BLOMINVEST SR MURABAHA FUND
(Managed by Blominvest Saudi Arabia)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

Building a better working world

Ernst & Young Professional Services (Professional LLC)
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INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF BLOMINVEST SR MURABAHA FUND
(MANAGED BY BLOMINVEST SAUDI ARABIA)

Opinion

We have audited the financial statements of BLOMINVEST SR MURABAHA FUND (the "Fund") managed by Blominvest Saudi Arabia (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity attributable to the unitholders and statement of cash flows for the year then ended, and 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 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the applicable provisions of the Investment Funds Regulations issued by the Board of the Capital Market Authority, and the Fund's terms and conditions and the Information Memorandum, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF BLOMINVEST SR MURABAHA FUND
(MANAGED BY BLOMINVEST SAUDI ARABIA)

Responsibilities of Management and Those Charged with Governance for the Financial Statements (continued)

In preparing the financial statements, management 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 management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's 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 auditor's 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 management.

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INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF BLOMINVEST SR MURABAHA FUND
(MANAGED BY BLOMINVEST SAUDI ARABIA)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of management'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 auditor's 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 auditor's report. However, future events or conditions may cause the Fund 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.

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.

for Ernst & Young Professional Services

Fahad M. Al-Toaimi
Certified Public Accountant
License No. 354

Riyadh: 8 Ramdhan 1444H
(30 March 2023)

CR 1010383821
Ernst & Young Professional Services
(Professional LLC)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	***2022 SR***	*2021 SR*
ASSETS			
Bank balance with custodian	7	**3,474,795**	12,926,981
Murabaha placements at amortised cost	8	**102,927,516**	21,679,971
Investments in sukuks at amortised cost	9	**9,880,843**	-
Financial assets at fair value through profit or loss (FVTPL)	10	**49,227,718**	31,973,055
Other receivables		**34,944**	-
Accrued income		**539,808**	33,419
TOTAL ASSETS		**166,085,624**	66,613,426
LIABILITIES AND EQUITY			
LIABILITIES			
Redemption under settlement		**3,017,083**	-
Management fees payable	11	**39,475**	13,404
Accrued expenses		**60,074**	45,560
TOTAL LIABILITIES		**3,116,632**	58,964
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS (TOTAL EQUITY)		**162,968,992**	66,554,462
TOTAL LIABILITIES AND EQUITY		**166,085,624**	66,613,426
Redeemable units in issue		**15,960,571**	6,648,137
Net asset value attributable to each unit		**10.21**	10.01

The accompanying notes 1 to 17 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes	*Year ended 31 December 2022* SR	*From 3 October 2021 to 31 December 2021* SR
INCOME			
Realised gain on financial asset at FVTPL, net		**473,759**	-
Movement in unrealized gains on trading investments, net		**695,900**	123,055
Special Commission income		**1,460,204**	36,446
TOTAL INCOME		**2,629,863**	159,501
EXPENSES			
Management fees	11	**(274,353)**	(34,596)
Other expenses		**(324,300)**	(70,443)
TOTAL EXPENSES		**(598,653)**	(105,039)
NET INCOME FOR THE YEAR/PERIOD		**2,031,210**	54,462
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		**2,031,210**	54,462

The accompanying notes 1 to 17 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS

For the year ended 31 December 2022

	Year ended 31 December 2022 SR	*From 3 October 2021 to 31 December 2021 SR*
Equity attributable to the unitholders at beginning of the year/period	**66,554,462**	-
Net income and total comprehensive income for the year/period	**2,031,210**	54,462
Issuance and redemptions of units:		
Proceeds from units sold during the year/period	**235,365,970**	66,500,000
Redemptions of units during the year/period	**(140,982,650)**	-
Net changes from units transactions	**94,383,320**	66,500,000
Equity attributable to the unitholders at end of the year/period	**162,968,992**	66,554,462

REDEEMABLE UNIT TRANSACTIONS

Transactions in redeemable units during the year are summarised, as follows:

	2022 Units	*2021 Units*
Units at beginning of the year/period	**6,648,137**	-
Issue of units during the year/period	**23,270,404**	6,648,137
Redemption of units during the year/period	**(13,957,970)**	-
Net changes in units	**9,312,434**	6,648,137
Units at end of the year/period	**15,960,571**	6,648,137

The accompanying notes 1 to 17 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	*Year ended 31 December 2022 SR*	*From 3 October 2021 to 31 December 2021 SR*
OPERATING ACTIVITIES			
Net income for the year		**2,031,210**	54,462
Adjustment to reconcile net income to net cash flows:			
Movement in unrealized gain on financial assets at FVTPL		**(695,900)**	(123,055)
Special commission income		**(1,460,204)**	(36,446)
		(124,894)	(105,039)
Working capital changes:			
Financial assets at FVTPL		**(16,558,764)**	(31,850,000)
Murabaha placements at amortised costs		**(62,692,616)**	-
Investments in sukuks at amortised cost		**(9,880,843)**	-
Management fee payable and accrued expenses		**40,585**	58,964
Net cash used in operations		**(89,216,532)**	(31,896,075)
Special commission received		**918,871**	3,027
Net cash flows used in operating activities		**(88,297,661)**	(31,893,048)
FINANCING ACTIVITIES			
Proceeds from issuance of units		**235,365,970**	66,500,000
Payment on redemption of units		**(137,965,566)**	-
Net cash from financing activities		**97,400,404**	66,500,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**9,102,743**	34,606,952
Cash and cash equivalents at beginning of the year		**34,606,952**	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7	**43,709,695**	34,606,952

The accompanying notes 1 to 17 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2022

1. FUND INFORMATION

Blominvest SR Murabaha Fund (the "Fund") is an open-ended investment fund created by an agreement between Blominvest Saudi Arabia Company (the "Fund Manager") and investors ("unit holders"). The investment objective of the Fund is to provide capital preservation and short-term capital growth, through investing in Shariah-compliant conservative transactions. The Fund was established on 26 Safar 1443H (corresponding to 3 October 2021) as per approval from the Capital Market Authority (the "CMA").

The address of the registered office of the Fund Manager is as follows:

Al-Oula Building 3rd Floor, King Fahd Road
P.O. Box 8151, Riyadh 11482
Kingdom of Saudi Arabia

The Fund has appointed HSBC Saudi Arabia to act as its custodian and administrator. The fees for the custodian and administrator services are paid directly by the Fund.

The current year figures are for the year ended 31st December 2022, whereas the prior period figures are for the period from 3 October 2021 to 31st December 2021. The comparative financial information for the statement of comprehensive income, statement of changes in equity attributable to the unit holders, statement of cash flows and related nots to the financial statement are not entirely comparable.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the "Regulations") issued by the CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006), and effective from 6 Safar 1438H (corresponding 6 November 2016) by the New Investment Fund Regulations ("Amended Regulations") published by the Capital Market Authority on 16 Sha'aban 1437H (corresponding to 23 May 2016), detailing requirements for all funds within the Kingdom of Saudi Arabia. The regulations were further amended by Resolution of the Board of CMA number 2-22-2021 dated 1 Rajab 1442H (corresponding to 24 February 2021). The amended regulations were effective form 19 Ramadan 1442H (corresponding to 1 May 2021).

3. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in the KSA") and applicable provisions of Investment Funds Regulations issued by the Board of Capital Market Authority, Fund's terms and conditions and Investment memorandum.

These financial statements have been prepared on a historical cost basis, except for investments at fair value through profit or loss which are stated at their fair value.

These financial statements are presented in Saudi Riyal ("SR"), which is the functional currency of the Fund, and all values are rounded to the nearest one Saudi Riyal, except where otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Fund in preparing its financial statements:

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Financial instruments

The Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

(i) Classification

In accordance with IFRS 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets

The Fund classifies its financial assets as subsequently measured at amortised cost or at fair value through profit or loss on the basis of both:

- ➢ The entity's business model for managing the financial assets
- ➢ The contractual cash flow characteristics of the financial asset

- *Financial assets measured at amortised cost*
  A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- *Financial assets measured at fair value through profit or loss (FVTPL)*
  A financial asset is measured at fair value through profit or loss if:

  i. Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding (SPPI); and
  ii. It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
  iii. At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial liabilities

- *Financial liabilities measured at fair value through profit or loss (FVTPL)*
  A financial liability is measured at FVTPL if it meets the definition of held for trading. The Fund does not hold any financial liabilities measured at FVTPL.

- *Financial liabilities measured at amortised cost*
  This category includes all financial liabilities, other than those measured at fair value through profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Financial instruments (continued)

(ii) Recognition
Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

(iii) Initial measurement
Financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in the statement of comprehensive income.

Financial assets and liabilities (other than those classified as at FVTPL) are measured initially at their fair value including any directly attributable transaction costs.

(iv) Subsequent measurement
After initial measurement, the Fund measures financial instruments which are classified as at FVTPL, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net unrealised gain or loss on financial assets and liabilities at FVTPL in the statement of comprehensive income. Interest and dividends earned or paid on these instruments are recorded separately in interest income or expense and dividend income in the statement of comprehensive income.

Financial assets and financial liabilities at amortised cost are subsequently measured at amortised cost using effective commission rate (ECR) method.

(v) Derecognition of financial instruments
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Fund's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of the Fund's continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Financial liabilities
The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

(vi) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Financial instruments (continued)

(vii) Impairment of financial assets

The Fund assesses on a forward looking basis the Expected Credit Losses("ECL") associated with its financial assets, carried at amortised cost, the ECL is based on a 12-month ECL and lifetime ECL. The 12-month ECL is the portion of lifetime the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

4.2 Cash and cash equivalents with custodian

Cash and cash equivalents in the statement of financial position comprise cash on hand and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as 'cash and cash equivalents.

For the purpose of the statement of cash flows, cash and cash equivalents consists of bank balance as described above.

4.3 Accrued expenses

Liabilities are recognised for amounts to be paid in the future for services received, whether billed by the suppliers or not. These are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method.

4.4 Provisions

Provisions are recognised when the Fund has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably. If the effect of time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to passage of time is recognised as finance costs.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured.

4.5 Zakat and income tax

Under the current system of taxation in the Kingdom of Saudi Arabia the Fund is not liable to pay any Zakat or income tax as they are considered to be the obligation of the Unitholders and as such, these are not provided in the financial statements.

4.6 Redeemable units

Redeemable units are classified as equity instruments when:

- The redeemable units entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation
- The redeemable units are in the class of instruments that is subordinate to all other classes of instruments
- All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features
- The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Redeemable units (Continued)
The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

In addition to the redeemable shares having all of the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund
- The effect of substantially restricting or fixing the residual return to the redeemable shareholders

The Fund continuously assesses the classification of the redeemable shares. If the redeemable shares cease to have all the features, or meet all the conditions set out, to be classified as equity, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. If the redeemable shares subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The issuance, acquisition and cancellation of redeemable shares are accounted for as equity transactions.

No gain or loss is recognised in the statement of comprehensive income on the purchase, issuance or cancellation of the Fund's own equity instruments.

The capital of the Fund is SAR 159,605,710 (2021: SR 66,481,370) divided into 15,960,571 (2021: 6,648,137) participating units of SAR 10 par value. All issued participating units are fully paid. The Fund's capital is represented by these participating units and are classified as equity instruments. The units are entitled to payment of a proportionate share of the Fund's net asset value upon winding up of the Fund.

4.7 Net assets value per unit
Net assets value per unit as disclosed in the statement of financial position is calculated by dividing the net assets of the Fund by the number of units outstanding at year end.

4.8 Dividend income
Dividend income is recognised in statement of comprehensive income on the date on which the right to receive the payment for dividend is established. For quoted equity securities, this is usually the ex-dividend date. Dividend income from equity securities designated as at FVTPL is recognised in statement of comprehensive income in a separate line item.

4.9 Net gain or loss on financial assets at fair value through profit or loss ("FVTPL")
Net gains or losses on financial assets and liabilities at FVTPL are changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as at FVTPL and exclude special commission and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of the prior year's unrealised gains and losses for financial instruments, which were realised in the reporting period. Realised gains and losses on disposals of financial instruments classified as at FVTPL are calculated using the weighted average cost method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

4.10 Management fees
Fund management fees are recognised on accrual basis and charged to the statement of comprehensive income. Fund management fee is charged at agreed rates with the Fund Manager and as stated in the terms and conditions of the Fund.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each year. The Fund determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

At each reporting date, the Fund analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Fund’s accounting policies. For this analysis, the Fund verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Fund also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

4.12 Foreign currency translation

Transactions in foreign currencies are translated into Saudi Riyal (SR) at the exchange rate at the dates of the transactions. Foreign exchange gains and losses arising from translations are included in the statement of comprehensive income.

Monetary assets and liabilities denominated in foreign currencies are retranslated into SR at the exchange rate at the reporting date.

Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income as net foreign exchange losses, except for those arising on financial instruments at FVTPL, which are recognised as a component of net gain from financial instruments at FVTPL.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS as endorsed in the KSA requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Funds' accounting policies. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Significant areas where management has used estimates, assumptions or exercised judgement are as follows:

Going concern
The Board of Directors in conjunction with the Fund Manager made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, they are not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Allowance for expected credit losses
The Fund recognises allowance for expected credit loss (ECL) on its Murabaha placements and Sukuk instruments. The Fund measures loss allowance at an amount equal to lifetime ECL, except for the following, for which they are measured at 12-month ECL:

• Financial assets that are determined to have low credit risk at the reporting date; and
• Financial assets on which credit risk has not increased significantly since their initial recognition

The Fund considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade' or certain unrated investment with no default in past. 12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

Fair value Measurement
The Fund measures its investments in financial instruments, such as equity instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

6. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED BY THE FUND

New standards and amendments adopted by the Fund

The accounting policies adopted in the preparation of these financial statements are consistent with those used in the previous year, except for adoption of certain new standards and interpretations and amendments to standards and interpretations which are applicable to the Fund as of 1 January 2022.

- Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions extension of the practical expedient.
- Narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16
- Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16, 'Property, plant and equipment' prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognize such sales proceeds and related cost in statement of income.
- Amendments to IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract, specify which costs a entity includes when assessing whether a contract will be loss-making.
- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS by a subsidiary', IFRS 9 'Financial Instruments' fees in the '10 per cent' test for derecognition of financial liabilities, and IAS 41, 'Agriculture' relating to taxation in fair value measurements.

Standards, interpretations and amendments issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Amendments to IAS 8 – Definition of Accounting Estimates (effective 1 January 2023)
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies (effective 1 January 2023)
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023)
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current (effective 1 January 2023)
- IFRS 17 Insurance Contracts (including Amendments to IFRS 17 issued in June 2020 and Amendment to IFRS 17 - Initial Application of IFRS 17 and IFRS 9 - Comparative Information issued in December 2021) (effective 1 January 2023)
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date is postpone indefinitely)
- Amendments to IFRS 16 - Lease Liability in a sale and leaseback transaction (effective 1 January 2024)

7. CASH AND CASH EQUIVALENTS

	2022 ***SR***	*2021* *SR*
Bank balance with custodian	**3,474,795**	12,926,981
Murabaha placements with original maturities of less than three months (note 8)	**40,234,900**	21,679,971
Cash and cash equivalents	**43,709,695**	34,606,952

8. MURABAHA PLACEMENTS AT AMORTIZED COST

Description	***2022*** ***SR***	*2021* *SR*
Murabaha placements with maturities more than 90 days	**62,692,616**	-
Murabaha placements with maturities less than 90 days	**40,234,900**	21,679,971
	102,927,516	21,679,971

Murabaha placements are an Islamic mode of money market placements with financial institutions in the Kingdom of Saudi Arabia and the rest of the Middle East. Murabaha placements earn commission at an average rate of 4.97% (2021: 0.84%) per annum and have average original maturity period 70 days (2021: 90 days) as of 31 December 2022.

The management has assessed allowance for expected credit losses (ECL) as required under IFRS 9 and based on that assessment, the management believes that no allowance for ECL is required to be recognised as at 31 December 2022 and 31 December 2021 as the credit risk is low.

9. INVESTMENTS IN SUKUKS AT AMORTISED COST

Name of Sukuk	*Commission rate*	*Maturity date*	***2022*** ***SR***	*2021* *SR*
Saudi Electricity Global Sukuk	4.222%	27 January 2024	**3,756,121**	-
Al Hilal Bank Sukuk Co Limited	4.375%	19 September 2023	**3,136,361**	-
DP World Crescent Limited	3.908%	31 May 2023	**2,988,361**	-
			9,880,843	-

Investments in sukuk at amortized cost are subject to an impairment assessment based on the expected credit loss (ECL) model as per IFRS 9. The management has assessed that the provision under the ECL model is not significant as of 31 December 2022.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

The composition of the financial assets at fair value through profit and loss is summarised below:

	31 December 2022			
Description	***% of market value***	***Cost SR***	***Market value SR***	***Unrealised gain (loss) SR***
Mutual funds				
Itqan Fund for Murabaha and Sukuk	**31%**	**14,630,475**	**15,021,098**	**390,623**
SICO capital Money Market Fund	**29%**	**14,064,039**	**14,311,106**	**247,067**
Alawwal Saudi Riyal Murabaha	**15%**	**7,208,161**	**7,307,958**	**99,798**
Yaqeen SAR Murabaha Fund	**13%**	**6,509,234**	**6,538,238**	**29,004**
Al khair Capital Murabaha Fund Saudi Riyal	**12%**	**6,000,000**	**6,049,318**	**49,318**
	100%	**48,411,909**	**49,227,718**	**815,810**

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) (continued)

	31 December 2021			
Description	*% of market value*	*Cost SR*	*Market value SR*	*Unrealised gain SR*
Mutual funds				
Itqan Fund for Murabaha	40%	12,800,000	12,849,129	49,129
Alawwal Saudi Riyal Murabaha	21%	6,750,000	6,769,249	22,855
Al khair Capital Murabaha Fund	17%	5,300,000	5,322,855	19,249
Muscat capital Money Market Fund	11%	3,500,000	3,519,840	19,840
Falcom SAR Murabaha Fund	11%	3,500,000	3,511,982	11,982
	100%	31,850,000	31,973,055	123,055

11. TRANSACTIONS WITH RELATED PARTIES

As per the agreement, the Fund is required to pay a management fees at the maximum rate of 0.3% per annum calculated based on the total net asset value at each valuation date and fund operation fees at the rate of 0.5% calculated based on the total net asset value with minimum fees of SR 66,000.

The Fund is also required to pay a custodian fees of 0.5% of total Fund's assets with minimum fees of SR 24,000 per month.

In addition, The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund including audit fee, board compensation and other similar charges.

The management fees amounting to SR 274,353 (2021:SR 34,596) reflected in the statement of comprehensive income, represent the fees charged by the Fund Manager during the year 31 December 2022, as described above. The management fees payable to the Fund Manager is amounting to SR 45,396 (2021:SR 13,404) as of 31 December 2022.

The unitholders' account included 8,930,469 units held by the Fund Manager as of 31 December 2022 (2021: 4,000,000).

12. FINANCIAL ASSETS AND FINANCIAL LIABILITY

The Fund measures its investments in financial instruments, such as financial assets as FVTPL, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

The Fund has only investments at fair value through profit or loss which is measured at fair values. All other financial assets and liabilities are classified as amortised cost and management believes that the fair value of all other financial assets and liabilities at the reporting date approximate their carrying values owing to their short-term tenure and the fact that these are readily liquid. There were no transfers between various levels of fair value hierarchy during the current period.

12. FINANCIAL ASSETS AND FINANCIAL LIABILITY (continued)

Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Fund's financial assets as at 31 December 2022 and 31 December 2021 There are no other financial assets and financial liabilities measured at fair value.

		Fair value measurement using		
	Total	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***
As at 31 December 2022	***SR***	***SR***	***SR***	***SR***
Financial asset measured at fair value				
Financial assets at FVTPL	**49,227,718**	**-**	**49,227,718**	-

		Fair value measurement using		
	Total	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*
As at 31 December 2021	*SR*	*SR*	*SR*	*SR*
Financial asset measured at fair value				
Financial assets at FVTPL	31,973,055	-	31,973,055	-

13. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of financial assets, other than bank balances, held by the Fund as at 31 December 2022.

	2022 ***SR***	*2021* *SR*
Financial assets at amortised cost		
Murabaha placements at amortised cost	**102,927,516**	21,679,971
Investments in sukuks at amortised cost	**9,880,843**	-
Other receivables	**34,943**	-
Financial assets at fair value through profit or loss (FVTPL)		
Financial assets at FVTPL	**49,227,718**	31,973,055
Total financial assets	**162,071,021**	59,886,445

Set out below is an overview of financial liabilities held by the Fund as at 31 December 2022.

	2022 ***SR***	*2021* *SR*
Financial liabilities at amortised cost		
Management fees payable	**45,396**	13,404
Redemption payable	**3,017,083**	-
Total financial liabilities	**3,062,479**	13,404

14. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

The Fund's principal financial liabilities are management fees payable.

The Fund also has financial assets in the form of cash and cash equivalents and financial assets at FVTPL which are integral and directly derived out of its regular business.

The Fund's financial operations are exposed to following risks.

Credit risk

Credit risk refers to the risk that a party to a financial instrument will default on its contractual obligations resulting in financial loss to the Fund. The Fund has adopted a policy of only dealing with creditworthy counterparties, for whom the credit risk is assessed to be low. The Fund attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties. The Fund maintains bank accounts with high credit rated financial institutions.

The table below shows the Fund's maximum exposure to credit risk for components of the statement of financial position.

	2022 ***SR***	*2021* *SR*
Murabaha placements at amortised cost	**102,927,516**	21,679,971
Investments in sukuks at amortised cost	**9,880,843**	-
Bank balance	**3,474,795**	12,926,981
Other receivable	**34,943**	-
	116,318,097	34,606,952

The management has assessed allowance for expected credit losses (ECL) as required under IFRS 9 and based on that assessment, the management believes no allowance for ECL is required to be recognised against the carrying value of the financial assets.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

The Fund's terms and conditions provide for redemptions of units twice a week and it is, therefore, exposed to the liquidity risk of meeting Unit holders' redemptions. The Fund's bank balances and Murabaha placements are considered to be readily realisable. The Fund Manager monitors liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available including bank facilities to meet commitments as they arise.

The undiscounted value of all financial liabilities of the Fund at the reporting date approximate to their carrying values and all are to be settled within three months from the reporting date.

Special commission rate risk

Special commission rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates. The Fund is exposed to commission rate risk on its variable commission bearing investments in sukuk.

Sensitivity analysis

The sensitivity, to a reasonably possible change in interest rates with all other variables held constant, on the Fund's profit is as follows:

	2022		*2021*	
Increase (decrease) in basis points	**+50**	**-50**	+50	-50
Increase (decrease) increase in profit [in SR]	**49,404**	**(49,404)**	-	-

15. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled respectively:

	Within 12 months SR	***After 12 months SR***	***Total SR***
As at 31 December 2022			
ASSETS			
Bank balance	**3,474,795**	**-**	**3,474,795**
Other receivables	**34,944**	**-**	**34,944**
Accrued special commission income	**539,808**	**-**	**539,808**
Murabaha placements at amortized cost	**102,927,516**	**-**	**102,927,516**
Financial assets at FVTPL	**49,227,718**	**-**	**49,227,718**
Investments in sukuks at amortised cost	**9,880,843**	**-**	**9,880,843**
TOTAL ASSETS	**166,085,624**	**-**	**166,085,624**
LIABILITIES			
Redemption payable	**3,017,083**	**-**	**3,017,083**
Management fees payable	**45,396**	**-**	**45,396**
Accrued expenses	**54,153**	**-**	**54,153**
TOTAL LIABILITIES	**3,116,632**	**-**	**3,116,632**

	Within 12 months SR	*After 12 months SR*	*Total SR*
As at 31 December 2021			
ASSETS			
Bank balance	12,926,981	-	12,926,981
Accrued special commission income	33,419	-	33,419
Murabaha placements at amortized cost	21,679,971	-	21,679,971
Financial assets at FVTPL	24,223,055	-	24,223,055
TOTAL ASSETS	66,613,426	-	66,613,426
LIABILITIES			
Accrued management fees	13,404	-	13,404
Accrued expenses	45,560	-	45,560
TOTAL LIABILITIES	58,964	-	58,964

16. LAST VALUATION DAY

The last published valuation day of the year was 29 December 2022 (2021: 30 December 2021).

17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Fund’s Board of Directors on 8 Ramadhan 1444H (corresponding to 30 March 2023).