

**BLOMINVEST SR MURABAHA FUND
(AN OPEN-ENDED INVESTMENT FUND MANAGED
BY BLOMINVEST SAUDI ARABIA)**

**FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023**

**BLOMINVEST SR MURABAHA FUND
(AN OPEN-ENDED INVESTMENT FUND MANAGED BY BLOMINVEST SAUDI ARABIA)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Page
Independent auditor's report	1 - 2
Statement of financial position	3
Statement of comprehensive income	4
Statement of changes in equity attributable to the unitholders	5
Statement of cash flows	6
Notes to the financial statements	7 - 20



Independent auditor's report to the Unitholders and Fund Manager of Blominvest SR Murabaha Fund

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Blominvest SR Murabaha Fund (the "Fund") as at 31 December 2023, 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 issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 December 2023;
 - the statement of comprehensive income for the year then ended;
 - the statement of changes in equity attributable to the unitholders for the year then ended;
 - the statement of cash flows for the year then ended; and
 - the notes to the financial statements, comprising material accounting policy information and other explanatory information.
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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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund and Fund Manager in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Other information

Fund Manager is responsible for the other information. The other information comprises the information included in the Fund's Annual Report, but does not include the financial statements and our auditor's report thereon, which 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.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Fund's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Fund Manager and those charged with governance for the financial statements

Fund Manager 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 issued by SOCPA, and the applicable requirements of the Investment Funds Regulations issued by the Capital Market Authority and the Fund's terms and conditions, and for such internal control as Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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Independent auditor's report to the unitholders and Fund Manager of Blominvest SR Murabaha Fund (continued)

Responsibilities of Fund Manager and those charged with governance for the financial statements (continued)

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

Those charged with governance, i.e. the Fund Board, 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 scepticism 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 Fund Manager's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Fund Manager.
- Conclude on the appropriateness of Fund 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 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.

PricewaterhouseCoopers

Waleed A. Alhidiri
License Number 559

28 March 2024

BLOMINVEST SR MURABAHA FUND
(AN OPEN-ENDED INVESTMENT FUND MANAGED BY BLOMINVEST SAUDI ARABIA)
STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 December 2023	As at 31 December 2022
Assets			
Cash and cash equivalents	7	14,993,005	43,709,695
Investments carried at fair value through profit or loss (FVTPL)	9	35,531,095	49,227,718
Investments held at amortised cost, net	8	144,233,478	73,113,267
Receivable on sale of investment		3,000,000	-
Other receivables		5,509,534	34,944
Total assets		203,267,112	166,085,624
Liabilities			
Redemptions payable		4,000,000	3,017,083
Management fee payable	10	47,322	39,475
Accrued expenses		48,111	60,074
Total liabilities		4,095,433	3,116,632
Equity attributable to the unitholders		199,171,679	162,968,992
Redeemable units in issue		18,585,881	15,960,571
Net asset value attributable to each unit		10.72	10.21

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

BLOMINVEST SR MURABAHA FUND
(AN OPEN-ENDED INVESTMENT FUND MANAGED BY BLOMINVEST SAUDI ARABIA)
STATEMENT OF COMPREHENSIVE INCOME
(All amounts in Saudi Riyals unless otherwise stated)

		For the year ended 31 December	
	Note	2023	2022
Income			
Special commission income		7,636,407	1,468,595
Realised gain on sale of investments carried at FVTPL		1,649,538	473,759
Unrealised (loss) / gain on investments carried at FVTPL		(196,624)	687,509
Total income		9,089,321	2,629,863
Expenses			
Management fee	10	(503,057)	(274,353)
Expected credit losses (ECL) on investments held at amortised cost		(35,982)	-
Other expenses		(440,648)	(324,300)
Total expenses		(979,687)	(598,653)
Net income for the year		8,109,634	2,031,210
Other comprehensive income for the year		-	-
Total comprehensive income for the year		8,109,634	2,031,210

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

BLOMINVEST SR MURABAHA FUND
(AN OPEN-ENDED INVESTMENT FUND MANAGED BY BLOMINVEST SAUDI ARABIA)
STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS
(All amounts in Saudi Riyals unless otherwise stated)

	For the year ended 31 December	
	2023	2022
Equity attributable to the unitholders at the beginning of the year	162,968,992	66,554,462
Changes from operations		
Total comprehensive income for the year	8,109,634	2,031,210
Changes from unit transactions		
Proceeds from issuance of units	271,623,009	235,365,970
Payment against redemption of units	(243,529,956)	(140,982,650)
Net changes from units transactions	28,093,053	94,383,320
Equity attributable to the unitholders at the end of the year	199,171,679	162,968,992

Redeemable unit transactions

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

	For the year ended 31 December	
	2023	2022
Units at beginning of the year	15,960,571	6,648,137
Units issued	25,738,324	23,270,404
Units redeemed	(23,113,014)	(13,957,970)
Net changes in units	2,625,310	9,312,434
Units at end of the year	18,585,881	15,960,571

The accompanying notes 1 to 16 form an integral part of these financial statements.

BLOMINVEST SR MURABAHA FUND
(AN OPEN-ENDED INVESTMENT FUND MANAGED BY BLOMINVEST SAUDI ARABIA)
STATEMENT OF CASH FLOWS
(All amounts in Saudi Riyals unless otherwise stated)

	For the year ended 31 December	
	2023	2022
Cash flows from operating activities		
Net income for the year	8,109,634	2,031,210
Adjustments for:		
Unrealised loss / (gain) on investments carried at FVTPL, net	196,624	(687,509)
Special commission income	(7,636,407)	(1,468,595)
ECL on investment held at amortised cost	35,982	-
	705,833	(124,894)
Net changes in operating assets and liabilities		
Investments carried at FVTPL	13,499,999	(16,567,154)
Investments held at amortised cost	(71,084,229)	(72,573,459)
Receivable on sale of investment	(3,000,000)	-
Other receivables	(5,474,590)	(34,944)
Redemptions payable	982,917	3,017,083
Management fee payable	7,847	26,071
Accrued expenses	(11,963)	14,514
Net cash used in operations	(64,374,186)	(86,242,783)
Special commission income received	7,564,443	962,206
Net cash used in operating activities	(56,809,743)	(85,280,577)
Cash flows from financing activities		
Proceeds from issuance of units	271,623,009	235,365,970
Payment on redemption of units	(243,529,956)	(140,982,650)
Net cash generated from financing activities	28,093,053	94,383,320
Net change in cash and cash equivalents	(28,716,690)	9,102,743
Cash and cash equivalents at beginning of year	43,709,695	34,606,952
Cash and cash equivalents at end of the year	14,993,005	43,709,695

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

BLOMINVEST SR MURABAHA FUND
(AN OPEN-ENDED INVESTMENT FUND MANAGED BY BLOMINVEST SAUDI ARABIA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

1. GENERAL

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 4 July 2021 as per approval from the Capital Market Authority (the "CMA").

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.

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 amended by resolution of the Board of the Capital Market Authority on 12 Rajab 1442H (corresponding to 24 February 2021) effective from 19 Ramadan 1442H (corresponding to 1 May 2021) by the New Investment Fund Regulations ("Amended Regulations") published by the Capital Market Authority on 17 Rajab 1442H (corresponding to 1 March 2021) in addition to the new amendment number 2-22-2021 issued on 12 Rajab 1442H (corresponding to 24 February 2021) detailing requirements for all funds within the Kingdom of Saudi Arabia.

3. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), that are 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 that are endorsed in the KSA") and applicable provisions of Investment Funds Regulations issued by the Board of Capital Market Authority and Fund's terms and conditions.

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 and using accrual basis of accounting.

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. MATERIAL ACCOUNTING POLICIES

Following are the material accounting policies applied by the Fund in preparing its financial statements. These have been consistently applied unless otherwise stated:

4.1 Financial instruments

(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 or
- 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)

BLOMINVEST SR MURABAHA FUND
(AN OPEN-ENDED INVESTMENT FUND MANAGED BY BLOMINVEST SAUDI ARABIA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.1 Financial instruments (continued)

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.

(ii) Recognition

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

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.

BLOMINVEST SR MURABAHA FUND
(AN OPEN-ENDED INVESTMENT FUND MANAGED BY BLOMINVEST SAUDI ARABIA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.1 Financial instruments (continued)

(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 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 incremental costs of acquisition or issue.

(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.

(v) Derecognition of financial instruments

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.

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.

(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.

BLOMINVEST SR MURABAHA FUND
(AN OPEN-ENDED INVESTMENT FUND MANAGED BY BLOMINVEST SAUDI ARABIA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.2 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balance held in a custodian account with HSBC Saudi Arabia 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. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

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'.

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

The Fund classifies its redeemable units as an equity instrument if the redeemable units have all of the following features:

- It entitles the holder to a pro rata share of the Fund's equity in the event of the Fund's liquidation.
- The instrument is in the class of instruments that is subordinate to all other classes of instruments.
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The instrument does not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata shares of the Fund's equity.
- The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the statement of income, the change in the recognised equity or the change in the fair value of the recognised and unrecognised equity of the Fund over the life of the instrument.

In addition - in order to classify instruments as equity - 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 equity or the change in the fair value of the recognised and unrecognised equity of the Fund.
- The effect of substantially restricting or fixing the residual return to the instrument holders.

The Fund's redeemable participating units meet the definition of puttable instruments classified as equity instruments under IAS 32.16A-B and accordingly, are classified as equity instruments.

BLOMINVEST SR MURABAHA FUND
(AN OPEN-ENDED INVESTMENT FUND MANAGED BY BLOMINVEST SAUDI ARABIA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.6 Redeemable units (continued)

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have any of the features or meet all the conditions set out in paragraphs 16A and 16B of IAS 32, 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 attributable to unitholders. If the redeemable units subsequently have all the features and meet the conditions set out in paragraphs 16A and 16B of IAS 32, 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 subscription and redemption of redeemable units are accounted for as equity transactions as long as units are classified as equity.

The Fund's distributions are classified as dividend distribution in the statement of changes in equity attributable to the unitholders.

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.

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 Income recognition

Profit on murabaha contracts and sukuk is recognised on effective commission rate method.

The effective commission rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective commission rate, the Fund manager estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses. The carrying amount of the financial asset is adjusted if the Fund manager revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective commission rate and the change in carrying amount is recorded as impairment losses.

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 Fund Management and custodian fee

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

BLOMINVEST SR MURABAHA FUND
(AN OPEN-ENDED INVESTMENT FUND MANAGED BY BLOMINVEST SAUDI ARABIA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

4. MATERIAL 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 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are discussed in note 11.

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.

BLOMINVEST SR MURABAHA FUND
(AN OPEN-ENDED INVESTMENT FUND MANAGED BY BLOMINVEST SAUDI ARABIA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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:

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.

BLOMINVEST SR MURABAHA FUND
(AN OPEN-ENDED INVESTMENT FUND MANAGED BY BLOMINVEST SAUDI ARABIA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

6. NEW STANDARDS AND AMENDMENTS DURING THE YEAR

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments which were effective from January 1, 2023 but does not have significant impact on the financial statements of the Fund.

Standard, interpretation, amendments	Description	Effective date
IFRS 17, 'Insurance contracts'	This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts.	1 January 2023
Narrow scope amendments to IAS 1	Practice statement 2 and IAS 8 - The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	1 January 2023
Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.	1 January 2023
Amendment to IAS 12 - International tax reform - pillar two model rules	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023

Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments which are effective from period on or after January 1, 2024. The Company has opted not to early adopt these pronouncements and they do not have a significant impact on the financial statements of the Fund.

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a 1 January 2024 sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	(Available for optional adoption/effective date deferred indefinitely)
Other Standards IFRS S1 & IFRS S2, 'General requirements for disclosure of sustainability-related financial information'	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement from SOCPA

BLOMINVEST SR MURABAHA FUND
(AN OPEN-ENDED INVESTMENT FUND MANAGED BY BLOMINVEST SAUDI ARABIA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

7. CASH AND CASH EQUIVALENTS

	As at 31 December 2023	As at 31 December 2022
Bank balance	471,849	3,474,795
Murabaha placements with original maturities of less than three months	14,521,156	40,234,900
	14,993,005	43,709,695

8. INVESTMENTS HELD AT AMORTISED COST, NET

	As at 31 December 2023	As at 31 December 2022
Murabaha placements with original maturities of more than three months	131,452,594	62,808,354
Investments in sukuks at amortized cost	12,780,884	10,304,913
	144,233,478	73,113,267

Investments held at amortised cost are subject to allowance for expected credit losses (ECL) as per IFRS 9. The ECL on investments held at amortised cost as at 31 December 2023 amounts to SR 35,982 (31 December 2022: nil). These investments are classified under stage 1 and are placed with high credit rating financial institutions in the Kingdom of Saudi Arabia. There has been no history of default with any of the Fund's investments held at amortised cost.

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 6.09% (2022: 4.97%) per annum.

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 2023 and 31 December 2022 as the credit risk is low.

9. INVESTMENTS CARRIED 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 2023			
	% of market value	Cost	Market value	Unrealised gain
Mutual funds				
ANB Capital SAR Trade Fund (Shariah)	85%	29,668,466	30,098,735	430,269
Yaqeen SAR Murabaha Fund	9%	3,126,224	3,198,819	72,595
Al khair Capital Murabaha Fund Saudi Riyal	6%	2,117,219	2,233,541	116,322
	100%	34,911,909	35,531,095	619,186

	31 December 2022			
	% of market value	Cost	Market value	Unrealised gain
Mutual funds				
Itqan Fund for Murabahat 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%	7,208,160	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%	48,411,908	49,227,718	815,810

BLOMINVEST SR MURABAHA FUND
(AN OPEN-ENDED INVESTMENT FUND MANAGED BY BLOMINVEST SAUDI ARABIA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

9. INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) (continued)

The movement of investments carried at FVTPL during the year was as follows:

	As at 31 December 2023	As at 31 December 2022
Opening balance	49,227,718	31,973,055
Purchase of investments	68,500,000	81,850,000
Sale of investments	(81,999,999)	(65,291,237)
Unrealized gain / (loss) on investments carried at FVTPL, net	(196,624)	695,900
Closing balance	35,531,095	49,227,718

10. TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties include BLOMINVEST Saudi Arabia ("the Fund Manager"), the Fund Board Directors, affiliates of the Fund Manager and the Funds managed by the Fund Manager.

In the ordinary course of its activities, the Fund transacts business 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.

Related party transactions for the periods ended and balances are as follows:

Name of related party	Nature of transactions	Amount of transactions		Balance receivable / (payable)	
		For the year ended 31 December 2023	For the period ended 31 December 2022	As at 31 December 2023	As at 31 December 2022
BLOMINVEST Saudi Arabia	Management fee	(503,057)	(274,353)	(47,322)	(39,475)
Fund Board	Annual remuneration	(10,000)	(10,000)	(7,500)	(10,000)

The unitholders' account included 8,748,173 units as of 31 December 2023 (2022: 8,930,469 units) held by the Fund Manager.

BLOMINVEST SR MURABAHA FUND
(AN OPEN-ENDED INVESTMENT FUND MANAGED BY BLOMINVEST SAUDI ARABIA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

11. FAIR VALUE HIERARCHY

The fair value for financial instruments traded in active markets is based on quoted market prices at the close of trading on the reporting date. Instruments for which no sales have been reported on the valuation day are valued at the most recent bid price.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The estimated fair value of the Fund's financial assets and liabilities is not considered to be significantly different from their carrying values. The fair value of investments held at FVTPL of income are based on quoted prices in active markets, and are therefore classified within Level 1.

The following table provides the fair value measurement hierarchy of the Fund's financial assets as at 31 December 2023 and 31 December 2022. There are no other financial assets and financial liabilities measured at fair value.

		Fair value measurement using		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Total				
As at 31 December 2023				
Financial asset measured at fair value				
Investments carried at FVTPL	35,531,095	35,531,095	-	-

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

All other financial assets and liabilities that are classified as amortised cost, management believes that the fair value 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 Level 1 and Level 2 fair value measurements during the year, and no transfers into or out of Level 3 fair value measurements during the year.

BLOMINVEST SR MURABAHA FUND
(AN OPEN-ENDED INVESTMENT FUND MANAGED BY BLOMINVEST SAUDI ARABIA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of financial assets, other than cash and cash equivalents, held by the Fund as at 31 December 2023.

	2023	2022
Financial assets at amortised cost		
Investments held at amortised cost, net	144,233,478	73,113,267
Other receivables	5,509,534	34,944
Financial assets at fair value through profit or loss (FVTPL)		
Investments carried at FVTPL	35,531,095	49,227,718
Total financial assets	185,274,107	122,375,929

Set out below is an overview of financial liabilities held by the Fund as at 31 December 2023.

	2023	2022
Financial liabilities at amortised cost		
Management fee payable	47,322	39,475
Redemption payable	4,000,000	3,017,083
Accrued expenses	37,119	48,871
Total financial liabilities	4,084,441	3,105,429

13. 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.

	2023	2022
Cash and cash equivalents	14,993,005	43,709,695
Investments held at amortised cost, net	144,233,478	73,113,267
Receivable on sale of investment	3,000,000	-
Other receivables	5,509,534	34,944
	167,736,017	116,857,906

The management has assessed allowance for expected credit losses (ECL) as required under IFRS 9 and based on that assessment, the management has recognised the ECL against the carrying value of the financial assets.

BLOMINVEST SR MURABAHA FUND
(AN OPEN-ENDED INVESTMENT FUND MANAGED BY BLOMINVEST SAUDI ARABIA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

13. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

14. 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	After 12 months	Total
As at 31 December 2023			
Assets			
Cash and cash equivalents	14,993,005	-	14,993,005
Investments carried at FVTPL	35,531,095	-	35,531,095
Investments held at amortised cost, net	144,233,478	-	144,233,478
Receivable on sale of investment	3,000,000	-	3,000,000
Other receivables	5,509,534	-	5,509,534
Total assets	203,267,112	-	203,267,112
Liabilities			
Redemptions payable	4,000,000	-	4,000,000
Management fee payable	47,322	-	47,322
Accrued expenses	48,111	-	48,111
Total liabilities	4,095,433	-	4,095,433

BLOMINVEST SR MURABAHA FUND
(AN OPEN-ENDED INVESTMENT FUND MANAGED BY BLOMINVEST SAUDI ARABIA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

14. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

	Within 12 months	After 12 months	Total
As at 31 December 2022			
Assets			
Cash and cash equivalents	43,709,695	-	43,709,695
Investments carried at FVTPL	49,227,718	-	49,227,718
Investments held at amortised cost, net	73,113,267	-	73,113,267
Other receivables	34,944	-	34,944
Total assets	166,085,624	-	166,085,624
Liabilities			
Redemption payable	3,017,083	-	3,017,083
Management fee payable	39,475	-	39,475
Accrued expenses	60,074	-	60,074
Total liabilities	3,116,632	-	3,116,632

15. INFORMATIVE ZAKAT RETURN SUBMISSION

Article 3 of Zakat Collection Rules for Investing in Investment Funds, stipulates that all investment funds or real estate investment funds approved to be established by the CMA after the effective date of the resolution (1 January 2023), must register with ZATCA for Zakat purposes before the end of the first fiscal year from the date of the approval on their establishment and submit an informative zakat return within 120 days of fiscal year end. The Fund received its registration certificate no. 3116757508 from ZATCA on 5 June 2023. The Fund will submit the informative zakat return in due course.

The responsibility of paying zakat on investment in the Fund's units remains with the unitholders and the Fund does not have the zakat obligation to the extent that the unitholders are considered Zakat payers as per the provisions of the Zakat by-laws.

16. LAST VALUATION DAY

In accordance with the terms and conditions of the Fund, the last valuation day for the purpose of the preparation of the financial statements was 31 December 2023 (2022: 29 December 2022).

17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Fund Manager (as authorised by the Fund Board) on 28 March 2024.