2,630,420
Financial assets	339,754,740	153,941,948	-	153,941,948	-	493,696,688
	365,598,994	153,941,948	-	153,941,948	-	519,540,942
Financial liabilities						
Due to related parties	3,079,176	-	-	-	-	3,079,176
Credit facilities	48,754,009	-	-	-	-	48,754,009
Accrued expenses and other credit balances	371,295	-	-	-	-	371,295
	52,204,480	-	-	-	-	52,204,480

11- OPERATING SEGMENTS

The Fund achieves continuous investment returns and all the Fund's operations are carried out inside and outside the Kingdom of Saudi Arabia. The Fund's operations are monitored by the Fund's management under one sector. Thus no separate information is required.

The following is a summary of the selected financial information by business segments above:

	Local Investments	Foreign Investments
Value of investments	**34,501,335**	**425,416,416**
Revenues	**902,366**	**18,738,929**

12- DIVIDENDS

The Fund Board of Directors approved the distribution of dividends and the details are as follows:

Date of approval	The period it was paid in	As per unit	Total
January 25, 2022	July 01, 2021 to December 31, 2021	0.25	11,820,368
August 04, 2022	January 01, 2022 to June 30, 2022	0.26	12,293,182
January 26, 2023	01 July, 2022 to December 31, 2022	0.28	13,238,812

13- SUBSEQUENT EVENTS

- On July 31, 2023 the Fund's Board of Directors approved dividend distributions in respect of the period January 1, 2023 to June 30, 2023 in the amount of SAR 0.28 per unit, which amounted SAR 13.24 million to unitholders.

- Funds have been obligated to register with the Zakat, Tax and Customs Authority (ZATCA) and to submit an information declaration starting in 2023.

14- APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Funds Board of Directors on 23 Muharram 1445H, (August 10, 2023).