

**ALKHABEER DIVERSIFIED INCOME TRADED FUND – Expressed in
Saudi Riyal**
(Managed by Al-Khabeer Financial Company)

**FINANCIAL STATEMENTS FOR THE PERIOD FROM THE
INCEPTION DATE JANUARY 7, 2021 UP TO DECEMBER 31, 2021
AND THE INDEPENDENT AUDITOR'S REPORT**



Crowe

Al Azem & Al Sudairy & Al Shaikh & Partners
CPA's & Consultants - Member Crowe Global

ALKHABEER DIVERSIFIED INCOME TRADED FUND – Expressed in Saudi Riyal
(Managed by Al-Khabeer Financial Company)
FINANCIAL STATEMENTS FOR THE PERIOD FROM THE INCEPTION DATE
JANUARY 7, 2021 UP TO DECEMBER 31, 2021
AND THE INDEPENDENT AUDITOR’S REPORT

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Independent Auditor's Report

To The Unitholders
Alkhabeer Diversified Income Traded Fund – Expressed in Saudi Riyal
(Managed by Al-Khabeer Financial Company)
Jeddah, Saudi Arabia

Opinion

We have audited the financial statements of **ALKHABEER DIVERSIFIED INCOME TRADED FUND (Investment Traded Fund) ("The Fund")**, which comprise the statement of financial position as of December 31, 2021, the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows for the period started on 7 January 2021 until December 31, 2021, and the accompanying notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2021, and its financial performance and its cash flows for the period started on 7 January 2021 until December 31, 2021 in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Fund in accordance with the professional code of conduct and ethics, that are endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Fund for the period from its inception on January 7, 2021 until December 31, 2021 are the first financial statements of the fund, and accordingly, the comparative figures have not been shown.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Below are the description of each key audit matters and how our audit procedures were addressed to these key audit matters:

Audit, Tax & consultants

Salman B. AlSudairy
License No. 283

Musab A. AlShaikh
License No. 658

Abdullah M. AlAzem
License No. 335



Independent Auditor's Report

To The Unitholders
Alkhabeer Diversified Income Traded Fund – Expressed in Saudi Riyal
 (Managed by Al-Khabeer Financial Company)
 Jeddah, Saudi Arabia

Key Audit Matters	How our audit addressed key audit matters
<p>Financial assets at fair value through profit or losses</p> <p>As at 31 December 2021, the book value of the Fund's financial assets is SR 528.876 million.</p> <p>Financial assets are measured initially at cost including transaction costs. Subsequent to initial recognition, financial assets are stated at cost less investment recoveries and impairment losses, if any. However, the fair value of the financial assets is disclosed along with its impact on net assets per unit.</p> <p>In accordance with the requirements of relevant accounting standards, the Fund is required to assess indicators of impairment on its assets at each reporting date. In case such indicators are identified, the recoverable amount of such property is required to be determined.</p> <p>As part of its assessment of impairment indicators, the Fund reviews both the internal and external indicators of impairment including but not limited to net cash outflows or operating losses, and adverse market changes or conditions. Moreover, the assessment of recoverable amounts entails the use of several valuation techniques.</p> <p>Since, the evaluation of impairment indicators and ensuing recoverable amount assessment, where required, involves the exercise of significant judgment, it has therefore been determined to be a key audit matter.</p> <p>Refer to note 7 to the financial statements for significant judgements and assumptions applied in the determination of the recoverable amounts of the investment properties and note 3 for the details of related accounting policies.</p>	<p>Our audit procedures in response to the assessed risk of material misstatement in valuation of financial assets comprised of:</p> <ul style="list-style-type: none"> ▪ Obtained an understanding of the management processes for identification, and mitigation of valuation risk. ▪ Performed test of details on the acquisition costs and ensured that all costs are appropriately capitalized. ▪ Assessed the Fund Manager's determination of the following: <ul style="list-style-type: none"> - The factors considered by the Fund in impairment indicator assessment, and - The base used in determine cash generating units. And it's the method used to calculate the recoverable amount. ▪ Compared the recoverable amount of each cash-generating unit with its carrying value.



Independent Auditor's Report

To The Unitholders

Alkhabeer Diversified Income Traded Fund – Expressed in Saudi Riyal
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Key Audit Matters (Continued)

Key Audit Matters	How our audit addressed key audit matters
We considered this as a Key audit matter since the valuation requires significant judgment with respect to the appropriateness of the method used, and any input inaccuracies in this judgment could result in material misstatement of the financial statements disclosure.	<ul style="list-style-type: none"> ▪ We have reviewed the financial statement disclosure ▪ We have reviewed the disclosures of key assumptions and judgements.

Other information included in the Fund's 2021 Annual Report

Other information consists of the information included in the Fund's 2021 Annual Report, other than the financial statements and our auditor's report thereon.

Fund Board is responsible for the other information. The Fund's 2021 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

Responsibilities of Fund's managers and Those Charged with Governance for the Financial Statements

Fund's Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants, the applicable provisions of the investment Funds regulation and the Funds terms and conditions, and for such internal control as Fund's Manager determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Fund's Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Fund's Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The charged with governance (Fund's Manager) is responsible for overseeing the financial reporting process.

Independent Auditor's Report

To The Unitholders

Alkhabeer Diversified Income Traded Fund – Expressed in Saudi Riyal
(Managed by Al-Khabeer Financial Company)
Jeddah, Saudi Arabia

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Fund's Manager.
- Conclude on the appropriateness of Fund's Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditors' Report - Continued

To The Unitholders

Alkhabeer Reit Fund - Expressed in Saudi Riyals
(Managed by Alkhabeer Capital Company)
Jeddah, Saudi Arabia

Auditors' Responsibilities for the Audit of the Financial Statements – Continued

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



25 Sha'aban 1443H (March 28, 2022)
Jeddah, Kingdom of Saudi Arabia

AlAzem, AlSudairy, AlShaikh & Partners
Certified Public Accountants



Salman B. AlSudairy
License No. (283)

ALKHABEER DIVERSIFIED INCOME TRADED FUND
(Managed by Al-Khabeer Financial Company)
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
(Expressed in Saudi Riyal)

	Notes	As of December 31, 2021
ASSETS		
Cash and cash equivalents	4	63,076,819
Receivables dividends	5	4,498,681
Prepaid expenses and other debit balances	6	4,364,340
Financial assets at fair value through profit or losses	7	528,876,710
Total Assets		<u><u>600,816,550</u></u>
LIABILITIES AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		
LIABILITIES		
Credit facilities	8	113,306,286
Accrued expenses and other liabilities	9	194,263
Due to related parties	10	2,846,301
Total Liabilities		<u><u>116,346,850</u></u>
EQUITY ATTRIBUTABLE TO UNITHOLDERS		<u><u>484,469,700</u></u>
Total Liabilities And Equity		<u><u>600,816,550</u></u>
Number of units issued (unit)		<u><u>47,281,470</u></u>
Equity For the Unit		<u><u>10.2465</u></u>

The accompanying notes from (1) to (21) form an integral part of these financial statements.

ALKHABEER DIVERSIFIED INCOME TRADED FUND

(Managed by Al-Khabeer Financial Company)

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME**FOR THE PERIOD FROM THE INCEPTION DATE JANUARY 7, 2021 UPTO DECEMBER 31, 2021**

(Expressed in Saudi Riyal)

		FOR THE PERIOD FROM THE INCEPTION DATE JANUARY 7, 2021 UP TO DECEMBER 31, 2021
	Notes	<u>2021</u>
Dividends from financial assets at fair value through profit or losses		28,207,908
Realized profit from financial assets at fair value through profit or losses		942,371
Unrealized losses from financial assets at fair value through profit or losses	7	<u>(1,257,986)</u>
Total revenues		<u>27,892,293</u>
Expenses and other income		
Management fees	11	(4,768,458)
Administration , Custody fees and Others	11	(769,140)
Finance costs		(594,459)
Fund establishment expenses	12	(1,941,674)
Foreign currency profits		<u>347,103</u>
Total expenses		<u>(7,726,628)</u>
Profit for the period		<u>20,165,665</u>
Other comprehensive income		<u>-</u>
Total other comprehensive income for the period		<u>20,165,665</u>

The accompanying notes from (1) to (21) form an integral part of these financial statements.

ALKHABEER DIVERSIFIED INCOME TRADED FUND
 (Managed by Al-Khabeer Financial Company)
STATEMENT OF CHANGES IN OWNER EQUITY ATTRIBUTABLE TO UNITHOLDERS
FOR THE PERIOD FROM THE INCEPTION DATE JANUARY 7, 2021 UPTO DECEMBER 31,
2021
 (Expressed in Saudi Riyal)

	FOR THE PERIOD FROM THE INCEPTION DATE JANUARY 7, 2021 UP TO DECEMBER 31, 2021
Note	<u>2021</u>
Equity attributable to unitholders at the beginning of the period	-
Proceed from initial subscription of units	472,814,700
Total comprehensive income for the period	20,165,665
Dividends distribution	19 <u>(8,510,665)</u>
Equity attributable to unitholders at the end of the period	<u>484,469,700</u>

The accompanying notes from (1) to (21) form an integral part of these financial statements.

ALKHABEER DIVERSIFIED INCOME TRADED FUND

(Managed by Al-Khabeer Financial Company)

STATEMENT OF CASH FLOW**FOR THE PERIOD FROM THE INCEPTION DATE JANUARY 7, 2021 UP TO DECEMBER 31, 2021**

(Expressed in Saudi Riyals)

	FOR THE PERIOD FROM THE INCEPTION DATE JANUARY 7, 2021 UP TO DECEMBER 31, 2021
<u>CASH FLOW FROM OPERATING ACTIVITIES:</u>	
Profit for the Period	20,165,665
Adjustment:	
Finance costs	594,459
Unrealized losses from financial assets at fair value through profit or losses	1,257,986
Changes in operating assets and liabilities:	
Receivables dividends	(4,498,681)
Prepaid expenses and other debit balances	(4,364,340)
Accrued expenses and other liabilities	194,263
Due to related parties	2,846,301
	<u>16,195,653</u>
Finance cost paid	(594,459)
Net cash generated from operating activities	<u>15,601,194</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Additions to financial assets at fair value through profit or losses	(530,134,696)
Net cash used in investing activities	<u>(530,134,696)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>	
Net movement in credit facilities	113,306,286
Proceeds from initial subscription of units	472,814,700
Dividends distribution	(8,510,665)
Net cash generated from financing activities	<u>577,610,321</u>
Net change in cash and cash equivalents	63,076,819
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the End of the period	<u>63,076,819</u>

The accompanying notes from (1) to (21) form an integral part of these financial statements.

ALKHABEER DIVERSIFIED INCOME TRADED
(Managed by Al-Khabeer Financial Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM THE INCEPTION DATE JANUARY 7, 2021 UP TO
DECEMBER 31, 2021
(Expressed in Saudi Riyals)

1. THE FUND AND ITS ACTIVITIES

Alkhabeer Diversified Income Traded Fund ("The fund") is a Shariah compliant investment traded fund, established in accordance in the rules and regulations enforced in KSA as well as under the guidelines of CMA. The Fund has been established on 7 January 2021 and managed by Alkhabeer Capital (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. As this year considered first operation year for the fund. As 2021 is the first operation year 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 Shariah Board.

The establishment of the fund has been approved by the Capital Market Authority (the "Authority") on September 17, 2020 (corresponding to Muharram 29, 1442 AH). The fund was listed on 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 owners of the assets of the Fund and distributions may be 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 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. The books and records of the Fund are maintained in Saudi Riyal (SR), which represents the functional and presentation currency of the Fund.

2. REGULATORY AUTHORITY

The Fund has been established and units are offered in accordance with the Investment Funds Regulations issued by Capital Market Authority under Resolutions No. 1/219/2006 dated 12/03/1427 AH ("The Investment Funds") issued by Royal Decree No. M/30 dated 2/6/1424 AH And amended pursuant to Capital Market Authority Board under Resolution No. 2/22/2021 dated 7/12/1442 AH (corresponding to 2/24/2021 AD) to keep pace with the rapid developments and changes regarding the rules and regulations of the Authority in the Kingdom of Saudi Arabia.

3. BASIS OF PREPARATION

Statement of compliance

The accompanying financial statements for the Fund have been prepared in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants.

ALKHABEER DIVERSIFIED INCOME TRADED

(Managed by Al-Khabeer Financial Company)

NOTES TO THE FINANCIAL STATEMENTS

**FOR THE PERIOD FROM THE INCEPTION DATE JANUARY 7, 2021 UP TO
DECEMBER 31, 2021**

(Expressed in Saudi Riyals)

Basis of measurement

These 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 displayed in the statement of financial position, and the values of assets and liabilities are presented according to liquidity and classified as a current.

Reporting currency

The accompanying financial statements are presented in Saudi Riyal, which is the Fund's functional and presentation currency.

Fair value measurement

The fair value represents the amount that may be collected from selling an asset or paying 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.

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.

ALKHABEER DIVERSIFIED INCOME TRADED
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Changes in accounting policies

A) New standards, amendments to standards and interpretations

The Fund has adopted the following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) effective from January 1, 2020 and accordingly adopted by the Fund.

Standard/Interpretation	Description
Amendments to IFRS 3	Definition of business
Amendments to IAS 1 & IAS 8	Definition of material
IFRS 9	Interest rate benchmark reform and hedge

The adoption of the amended standards and interpretations applicable to the Fund did not have any significant impact on these financial statements.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Fund's annual financial statements are listed below. The Fund intends to adopt these standards when they become effective.

Standard/Interpretation	Description	Effective from periods beginning on or after the following date
Amendments to IAS 1	Presentation of financial statements on classification of liabilities	January 1, 2023
Amendments to IFRS 3, IAS 16, IAS 37	-Business combinations - Conceptual Framework Property, plant and equipment- sales proceeds- selling from product element - Provisions, contingent liabilities and contingent assets - The costs of assessing the contract	January 1, 2022
Annual Improvements to IFRSs	IFRS 9, 'Financial Instruments- derecognize a financial liability IFRS 16, 'Leases - lease incentives IAS 41, 'Agriculture - fair value	January 1, 2022

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(Expressed in Saudi Riyals)

Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents includes Cash at banks and cash at Portfolios, which are subject to an insignificant risk of changes in value.

Credit facilities

Credit 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) as per the 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.

Accrued expenses and other payable

Liabilities are recognized for the amount to be paid in the future for services received, whether billed by the supplier or not.

Expenses

All expenses are classified as operating expenses unless another classification is consistent with the nature of the item of expense and circumstances of the Fund.

ALKHABEER DIVERSIFIED INCOME TRADED

(Managed by Al-Khabeer Financial Company)

NOTES TO THE FINANCIAL STATEMENTS

**FOR THE PERIOD FROM THE INCEPTION DATE JANUARY 7, 2021 UP TO
DECEMBER 31, 2021**

(Expressed in Saudi Riyals)

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:

Skuk 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 sukuk 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS
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Revenue recognition (Continues)

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.

Finance costs

Finance cost is recognized in the statement of profit or loss and other comprehensive income for all special commission-bearing financial instruments using the effective special commission method.

Dividend distribution

The fund manager distributes 100% of the semi-annual profits obtained from the investment returns of the fund after deducting expenses to the unit holders twice a year. This is excluding capital gains resulting from the sale of invested assets, which may be reinvested in other assets or distributed all or part of it at the discretion of the fund manager.

The fund distributes profits within (40) working days from the date of the last day of each half-year and at the end of each Gregorian year, i.e. during the months of August and February of each Gregorian year. Any cash dividends distributed will be deposited into the unit owner's investment account.

Value added tax

Revenues, expenses and assets are recognized after deducting value added tax ("VAT") except:

- When the value added tax incurred when purchasing assets or services is not recoverable from the tax authority, in which case the value added tax is recognized as part of the cost of acquiring the asset or as part of the expense item as applicable.
- Receivables and payables mentioned showing the amount of VAT included.

The net amount of VAT that is recoverable from the Authority or payable is included as part of accounts receivable or payable in the statement of financial position.

ALKHABEER DIVERSIFIED INCOME TRADED

(Managed by Al-Khabeer Financial Company)

NOTES TO THE FINANCIAL STATEMENTS

**FOR THE PERIOD FROM THE INCEPTION DATE JANUARY 7, 2021 UP TO
DECEMBER 31, 2021**

(Expressed in Saudi Riyals)

Net asset value of the unit

The net asset value of the unit is calculated and disclosed in the financial position by dividing the net assets of the Fund belonging to unit holders by the number of issued units.

Financial instruments

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

Financial assets

Financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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 instruments with another entity under conditions are potentially favorable to the entity, or
- d) A contract that may or will be settled at entity's owned equity instruments.

Classification and initial recognition

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

- Those to be measured subsequently at fair value (either through profit or loss, or through other comprehensive income).
- Those to be 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 statement of profit or loss and other comprehensive income. 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 irrevocable election at the time of initial recognition to account for the equity instruments at fair value through OCI. The Fund reclassifies debt instruments when and only when its business model for managing those assets changes.

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At initial recognition, the Fund measures a financial asset at its fair value, in the case of financial asset not at fair value through profit or loss, plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the profit or loss.

Subsequent measurements

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 the net of assets.

Changes in the fair value of financial assets at fair value through profit or loss in the statement of profit and loss as applicable.

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 statement of profit or loss**

Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through statement of profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through statement of profit or loss. And is not part of a hedging relationship is recognized in statement of profit or loss and presented net in the statement of profit or loss within other gains / (losses) in the year in which it arises. Interest income from these financial assets is included as financial benefit in profits or losses.

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Effective interest 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 exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment

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

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 potentially unfavorable.
- 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.

De-recognition of financial assets

The Fund derecognize 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 an associated liability for 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 a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in the profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Fund has elected on initial recognition to measure at FVTPL, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Fund's 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.

Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the 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 volatility. Changes in assumptions relating to the 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.

Zakat

Zakat is a liability for unit holders and therefore no provision is made for this obligation in these financial statements.

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4. Cash and cash equivalents

	<u>2021</u>
Cash at Banks	54,362,133
Cash at portfolios*	8,714,686
	<u>63,076,819</u>

*This item represents the cash balances Skuk portfolio.

5. RECEIVABLES DIVIDENDS

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

6. PREPAID EXPENSES AND OTHER DEBIT BALANCES

	<u>2021</u>
Prepaid expenses	3,687,005
Other	677,335
	<u>4,364,340</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSSES

The investment portfolio and its fair value:

	<u>Acquisition cost</u>	<u>Unrealized of December 31, losses</u>	<u>Fair value As 2021</u>
Sukuk investments*	77,216,258	(914,414)	76,301,844
Investments in funds*	94,794,063	(343,572)	94,450,491
Investments in trade financing**	138,235,898	-	138,235,898
Leasing deals**	62,155,418	-	62,155,418
Islamic Leasing and Finance XVIII**	106,528,180	-	106,528,180
Islamic Leasing and Finance XIX**	45,064,800	-	45,064,800
Islamic Leasing and Finance 23**	6,140,079	-	6,140,079
	<u>530,134,696</u>	<u>(1,257,986)</u>	<u>528,876,710</u>

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

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

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8. CREDIT FACILITIES

The Fund has a Credit facility agreement with two commercial brokers, totaling SAR 113,3 million.

A- National bank of Kuwait:

On December 9, 2021, the Alkhabeer Diversified Income Fund obtained Islamic financing facilities from the National Bank of Kuwait in the amount of 75,796,490 Saudi Riyal, for the purposes of buying and selling precious metals (platinum). These facilities will be repaid as of March 9, 2022, after calculating Murabaha Percentage agreed on.

The facilities are secured against financial assets at fair value through profit or loss as explained in Note No. (7).

B- Shuaa capital:

On December 8, 2021, the Alkhabeer Diversified Income Fund obtained Islamic financing facilities from Shuaa Capital in the amount of 37,509,796 Saudi Riyal, for the purposes of buying and selling precious metals (platinum). These facilities will be repaid as of January 10, 2022. after calculating Murabaha Percentage agreed on.

The facilities are secured against financial assets at fair value through profit or loss as explained in Note No. (7).

9. ACCRUED EXPENSES AND OTHER LIABILITIES

	<u>2021</u>
Accrued interests	130,676
Professional and consulting fees	<u>63,587</u>
	<u>194,263</u>

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10. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent the Management fees, Custody fees, and Compensation to Independent Board Members.

Related parties	Nature of transaction	Volume of	Balance
		transaction	
		For The Period	
		From the Inception	
		date January 7, 2021	
		Up To December 31,	
		2021	2021
Alkhabeer Capital (Fund Manager)	Management fees	4,768,458	
	Administration fees	476,845	
	Expenses paid on behalf of the Fund	5,000	2,706,465
Alinma Investment Company Fund Board	Custody Fees	242,294	106,000
	Aggregate compensation to Independent Fund Board Members	33,836	33,836
			<u>2,846,301</u>

11. 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 following:

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.

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d) SUBSCRIPTIONS 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.

12. FUND ESTABLISHMENT EXPENSES

	For The Period From the Inception date January 7, 2021 Up To December 31, 2021
Value added tax	941,959
Initial registration and listing fees	659,448
Professional and consulting fees	145,298
Other expenses	194,969
	<u>1,941,674</u>

13. SHARIA 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.

14. LAST VALUATION DATE

The last date for the valuation during the period is December 31, 2021.

15. 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.

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c) Price risk

Price risk is the risk that the fair value or a financial instrument will fluctuate because of changes in market prices. Whether these fluctuations were a result of variable factors of the instrument or its source or any other factors affecting all instrument in the market. The Fund is not subject to Price risk.

d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Funds does not focus on credit risk. Cash is placed with banks with sound credit ratings. Coming up are contractual obligations for financial liabilities, these amount were shown as gross including estimated benefit.

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 to ensure the availability of sufficient funds.

	Book Value	Less than a year	More than a year
<u>Non-derivative financial liabilities</u>			
Credit facilities	113,306,286	113,306,286	-
Accrued expenses and other liabilities	194,263	194,263	-
Due to related parties	2,846,301	2,846,301	-
	116,346,850	116,346,850	-

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16. 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.

	Amortized Cost	Fair Value	Level (1)	Fair Value			Total
				Level (2)	Level (3)		
Financial Assets							
Cash and cash equivalents	63,076,819	-	-	-	-	-	63,076,819
Dividends receivables	4,498,681	-	-	-	-	-	4,498,681
Prepaid expenses and other debit balances	4,364,340	-	-	-	-	-	4,364,340
Financial assets at fair value through profit or losses	-	528,876,710	528,876,710	-	-	-	371,143,651
	<u>71,939,840</u>	<u>528,876,710</u>	<u>528,876,710</u>	-	-	-	<u>600,816,550</u>
Financial Liabilities							
Credit facilities	113,306,286	-	-	-	-	-	113,306,286
Accrued expenses and other liabilities	194,263	-	-	-	-	-	194,263
Due to related parties	2,846,301	-	-	-	-	-	2,846,301
	<u>116,346,850</u>	-	-	-	-	-	<u>116,346,850</u>

17. OPERATING SEGMENTS

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

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18. 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 year ended December 31, 2021.

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 year ended 2021. Further, management is monitoring and keeping an eye on the situation through their task force.

19. Dividends distribution

The Fund's Board of Directors approved on the dividend distributions in respect of the period January 7, 2021 to June 30, 2021 (first half of the year 2021) amounted of 0.18 SR per unit, totaling 8,510,665 SR to unit holders. These dividends have been paid on August 18, 2021.

20. Subsequent events

On January 25, 2022, the Fund's Board of Directors approved dividend distributions in respect of the period July 1, 2021 to December 31, 2021 (second half of the year 2021) in the amount of 0.25 SR per unit, which totaling 11,820,367.5 SR to unit holders. These dividends paid on February 21, 2022.

21. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Funds Board of Directors on 14 Sha'aban 1443H (Corresponding 20 March 2022).