

**BLOM MSCI Saudi Arabia  
Select Min Vol Fund  
(Managed by Blominvest Saudi Arabia)**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2018**



**Ernst & Young & Co. (Certified Public Accountants)**  
**General Partnership**  
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**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF BLOM MSCI SAUDI ARABIA SELECT MIN VOL FUND  
(MANAGED BY BLOMINVEST SAUDI ARABIA)**

**Opinion**

We have audited the financial statements of BLOM MSCI Saudi Arabia Select Min Vol Fund (the "Fund") managed by Blominvest Saudi Arabia (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2018, 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 2018, 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 Certified Public 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 professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**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 Certified Public 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.

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.

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF BLOM MSCI SAUDI ARABIA SELECT MIN VOL FUND  
(MANAGED BY BLOMINVEST SAUDI ARABIA) (CONTINUED)**

**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.
- 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.

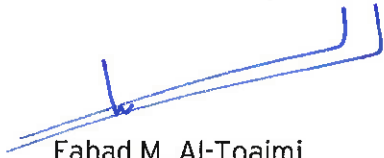
**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF BLOM MSCI SAUDI ARABIA SELECT MIN VOL FUND  
(MANAGED BY BLOMINVEST SAUDI ARABIA) (CONTINUED)**

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

- 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



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



Riyadh: 24 Rajab 1440H  
(31 March 2019)

BLOM MSCI Saudi Arabia Select Min Vol Fund  
(Managed by Blominvest Saudi Arabia)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	<i>Note</i>	<b>31 December 2018 SR</b>	<b>31 December 2017 SR</b>
<b>ASSETS</b>			
Investments at fair value through profit or loss	7	77,418,946	71,501,300
Dividend receivables		27,527	7,316
Cash and cash equivalents		794,058	656,795
<b>TOTAL ASSETS</b>		<b>78,240,531</b>	<b>72,165,411</b>
<b>LIABILITIES</b>			
Accrued management fees and other expenses		74,748	61,617
<b>TOTAL LIABILITIES</b>		<b>74,748</b>	<b>61,617</b>
<b>EQUITY ATTRIBUTABLE TO THE UNITHOLDERS (TOTAL EQUITY)</b>		<b>78,165,783</b>	<b>72,103,794</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>78,240,531</b>	<b>72,165,411</b>
Units in issue		722,043	722,043
Net asset value per unit		108.26	99.86

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

BLOM MSCI Saudi Arabia Select Min Vol Fund  
(Managed by Blominvest Saudi Arabia)

STATEMENT OF COMPREHENSIVE INCOME  
For the year ended 31 December 2018

			<i>For the period from 21 March 2017 to 31 December 2017</i>
	<i>Notes</i>	<b>2018 SR</b>	<b>SR</b>
<b>INCOME</b>			
Net gain from investments at fair value through profit or loss	8	<b>3,968,176</b>	1,904,201
Dividend income		<b>2,921,871</b>	272,951
		<u><b>6,890,047</b></u>	<u>2,177,152</u>
<b>EXPENSES</b>			
Management fees	10	<b>777,976</b>	172,063
Other expenses	9	<b>50,082</b>	7,700
		<u><b>828,058</b></u>	<u>179,763</u>
<b>NET INCOME FOR THE YEAR / PERIOD</b>		<b>6,061,989</b>	1,997,389
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR / PERIOD</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR / PERIOD</b>		<u><b>6,061,989</b></u>	<u>1,997,389</u>

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

BLOM MSCI Saudi Arabia Select Min Vol Fund  
(Managed by Blominvest Saudi Arabia)

STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS  
For the year ended 31 December 2018

	2018 SR	<i>For the period from 21 March 2017 to 31 December 2017 SR</i>
<b>EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE YEAR / PERIOD</b>	<b>72,103,794</b>	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR / PERIOD</b>	<b>6,061,989</b>	1,997,389
<b>ISSUANCE AND REDEMPTION OF UNITS</b>		
Proceeds from units sold during the year / period	-	70,106,405
Net changes in units	-	70,106,405
<b>EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE YEAR / PERIOD</b>	<b>78,165,783</b>	72,103,794

**UNIT TRANSACTIONS**

Transactions in units made for the year ended 31 December are summarized as follows:

	2018 Units	<i>For the period from 21 March 2017 to 31 December 2017 Units</i>
<b>UNITS AT THE BEGINNING OF THE YEAR / PERIOD</b>	<b>722,043</b>	-
Proceeds from units sold during the year / period	-	722,043
Net changes in units	-	722,043
<b>UNITS AT THE END OF THE YEAR / PERIOD</b>	<b>722,043</b>	722,043

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

BLOM MSCI Saudi Arabia Select Min Vol Fund  
(Managed by Blominvest Saudi Arabia)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 SR	<i>For the period from 21 March 2017 to 31 December 2017</i> SR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year/ period	6,061,989	1,997,389
Adjustment to reconcile net income to net cash flows:		
Unrealized gains on investments at fair value through profit or loss	(3,287,081)	(2,228,918)
	<u>2,774,908</u>	<u>(231,529)</u>
Working capital adjustments:		
Increase in investments at fair value through profit or loss	(2,630,565)	(69,272,382)
Increase in dividend receivables	(20,211)	(7,316)
Increase in accrued management fees and other expenses	13,131	61,617
	<u>137,263</u>	<u>(69,449,610)</u>
Net cash flows from (used in) operating activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from units sold	-	70,106,405
	<u>-</u>	<u>70,106,405</u>
Net cash used in financing activities		
	<u>-</u>	<u>70,106,405</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>137,263</b>	<b>656,795</b>
Cash and cash equivalents at the beginning of year/ period	656,795	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/ PERIOD</b>	<b><u>794,058</u></b>	<b><u>656,795</u></b>

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



BLOM MSCI Saudi Arabia Select Min Vol Fund  
(Managed by Blominvest Saudi Arabia)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2018

**1. GENERAL**

BLOM MSCI Saudi Arabia Select Min Vol Fund (the “Fund”) is an open ended fund created by agreement between Blominvest Saudi Arabia- a Saudi Joint Stock Company (the “Fund Manager”) and investors (“unitholders”) in the Fund.

The objective of the Fund is to track the performance of “MSCI Saudi Arabia Domestic IMI Islamic Custom Minimum Volatility Index” which is composed of Saudi Sharia Compliant Equities.

The Fund was established on 22 Jumad Thani 1438H (corresponding to 21 March 2017) as per approval from the Capital Market Authority (the “CMA”) and commenced its operations from 21 March 2017.

The Fund has appointed HSBC Saudi Arabia Limited 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 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.

**3. BASIS OF PREPARATION**

These financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed in KSA. These are also the Fund’s first annual financial statements in accordance with IFRS as endorsed in KSA and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”), and accordingly IFRS 1 “First-time Adoption of International Financial Reporting Standards” endorsed in KSA has been applied.

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 also using the accruals basis of accounting and the going concern concept.

These financial statements are presented in Saudi Riyals (“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:

**4.1 Financial instruments**

Classification of financial assets depends on the Fund’s business model for managing its financial assets and the contractual terms of the cash flows. The Fund classifies its financial assets as:

- financial assets measured at amortised cost, or
- financial assets measured at fair value

Gains or losses of assets measured at fair value will be recognised either through the statement of comprehensive income or through other comprehensive income (“OCI”).

#### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 4.1 Financial instruments(continued)

Other receivables and accrued income, if any, are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest, and are measured at amortised cost.

The Fund classifies all financial liabilities as subsequently measured at amortised cost using the effective interest rate method.

##### *Initial measurement*

Financial assets are initially measured at fair value, plus transaction costs in the case of a financial asset not at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are recognised in the statement of comprehensive income.

##### *Subsequent measurement*

##### *Debt instruments*

The Fund recognises three classifications to subsequently measure its debt instruments:

- ***Amortised cost***  
Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) which are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in the statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- ***Fair Value through Other Comprehensive Income ("FVOCI")***  
Financial assets held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in the statement of comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI, is reclassified from equity to the statement of comprehensive income and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/expense.
- ***Fair Value through profit or loss ("FVPL")***  
Financial assets that do not meet the criteria for subsequent recognition at amortised cost or FVOCI, are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through the statement of comprehensive income and which is not part of a hedging relationship is recognised and presented net in the statement of comprehensive income in the year in which it arises.

##### *Equity instruments*

The Fund measures all equity investments at fair value through profit or loss and presents any changes in fair value of the equity investments in the statement of comprehensive income.

##### *De-recognition*

A financial asset or a part of a financial asset is de-recognised 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.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.1 Financial instruments (continued)**

*De-recognition (continued)*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

*Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position 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 assets and settle the liabilities simultaneously.

*Impairment*

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 life time ECL. The 12-month ECL is the portion of the lifetime 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**

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 consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

**4.3 Accrued management fees and other expenses**

Accrued management fees and other expenses are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

**4.4 Provisions**

A provision is recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provision is not recognised for future operating losses.

**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. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 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
- 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 72,204,300 (31 December 2017: SAR 72,204,300) divided into 722,043 (31 December 2017: 722,043) participating units of SAR 100 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 Dividend income

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

##### 4.8 Net gain or loss on financial assets at fair value through profit or loss ("FVPL")

Net gains or losses on financial assets at FVPL are changes in the fair value of financial assets held for trading or designated upon initial recognition as at FVPL and exclude interest and dividend income.

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 year. Realised gains and losses on disposals of financial instruments classified as at FVPL 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. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.9 Management fees and other expenses**

Fees and other expenses are recognized on an accrual basis.

**4.10 Foreign currency translation**

Transactions in foreign currencies are translated into 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 FVPL, which are recognised as a component of net gain from financial instruments at FVPL.

**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:

*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.

**5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

*Fair value Measurement (continued)*

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.

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

The Fund measures financial instruments at fair value at each reporting date. Fair values of those financial instruments are disclosed in note 12.

*Going concern*

The Board of Director in conjunction with the Fund Manager made an assessment of the Fund's ability to continue as a going concern and are 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.

**6. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

There are several standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements. The Fund has not yet undertaken an assessment to determine the potential impact on the amounts reported and disclosures to be made under the new standards. The Fund intends to adopt these standards on their respective mandatory effective dates, if applicable. The following is a summary of new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IFRS 9 Financial Instruments relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	1 January 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:	1 January 2019
<ul style="list-style-type: none"><li>• whether tax treatments should be considered collectively;</li><li>• assumptions for taxation authorities' examinations;</li><li>• the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and</li><li>• the effects of changes in facts and circumstances</li></ul>	

BLOM MSCI Saudi Arabia Select Min Vol Fund  
(Managed by Blominvest Saudi Arabia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2018

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 16 Leases IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019
Amendments to IAS 28 Investment in Associates and Joint Ventures relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2021
IFRS 17 Insurance Contracts IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2022.	1 January 2022

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

<i>Description</i>	<i>31 December 2018</i>			
	<i>% of market Value</i>	<i>Cost SR</i>	<i>Market value SR</i>	<i>Unrealised gain SR</i>
<b><u>Sectors</u></b>				
Chemicals	27%	18,936,416	20,961,649	2,025,233
Banking and financial services	26%	15,812,167	20,272,058	4,459,891
Food Products and Retailers	13%	10,509,335	10,215,522	(293,813)
Telecommunication and information technology	12%	7,202,401	9,459,160	2,256,759
Electricity and Gas Distribution	6%	6,062,714	4,573,304	(1,489,410)
Building materials	5%	4,789,060	4,116,957	(672,103)
General mining	3%	2,398,951	2,266,962	(131,989)
Transportation	2%	1,054,102	1,030,330	(23,772)
Insurance	2%	1,659,708	1,405,103	(254,605)
Pharmaceutical and Healthcare	2%	2,261,250	1,886,183	(375,067)
Real Estate	1%	793,523	792,861	(662)
Diversified Industrials and household products	1%	423,319	438,857	15,538
	<b>100%</b>	<b>71,902,946</b>	<b>77,418,946</b>	<b>5,516,000</b>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2018

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

<i>Description</i>	<i>31 December 2017</i>			<i>Unrealised gain/(loss) SR</i>
	<i>% of market value</i>	<i>Cost SR</i>	<i>Market value SR</i>	
<i>Sectors</i>				
Chemicals	24%	16,269,725	17,157,013	887,288
Banking and financial services	20%	13,640,275	14,366,081	725,806
Telecommunication and information technology	11%	7,620,655	7,659,852	39,197
Agriculture and food industries	10%	7,495,818	7,321,479	(174,339)
Cement	10%	6,427,515	7,086,195	658,680
Healthcare	5%	3,416,586	3,282,069	(134,517)
Retail	4%	3,075,979	3,102,543	26,564
Electricity	4%	3,524,804	3,098,035	(426,769)
Real Estate	4%	1,920,742	2,711,442	790,700
Insurance	3%	2,438,747	2,252,168	(186,579)
Mining	3%	1,893,327	1,899,696	6,369
Utilities	1%	934,528	874,666	(59,862)
Industrial investment	1%	613,680	690,061	76,381
	100%	69,272,381	71,501,300	2,228,919

Equity investments are traded on the Saudi Arabian stock exchange (“Tadawul”) and are unrated. The Fund also does not have an internal grading mechanism. However, it seeks to limit its risk by monitoring investment sector exposures and setting limits for individual sectors.



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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2018

**8. NET GAIN FROM INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2018</b>	<i>For the period from 21 March 2017 to 31 December 2017</i>
	<b>SR</b>	<b>SR</b>
Realised gain (loss)	681,095	(324,717)
Unrealised gain	3,287,081	2,228,918
	<u>3,968,176</u>	<u>1,904,201</u>

**9. OTHER EXPENSES**

	<b>2018</b>	<i>For the period from 21 March 2017 to 31 December 2017</i>
	<b>SR</b>	<b>SR</b>
Value added tax	39,281	-
Transaction fees	7,650	7,700
Miscellaneous	3,151	-
	<u>50,082</u>	<u>7,700</u>

HSBC Saudi Arabia Limited act as the custodian and administrator of the Fund. The Fund manager accrues and pays custodian and administration fees directly to HSBC Saudi Arabia Limited annually without charging them to the Fund.

The Fund also pays transaction fees of SR 50 per transaction to the custodian.

**10. TRANSACTIONS WITH RELATED PARTIES**

The Fund pays a management fee at the rate of 1% per annum calculated based on the net assets at each valuation date. The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund including audit fees, board compensation and other similar charges.

The management fees amounting to SR 777,976 (2017: SR 172,063) reflected in the statement of comprehensive income represent the fees charged by the Fund Manager during the year/period as prescribed above. The accrued management fees payable to the Fund Manager at the year-end is are follows:

	<i>31 December 2018</i>	<i>31 December 2017</i>
Accrued management fees	<u>72,123</u>	<u>60,767</u>

The Unitholders' account during the year / period included units held as follows:

	<i>31 December 2018</i>	<i>31 December 2017</i>
	<i>Units</i>	<i>Units</i>
Held by the fund manager	<u>32,000</u>	<u>32,000</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2018

**11. 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 2018 and 31 December 2017.

	<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>
<i>Financial assets at fair value through profit or loss</i>		
Investments at fair value through profit or loss (FVPL)	77,418,946	71,501,300
<i>Financial assets at amortised cost</i>		
Dividend receivable	27,527	7,316
<b>Total financial assets</b>	<b>77,446,473</b>	<b>71,508,616</b>

Set out below is an overview of financial liabilities held by the Fund as at 31 December 2018 and 31 December 2017.

	<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>
<i>Financial liabilities at amortised cost</i>		
Accrued management fees and other fees	74,748	61,617
<b>Total financial liabilities</b>	<b>74,748</b>	<b>61,617</b>

**12. FAIR VALUE HIERARCHY**

The following table provides the fair value measurement hierarchy of the Fund's financial assets as at 31 December 2018, 31 December 2017, and 1 January 2017. There are no financial liabilities measured at fair value.

	<i>Fair value measurement using</i>			
	<i>Total</i>	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
	SR	SR	SR	SR
<i>As at 31 December 2018</i>				
<i>Financial assets measured at fair value</i>				
Investments at FVPL (listed on Tadawul)	77,418,946	77,418,946	-	-
<i>As at 31 December 2017</i>				
<i>Financial assets measured at fair value</i>				
Investments at FVPL (listed on Tadawul)	71,501,300	71,501,300	-	-

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.

**12. FAIR VALUE HIERARCHY (continued)**

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- 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

**13. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES**

The Fund's principal financial liabilities are accrued management fees and other expenses.

The Fund also has financial assets in the form of cash and cash equivalents, investments at FVPL and dividend receivables 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.

	<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>
Investments at fair value through profit or loss	<b>77,418,946</b>	71,501,300
Dividend receivables	<b>27,527</b>	7,316
Cash and cash equivalents	<b>794,058</b>	656,795
	<b><u>78,240,531</u></b>	<u>72,165,411</u>

The management has conducted an assessment as required under IFRS 9 and based on such an assessment, the management believes that there is no need for any significant impairment loss to be recognised against the carrying value of cash and cash equivalents.

***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 investments at fair value through profit and loss are considered to be readily realisable, as the equity investments are listed on the Saudi stock market and can be redeemed any time throughout the week. 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.

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At 31 December 2018

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

**Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The maximum risk resulting from financial instruments equals their fair value. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters while optimizing the return.

**Interest rate risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market rates. The Fund does not have any floating interest rate bearing financial assets or liabilities as at 31 December 2018 and is not exposed to significant interest rate risk.

**Equity price risk**

Equity price risk is the risk of unfavourable changes in the fair values of equity instruments as a result of changes in the value of individual shares. The equity price risk exposure arises from the Fund's investments in equity securities. The Fund's investments are susceptible to market price risk arising from uncertainties about future prices. The Board manages this risk through diversification of its investment portfolio in terms of industry concentration.

**Sensitivity analysis**

The table below sets out the effect on profit or loss of a reasonably possible weakening /strengthening in the individual equity market prices by 5% at the reporting date. The estimates are made on an individual investment basis. The analysis assumes that all other variables, in particular commission and foreign currency rates, remain constant.

<i>Effect on profit and loss</i>	<i>2018</i>		<i>2017</i>	
		<i>SR</i>		<i>SR</i>
<i>Net gain (loss) on investments held at FVPL</i>	<i>+ 5%</i>	<b>3,870,948</b>	<i>+ 5%</i>	3,575,065
	<i>- 5%</i>	<b>(3,870,948)</b>	<i>- 5%</i>	(3,575,065)

**Concentration of equity price risk**

The following table analyses the Fund's concentration of equity price risk in the Fund's equity portfolio, measured at FVPL by geographical distribution (based on counterparties' place of primary listing or, if not listed, place of domicile).

*% of equity securities and units in funds:*

	<i>31 December 2018</i>	<i>31 December 2017</i>	<i>1 January 2017</i>
Kingdom of Saudi Arabia	<b>100%</b>	100%	100%

**Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Fund does not have any significant exposure to currency risk as all its significant monetary assets and monetary liabilities are denominated in Saudi Riyals.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2018

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:

<i>As at 31 December 2018</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
<b>ASSETS</b>			
Investments at fair value through profit or loss	77,418,946	-	77,418,946
Dividend receivables	27,527	-	27,527
Cash and cash equivalents	794,058	-	794,058
<b>TOTAL ASSETS</b>	<b>78,240,531</b>	<b>-</b>	<b>78,240,531</b>
<b>LIABILITIES</b>			
Accrued management fees and other expenses	74,748	-	74,748
<b>TOTAL LIABILITIES</b>	<b>74,748</b>	<b>-</b>	<b>74,748</b>
<i>As at 31 December 2017</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
<b>ASSETS</b>			
Investments at fair value through profit or loss	71,501,300	-	71,501,300
Dividend receivables	7,316	-	7,316
Cash and cash equivalents	656,795	-	656,795
<b>TOTAL ASSETS</b>	<b>72,165,411</b>	<b>-</b>	<b>72,165,411</b>
<b>LIABILITIES</b>			
Accrued management fees and other expenses	61,617	-	61,617
<b>TOTAL LIABILITIES</b>	<b>61,617</b>	<b>-</b>	<b>61,617</b>

At 31 December 2018

**15. FIRST-TIME ADOPTION OF IFRS**

For the period from 21 March 2017 to 31 December 2017, the Fund prepared and published its audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP) issued by SOCPA in KSA ("SOCPA GAAP"). As detailed in note 3, these financial statements are the Fund's first annual financial statements in accordance with the IFRS as endorsed in KSA.

Accordingly, the Fund has applied the IFRS as endorsed in KSA for the preparation of its financial statements for the year beginning 1 January 2018, as well as presenting the relevant comparative year data. In compliance with the requirements of IFRS 1 endorsed in KSA. The Fund analysed the impact on the statement of financial positions as at 31 December 2017 and also the statement of comprehensive income for the year ended 31 December 2017, and no significant adjustments have been identified in transitioning from SOCPA GAAP to IFRS as endorsed in KSA. The Fund's first financial year were from the period 21 March 2017 to 31 December 2017. Accordingly, no comparative information has been presented in these financial statements relating to 1 January 2017.

Due to the fact there was no significant impact, no separate reconciliation statement has been prepared to reconcile the statement of financial position and comprehensive income as per SOCPA accounting standards and as per IFRS as endorsed in the KSA.

**16. LAST VALUATION DAY**

The last valuation day of the year was 31 December 2018 (2017: 31 December 2017).