

Blominvest Saudi Arabia
(A Mixed Joint Stock Company)

FINANCIAL STATEMENTS

31 DECEMBER 2018



Ernst & Young & Co. (Certified Public Accountants)
General Partnership
Head Office
Al Faisaliah Office Tower - 14th floor
King Fahad Road
PO Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

Registration No. 45/11/323
C.R. No. 1010383821
Tel: +966 11 215 9898
+966 11 273 4740
Fax: +966 11 273 4730
riyadh@sa.ey.com
www.ey.com/mena

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Blominvest Saudi Arabia
(A Mixed Joint Stock Company)

Opinion

We have audited the financial statements of Blominvest Saudi Arabia - A Mixed Joint Stock Company (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity 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 Company 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 Company 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 provisions of Companies' Law and Company's By-laws, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Blominvest Saudi Arabia
(A Mixed Joint Stock Company) (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 Company'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 Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

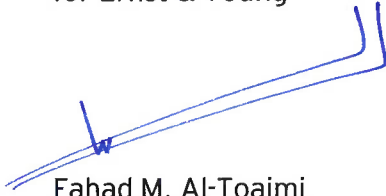
INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Blominvest Saudi Arabia
(A Mixed Joint Stock Company) (continued)

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

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

for Ernst & Young



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



Riyadh: 19 Rajab 1440H
(26 March 2019)

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

		31 December 2018 SR	31 December 2017 SR (note 4)	1 January 2017 SR (note 4)
	Notes			
ASSETS				
NON-CURRENT ASSETS				
Property and equipment, net	12	277,370	856,568	1,368,868
Intangible assets, net	13	451,862	193,077	151,984
Investment properties	14	45,321,189	57,546,324	59,005,196
Investments at amortised cost	10	13,031,440	12,616,249	12,642,017
Investments at fair value through other comprehensive income	9	29,425,023	15,826,258	16,246,560
TOTAL NON-CURRENT ASSETS		88,506,884	87,038,476	89,414,625
CURRENT ASSETS				
Due from related parties	11	119,433,708	99,889,674	67,907,195
Prepayments		1,168,973	1,264,886	2,154,737
Other current financial assets		4,126,538	3,922,564	4,656,527
Investments at amortised cost	10	9,559,043	-	-
Investments at fair value through profit or loss	8	132,859,800	120,854,201	61,049,500
Time deposits		-	-	138,994,444
Cash and cash equivalents	7	8,710,869	36,429,409	25,304,769
TOTAL CURRENT ASSETS		275,858,931	262,360,734	300,067,172
TOTAL ASSETS		364,365,815	349,399,210	389,481,797
LIABILITIES AND EQUITY				
NON-CURRENT LIABILITIES				
Net employee defined benefit liabilities	16	2,569,473	2,073,786	1,648,797
Term loan	11	-	-	55,000,000
TOTAL NON-CURRENT LIABILITIES		2,569,473	2,073,786	56,648,797
CURRENT LIABILITIES				
Bank overdraft	11	-	-	52,972
Due to related parties	11	23,849,175	20,089,953	10,231,109
Accrued expenses and other payables		2,592,563	1,371,565	2,534,301
Zakat and income tax payable	15	13,061,634	10,659,600	10,161,753
TOTAL CURRENT LIABILITIES		39,503,372	32,121,118	22,980,135
TOTAL LIABILITIES		42,072,845	34,194,904	79,628,932
EQUITY				
Share capital	17	245,000,000	245,000,000	245,000,000
Statutory reserve	18	8,326,058	7,850,235	7,195,277
Retained earnings		68,966,912	62,354,071	57,657,588
TOTAL EQUITY		322,292,970	315,204,306	309,852,865
TOTAL LIABILITIES AND EQUITY		364,365,815	349,399,210	389,481,797

The attached notes 1 to 31 form part of these financial statements

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

		31 December 2018 SR	31 December 2017 SR (note 4)
OPERATING INCOME			
Asset management fees	11	27,454,265	36,881,442
Net loss on financial assets at fair value through profit or loss	19	(1,994,401)	(393,856)
Dividend income		1,425,625	709,029
Special commission income		890,915	1,207,742
(Loss) / Gain on sale of investment property	14	(46,721)	215,622
TOTAL OPERATING INCOME		27,729,683	38,619,979
OPERATING EXPENSES			
General and administration	20	(18,425,762)	(17,596,891)
Management and related fees	11	(3,785,389)	(9,915,821)
Commission		(2,771)	(4,062)
Finance charges	11	(838)	(367,337)
TOTAL OPERATING EXPENSES		(22,214,760)	(27,884,111)
NET OPERATING INCOME		5,514,923	10,735,868
Other income		2,824,145	-
INCOME BEFORE ZAKAT AND INCOME TAX		8,339,068	10,735,868
Zakat and income tax	15	(3,580,836)	(4,186,292)
INCOME FOR THE YEAR		4,758,232	6,549,576
<i>Other comprehensive income (loss) not to be reclassified to income in subsequent years:</i>			
Financial assets at fair value through OCI – net change in fair value		2,371,129	(1,185,312)
Re-measurement loss on defined benefit plans		(40,697)	(12,823)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		2,330,432	(1,198,135)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,088,664	5,351,441
<u>EARNINGS PER SHARE :</u>	21		
Basic and diluted, income for the year per share		0.19	0.27

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital SR	Statutory reserve SR	Retained earnings SR	Total SR
As at 1 January 2017	245,000,000	7,195,277	57,657,588	309,852,865
Income for the year	-	-	6,549,576	6,549,576
Other comprehensive loss	-	-	(1,198,135)	(1,198,135)
Total comprehensive income for the year	-	-	5,351,441	5,351,441
Transfer to statutory reserve	-	654,958	(654,958)	-
Balance at 31 December 2017	245,000,000	7,850,235	62,354,071	315,204,306
As at 1 January 2018	245,000,000	7,850,235	62,354,071	315,204,306
Income for the year	-	-	4,758,232	4,758,232
Other comprehensive income	-	-	2,330,432	2,330,432
Total comprehensive income for the year	-	-	7,088,664	7,088,664
Transfer to statutory reserve	-	475,823	(475,823)	-
Balance at 31 December 2018	245,000,000	8,326,058	68,966,912	322,292,970

**BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<i>31 December 2018 SR</i>	<i>31 December 2017 SR</i>
OPERATING ACTIVITIES		
Income before zakat and income tax	8,339,068	10,735,868
<i>Non-cash adjustment to reconcile income before zakat to net cash flows:</i>		
Depreciation and amortization	825,673	925,962
Provisions for employee benefit obligations	473,039	426,885
Unrealized loss on financial assets at FVPL, net	2,328,064	3,155,065
Loss / (Gain) on sale of investment property	46,721	(215,622)
	<hr/>	<hr/>
<i>Operating cash flows before working capital changes</i>	12,012,565	15,028,158
Other current financial assets	(203,974)	733,963
Prepayments	95,913	889,851
Due from related parties, net	(19,544,034)	(31,982,479)
Due to related parties, net	3,759,222	9,858,844
Accrued expenses	1,220,998	(1,162,736)
	<hr/>	<hr/>
Cash used in operations	(2,659,310)	(6,634,399)
Zakat and income tax paid	(1,178,802)	(3,688,445)
End of service benefits paid	(18,049)	(14,719)
	<hr/>	<hr/>
Net cash used in operating activities	(3,856,161)	(10,337,563)
	<hr/>	<hr/>
INVESTING ACTIVITIES		
Purchase of financial assets at amortised cost	(9,974,234)	25,768
Purchase of financial assets at FVPL	(14,333,663)	(62,959,766)
Purchase of financial assets at FVOCI	(11,227,636)	(765,010)
Purchase of investment property	-	(280,500)
Sale proceeds from investment properties	12,178,414	1,954,994
Purchase of property and equipment	(65,050)	(288,356)
Purchase of intangible assets	(440,210)	(166,399)
	<hr/>	<hr/>
Net cash used in investing activities	(23,862,379)	(62,479,269)
	<hr/>	<hr/>
FINANCING ACTIVITIES		
Term deposits	-	138,994,444
Bank overdraft	-	(52,972)
Term loan paid	-	(55,000,000)
	<hr/>	<hr/>
Net cash from financing activities	-	83,941,472
	<hr/>	<hr/>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(27,718,540)	11,124,640
Cash and cash equivalents at the beginning of the year	36,429,409	25,304,769
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8,710,869	36,429,409
	<hr/> <hr/>	<hr/> <hr/>
NON CASH TRANSACTIONS:		
Change in unrealized gain / loss on financial assets at FVOCI	2,371,129	(1,185,312)
	<hr/>	<hr/>
Re-measurement loss on defined benefit plans	(40,697)	(12,823)
	<hr/> <hr/>	<hr/> <hr/>

The attached notes 1 to 31 form part of these financial statements

**BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018**

1 ACTIVITIES

Blominvest Saudi Arabia, (the “Company”) is a Mixed Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia. The Company is registered under commercial registration numbered 1010254040 dated 24 Rajab 1429H, (corresponding to 27 July 2008). The Company is engaged to act as agent and principal, underwriting, managing, arranging, advisory and custodial services of financial securities in accordance with the license issued by the Capital Market Authority (CMA) numbered 08094-37 dated 21 Muharram 1429H (corresponding to 30 January 2008) and the license issued by the Saudi Arabian General Investment Authority numbered 262/1 dated 19 Safar 1429H (corresponding to 27 February 2008). The Company’s registered office is located at the following address:

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

The Company commenced its operations on 30 September 2009.

2 BASIS OF PREPARATION

Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) as endorsed in the Kingdom of Saudi Arabia (“KSA”) and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

For all years up to and including the year ended 31 December 2017, the Company prepared its financial statements in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia (“SOCPA accounting standards”). These financial statements for the year ended 31 December 2018 are the first set of financial statements that the Company has prepared in accordance with IFRS as endorsed in KSA. Accordingly, IFRS 1 – “First-time Adoption of IFRS” endorsed in KSA has been applied. Refer to note 4 for information on the impact on the financial statements of the Company as a result of adoption of IFRS as endorsed in KSA.

These financial statements have been prepared under the historical cost convention, except for the following material items in the statement of financial position:

- investment at fair value through profit or loss (“FVPL”) is measured at fair value.
- investment at fair value through other comprehensive income (“FVOCI”) is measured at fair value.
- the defined benefit obligation is recognised at the present value of future obligations using the projected unit credit method.

The financial statements are presented in Saudi Riyals (“SR”) and all values are rounded to the nearest one Saudi Riyal, except where otherwise indicated.

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Financial instruments

The Company adopted IFRS 9 Financial instruments on its effective date of 1 January 2018 using the full retrospective approach.

Classification of financial assets depends on the Company's business model for managing its financial assets and the contractual terms of the cash flows. The Company 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 profit or loss or through other comprehensive income ("OCI").

Time deposits, due from related parties and other receivables 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.

Initial measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the requirements as solely payment of principal and interest.

Subsequent measurement

Debt instruments

The Company 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) 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 period in which it arises.

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Financial instruments (continued)

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

De-recognition

A financial asset or a part of a financial asset is de-recognised when:

- a) The rights to receive cash flows from the asset have expired, or
- b) The Company 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:
 - The Company has transferred substantially all the risks and rewards of the asset, or
 - The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment

The Company assesses on a forward looking basis the Expected Credit Losses ("ECL") associated with its financial assets, carried at amortised cost and FVOCI, the ECL is based on a 12-month ECL and life time ECL. The 12-month ECL is the portion of 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 increase in credit risk since origination, the allowance will be based on the lifetime ECL. For due from related parties, the Company applies the simplified approach.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the assets and settle the liability simultaneously.

3.2 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on a current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to the statement of comprehensive income during the period in which they are incurred.

The major categories of property and equipment are depreciated on a straight line basis as follows:

Asset categories	Useful lives
Leasehold improvements	Period of lease or 10 years; whichever is shorter
Office furniture	5 years
Computer hardware	3 years
Equipment	5 years
Motor vehicles	5 years

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced part is derecognized when replaced. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Impairment losses and gains (losses) on disposals of property and equipment are included in statement of comprehensive income.

3.4 Intangible assets

Identifiable intangible assets

Intangible assets comprise of computer software.

Expenditures on internally developed software is recognized as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalized costs of internally developed software include all costs directly attributable to developing the software and are amortized over its useful life. Internally developed software is stated at capitalized cost less accumulated amortization and impairment, if any.

Amortization is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful life of the software from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is four years.

Amortization method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Subsequent expenditures on software assets are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed in the statement of comprehensive income as incurred.

3.5 Investment properties

Investment property comprises of freehold lands that are not occupied substantially for use by, or in the operations of, the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Investment property is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Freehold lands are not depreciated.

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Employee benefits

The Company operates a defined benefit scheme for its employees in accordance with labor regulations applicable in the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefits plan is determined using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in the retained earnings and are not reclassified to profit or loss in subsequent periods. Re-measurements are not reclassified to profit or loss in subsequent periods.

Interest expense is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation under 'general and administration expenses' in the statement of comprehensive income.

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

The defined benefit asset or liability comprises the present value of the defined benefit obligation, less past service costs and less the fair value of plan assets out of which the obligations are to be settled. However, currently the plan is unfunded and has no assets.

3.7 Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

3.8 Zakat and income tax

Zakat

Zakat is provided for in accordance with the Saudi Arabian regulations. The liability is charged to the statement of comprehensive income. This is adjusted, if applicable, upon receiving the final zakat assessment.

Income tax

Income tax assets and liabilities for the year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the Kingdom of Saudi Arabia where the Company operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

3.9 Other liabilities

Provisions for restructuring costs, warranties and legal claims are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted where the effect is material.

3.10 Contingent liabilities

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

3.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less. These deposits are made with reputable banks and financial institutions within the Kingdom of Saudi Arabia.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Revenue from contracts with customers

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. The five step model is as follows:

- a) Identify the contract
- b) Identify performance obligation
- c) Determine the transaction price
- d) Allocation of the transaction price
- e) Recognize revenue

The Company generates the following revenue streams that are covered under IFRS 15 Revenue from Contracts with Customers:

- a) Asset management fees
- b) Other operating income

3.12.1 Asset management fees

3.12.1.1 Management and administration fees from investment funds

Management and administration fee income is recognized on a periodic basis (annual % pro-rated for daily accruals) with reference to the Net Asset Value ('NAV') computation. The Company's practice for recognition of management fees is aligned with IFRS since the Management fee is recognized on an accruals basis against the rendering of the Asset Management services that the Company is providing on an on-going basis.

3.12.1.2 Subscription fees from investment funds

The performance obligation for the Subscription fee is the assignment of the respective Fund units to the Investor's account and considering that this occurs as soon as an Approved Subscription Form is executed, the Company rightfully recognizes the revenue against the subscription fee at the time of the fulfilment of the performance obligation.

3.12.1.3 Performance fee from investment funds

The performance fee income is based on a fund's performance, relative to a benchmark or the realised appreciation of the fund's investments, and are types of variable consideration. In many cases, these performance fees are highly susceptible to market volatility until they are crystallised or are no longer subject to clawback, which may be after the end of the reporting period.

In case of the Company, the effect of the clawback does not apply since the Company does not recognize any revenue against the performance fee until the end of the respective period for testing. If the benchmark has been achieved, this is when the performance fee is crystallized and recorded as revenue.

3.12.2 Other operating income

3.12.2.1 Advisory fee income

This relates to income generated by providing financial advisory services to financial institutions, individuals and institutional investors. The Company charges financial advisory service fees and rightfully recognises this as revenue upon delivery of services or once the performance obligation is fulfilled based on the agreement between the Company and the counterparty.

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Net gain or loss on financial assets at fair value through profit or loss

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 and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of the prior period's unrealised gains and losses on the disposal of financial instruments which were realised in the reporting period. Realised gains and losses on the disposal of financial instruments classified as at FVPL are calculated using the first-in, first-out (FIFO) 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).

3.14 Dividend income

Dividend income is recognised on the date when the Company's right to receive the payment is established.

3.15 Interest revenue and expense

Interest revenue and expense are recognised in the statement of comprehensive income for all interest-bearing financial instruments using the effective interest method.

3.16 Expenses

General and administration expenses are mainly staff costs, professional fees and rents. All other expenses are classified based on their nature in the statement of comprehensive income.

3.17 Operating lease

Operating lease payments are recognized as expenses in the statement of comprehensive income on a straight line basis over the lease term. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease. The Company does not have any finance lease arrangements.

3.18 Bank overdrafts

The bank overdrafts are the open overdraft facility the Company has signed with its bank to meet its liquidity and cash management requirements. This facility has defined limits and remains outstanding as per any drawdown balance at the end of the reporting period.

3.19 Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

4 FIRST TIME ADOPTION OF IFRS

For all periods up to and including the year ended 31 December 2017, the Company 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 2, these financial statements are the Company's first such financial statements in accordance with the IFRS as endorsed in KSA.

Accordingly, the Company has applied the IFRS as endorsed in KSA for the preparation of its financial statements for the period beginning 1 January 2018, as well as presenting the relevant comparative period data. In compliance with the requirements of IFRS 1 endorsed in KSA, the Company's opening statement of financial position was prepared as at 1 January 2017 after incorporating the required adjustments to reflect the transition to IFRS as endorsed in KSA from the previous SOCPA GAAP. The Company has analysed the impact on the statement of financial positions as at 1 January 2017 and 31 December 2017, and the following are the significant adjustments that arose in transitioning from SOCPA GAAP to IFRS as endorsed in KSA.

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

4 FIRST TIME ADOPTION OF IFRS (Continued)

4.1 Company reconciliation of equity as at 1 January 2017

	Share capital SR	Statutory reserve SR	Retained earnings SR	Unrealized gain on available for sale investments SR	Total equity SR
Balance at 1 January 2017 as per SOCPA GAAP	245,000,000	7,195,277	48,418,279	10,441,552	311,055,108
IFRS adoption adjustments					
IFRS 9 classification adjustments	A -	-	9,570,499	(10,441,552)	(871,053)
IFRS 9 ECL adjustments	B -	-	(17,952)	-	(17,952)
Actuarial valuation of employees benefits	C -	-	(313,238)	-	(313,238)
Balance at 1 January 2017 as per IFRS as endorsed in KSA	245,000,000	7,195,277	57,657,588	-	309,852,865

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

4 FIRST TIME ADOPTION OF IFRS (Continued)

4.2 Company reconciliation of equity as at 31 December 2017

	Share capital SR	Statutory reserve SR	Retained earnings SR	Unrealized gain on available for sale investments SR	Total equity SR
Balance at 31 December 2017 as per SOCPA GAAP	245,000,000	8,551,090	56,434,306	6,199,076	316,184,472
<i>IFRS adoption adjustments</i>					
IFRS 9 classification adjustments	A -	-	5,552,350	(6,199,076)	(646,726)
IFRS 9 ECL adjustments	B -	-	(12,396)	-	(12,396)
Actuarial valuation of employees benefits	C -	-	(321,044)	-	(321,044)
Transfer to statutory reserve	-	(700,855)	700,855	-	-
Balance at 31 December 2017 as per IFRS as endorsed in KSA	245,000,000	7,850,235	62,354,071	-	315,204,306

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2018

4 FIRST TIME ADOPTION OF IFRS (Continued)

4.3 Company reconciliation of total comprehensive income for the year ended 31 December 2017

	Notes	For the year ended 31 December 2017 SR
Income for the year under SOCPA		13,558,132
IFRS adoptions adjustments		
IFRS 9 classification adjustments	A	(2,832,837)
IFRS 9 ECL adjustments	B	5,556
Actuarial valuation of employees benefits	C	5,017
Zakat and income tax expense	D	(4,186,292)
		<u>(7,008,556)</u>
Income for the year under IFRS as endorsed in KSA		<u>6,549,576</u>
<u>Other comprehensive loss</u>		
IFRS 9 classification adjustments	A	(1,185,312)
Actuarial valuation of employees benefits	C	(12,823)
		<u>(1,198,135)</u>
Other comprehensive loss under IFRS as endorsed in KSA		<u>(1,198,135)</u>
Total comprehensive income under IFRS as endorsed in KSA		<u><u>5,351,441</u></u>

4.4 EXPLANATION OF TRANSITION TO IFRS

A. IFRS 9 classification adjustments

The following tables show the impact of the IFRS conversion adjustments on the retained earnings as at 1 January 2017 and 31 December 2017, as a result of changes in the classification of the different categories in accordance with SOCPA and IFRS 9 for the Company's financial assets :

1 January 2017	Classification Under SOCPA	Classification Under IFRS 9	Carrying value under SOCPA SR	Carrying value under IFRS 9 after reclassification SR	Impact of reclassification on retained earnings SR
Financial asset					
Investments in corporate Bonds	Available for sale	Amortised cost	13,525,466	12,654,413	871,053
Investments in local listed equities	Available for sale	FVOCI	16,246,560	16,246,560	-
Investments in mutual funds	Available for sale	FVPL	11,430,638	11,430,638	-
Investments in real estate funds	Available for sale	FVPL	49,618,862	49,618,862	-

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

4 FIRST TIME ADOPTION OF IFRS (Continued)

4.4 EXPLANATION OF TRANSITION TO IFRS (Continued)

A. IFRS 9 classification adjustments (Continued)

31 December 2017	Classification Under SOCPA	Classification Under IFRS 9	Carrying value under SOCPA	Carrying value under IFRS 9 after reclassification	Impact of reclassification on retained earnings
			SR	SR	SR
Financial asset					
Investments in corporate bonds	Available for sale	Amortised cost	13,275,373	12,628,647	646,726
Investments in local listed equities	Available for sale	FVOCI	15,826,258	15,826,258	-
Investments in mutual funds	Available for sale	FVPL	14,138,037	14,138,037	-
Investments in real estate funds	Available for sale	FVPL	52,002,508	52,002,508	-
Investment in money market fund	Available for sale	FVPL	54,713,656	54,713,656	-

The following table shows the impact of the IFRS conversion adjustments on income and other comprehensive income for the year ended 31 December 2017, as a result of changes in the classification of the different categories in accordance with SOCPA and IFRS 9 for the Company's financial assets :

IFRS 9 classification impact on income for the year ended 31 December 2017	SR
Reclassification of movement in unrealized loss on AFS securities that are classified as FVPL under IFRS 9	(2,832,837)
IFRS 9 classification impact on other comprehensive loss for the year ended 31 December 2017	
Movement in unrealized gain on AFS securities that are classified as FVOCI under IFRS 9	(1,185,312)

B. IFRS 9 ECL adjustments

Under IFRS 9, a forward-looking expected credit loss ("ECL") is calculated which results in a more timely recognition of losses and is a single model that is applicable to all financial instruments subject to impairment accounting. Historically, the Company was recognising the credit impairment based on an incurred loss approach. Accordingly, the Company has the following financial assets that are subject to IFRS 9's ECL model:

- Investments in bonds held at amortised cost;
- Time deposits.
- Due from related parties

C. Actuarial valuation of employees benefits

Under SOCPA GAAP, the Company recognized costs related to post-employment benefits of employees as the current value of the vested benefits to which an employee was entitled. Under IFRS as endorsed in KSA, such liabilities are recognized on an actuarial basis under the projected unit of credit method.

D. Zakat and income tax expense

Under IFRS as endorsed in KSA, zakat and tax is considered as the Company's expense and accordingly the comparative statement of comprehensive income is re-measured resulting in a zakat and income tax charge of SAR 4.2 million for the year 31 December 2017 .

E. IFRS 15 Revenue from contracts with customers

The Company adopted IFRS 15 *Revenue from contracts with customers* on its effective date of 1 January 2018 . Based on the company assessment, no significant adjustments were identified with respect to the implementation of IFRS 15.

5 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur. The estimates at 31 December 2018 are consistent with those made for the 1 January 2017 and 31 December 2017 in accordance with SOCPA GAAP apart from the measurement of the expected credit loss allowance and the measurement of the net employee defined benefit liabilities. The estimates used by the Company to present these amounts in accordance with IFRS as endorsed in KSA reflect conditions at 1 January 2017, the date of transition to IFRS as endorsed in KSA and as of 31 December 2018.

The key assumptions concerning the future and other key estimates made regarding uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

5.1 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the input, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.1 Impairment - Financial assets, which also sets out key sensitivities of the ECL to changes in these elements.

5.2 Measurement of the net employment defined benefit liabilities

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates.

5.3 Impairment of non-financial assets

Property and equipment, intangible assets and investment properties are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or 'CGUs'). Recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management).

The Company evaluates impairment losses, for potential reversals when events or circumstances warrant such consideration.

5.4 Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

5.5 Fair value of securities not quoted in an active market

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 Company invests in redeemable units of unlisted mutual funds, which are also managed by the Company. The funds are open for subscriptions/redemptions on a periodic basis as mentioned in the terms and conditions. The value of the net assets of the funds for the purpose of the subscription/redemption of units is determined by dividing the net assets attributable to unitholders of the funds (fair value of the funds' assets minus the liabilities) by the total number of the funds' units outstanding on the relevant valuation day.

5 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

5.6 Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear.

Management reviews the useful lives and residual value of the assets at least once per year and always at the end of each financial year and the future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

5.7 Useful lives of intangible assets

The useful life starts at the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is four years.

Useful lives are reviewed at each financial year-end and adjusted if appropriate.

5.8 Exemption from consolidation of managed funds

The Company has control over couple of equity funds managed by itself. However, the Company need not present consolidated financial statements as it meets all the following conditions:

- (i) it is a wholly-owned subsidiary;
- (ii) its debt or equity instruments are not traded in a public market;
- (iii) it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
- (iv) its ultimate parent produces financial statements that are available for public use and comply with IFRSs, in which the subsidiaries are consolidated.

Accordingly, investments in subsidiaries are classified as fair value through profit or loss in accordance with IFRS 9.

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2018

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 Company's financial statements. The Company 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 Company intends to adopt these standards on their respective mandatory effective dates, if applicable. The following is the 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">• whether tax treatments should be considered collectively;• assumptions for taxation authorities' examinations;• the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and• the effects of changes in facts and circumstances	
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

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2018

7 CASH AND CASH EQUIVALENTS

	<i>31 December</i> 2018 SR	<i>31 December</i> 2017 SR	<i>1 January</i> 2017 SR
Cash at hand	2,983	24,797	584
Bank balances	<u>8,707,886</u>	<u>36,404,612</u>	<u>25,304,185</u>
	<u>8,710,869</u>	<u>36,429,409</u>	<u>25,304,769</u>

8 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments at fair value through profit and loss consists of investments in local money market funds, mutual funds and real estate funds. The movements are set out below:

	<i>31 December 2018</i>		
	<i>Cost</i> SR	<i>Unrealised</i> <i>Gain (Loss)</i> SR	<i>Fair</i> <i>Value</i> SR
Money market funds (note 8.1)	58,725,091	1,345,804	60,070,895
Mutual funds (note 8.2)	24,786,500	(13,211)	24,773,289
Real Estate funds (note 8.3)	<u>41,646,110</u>	<u>6,369,506</u>	<u>48,015,616</u>
	<u>125,157,701</u>	<u>7,702,099</u>	<u>132,859,800</u>

	<i>31 December 2017</i>		
	<i>Cost</i> SR	<i>Unrealised</i> <i>Gain (Loss)</i> SR	<i>Fair</i> <i>Value</i> SR
Money market funds (note 8.1)	54,391,428	322,228	54,713,656
Mutual funds (note 8.2)	14,786,500	(348,513)	14,437,987
Real Estate funds (note 8.3)	<u>41,646,110</u>	<u>10,056,448</u>	<u>51,702,558</u>
	<u>110,824,038</u>	<u>10,030,163</u>	<u>120,854,201</u>

	<i>1 January 2017</i>		
	<i>Cost</i> SR	<i>Unrealised</i> <i>Gain (Loss)</i> SR	<i>Fair</i> <i>Value</i> SR
Mutual funds (note 8.2)	11,586,500	(155,862)	11,430,638
Real Estate funds (note 8.3)	<u>36,600,000</u>	<u>13,018,862</u>	<u>49,618,862</u>
	<u>48,186,500</u>	<u>12,863,000</u>	<u>61,049,500</u>

8.1 Investments in money market funds represent 13,488 units (31 December 2017: 13,957 units, 1 January 2017 : Nil units) and 1,507,043 units (31 December 2017: 1,263,724 units, 1 January 2017 : Nil units) in Commodity Trade Fund's and Al Mubarak Trade Fund's, respectively. Both funds are unlisted and managed by fund managers, other than the Company, licensed by the Capital Market Authority of Saudi Arabia.

**BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2018

8 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

- 8.2 Investments in mutual funds represent 1,239 units (31 December 2017: 1,239 units, 1 January 2017 : 1,239 units) 2,300 units (31 December 2017: 2,300 units, 1 January 2017 : 2,300 units), 17,230 units (31 December 2017: 17,230 units, 1 January 2017 : 17,230 units) , 32,000 units (31 December 2017: 32,000 units, 1 January 2017 : Nil units) and 100,000 units (31 December 2017: Nil units, 1 January 2017 : Nil units) in the Company's managed Blom Saudi Arabia Fund, Blom Arab Market Balanced Fund, Al Mazaya Saudi Equity Fund, Blom MSCI Saudi Arabia Select Min Vol Fund and Blom Fund Of REITS Fund respectively. All these Company's managed mutual funds are unlisted.
- 8.3 Investment in real estate funds represent 1,400 units (31 December 2017: 1,400 units, 1 January 2017 : 1,400 units), 375 units (31 December 2017: 400 units, 1 January 2017 : 400 units) and 12 units (31 December 2017: 12 units, 1 January 2017 : 12 units) in the Company's managed unlisted Blom Okaz Real Estate Fund, Blom Solidere Real Estate Fund 3 and Ammoriya Fund, respectively. Also, the Company has invested in 278,203 units (31 December 2017: 278,203 units, 1 January 2017 : Nil units) and 712 units (31 December 2017: 712 units, 1 January 2017 : Nil units) in Musharaka REIT fund and Mulkia Gulf Real Estate REIT fund, respectively, that are listed REIT funds and are managed by fund managers, other than the Company, licensed by the Capital Market Authority of Saudi Arabia.

9 INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments at fair value through other comprehensive income consist of investments in local equities. The movements are set out below:

	<i>31 December 2018</i>		
	<i>Cost</i>	<i>Unrealised</i>	<i>Fair</i>
	<i>SR</i>	<i>(Loss)</i>	<i>Value</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Local equities listed in Tadawul (note 9.1)	<u>31,232,299</u>	<u>(1,807,276)</u>	<u>29,425,023</u>
	<i>31 December 2017</i>		
	<i>Cost</i>	<i>Unrealised</i>	<i>Fair</i>
	<i>SR</i>	<i>(Loss)</i>	<i>Value</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Local equities listed in Tadawul (note 9.1)	<u>20,304,071</u>	<u>(4,477,813)</u>	<u>15,826,258</u>
	<i>1 January 2017</i>		
	<i>Cost</i>	<i>Unrealised</i>	<i>Fair</i>
	<i>SR</i>	<i>(Loss)</i>	<i>Value</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Local equities listed in Tadawul (note 9.1)	<u>19,539,061</u>	<u>(3,292,501)</u>	<u>16,246,560</u>

- 9.1 Investment in local equities listed in Tadawul represents portfolios managed by a non-related local asset management company licensed by the Capital Market Authority of Saudi Arabia.

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

10 INVESTMENT AT AMORTISED COST

Investments at amortised cost consists of the following debt instruments:

	<i>Maturity date</i>	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
<i>Current assets</i>				
Debt securities issued by the Royal Bank of Scotland 21 October 2019		9,570,488	-	-
Impairment charge for credit losses		(11,445)	-	-
		9,559,043	-	-
<i>Non-current assets</i>				
Debt securities issued by the Royal Bank of Scotland 21 October 2019		-	-	9,590,322
Debt security issued by BNP Paribas	15 January 2021	3,032,392	12,628,645	3,064,091
KSA Sukuk	25 July 2023	10,000,000	-	-
Impairment charge for credit losses		(952)	(12,396)	(12,396)
		13,031,440	12,616,249	12,642,017
Total investments at amortised cost		22,590,483	12,616,249	12,642,017

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2018

11 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Company, Funds under the Company's management and entities controlled or significantly influenced by such parties.

The following are the details of major related party transactions during the year:

a) Transactions with related parties included in the statement of income are as follows:

<u>Related party</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>	
		<u>2018</u> SR	<u>2017</u> SR
Real estate funds under management	Asset management fees income	25,462,430	35,418,616
Mutual funds under management	Asset management fees income	1,991,835	1,462,826
		27,454,265	36,881,442
Sub-fund manager of real estate funds	Management fees expense	(3,785,389)	(9,915,821)
Shareholder	Financial charges	(838)	(367,337)

<u>Related party</u>	<u>Nature of balances</u>	<u>31 December</u>	<u>31 December</u>	<u>1 January</u>
		<u>2018</u> SR	<u>2017</u> SR	<u>2017</u> SR
Real estate funds under management	Due from related parties	119,259,161	99,639,067	67,501,887
Mutual funds under management	Due from related parties	174,547	250,607	405,308
		119,433,708	99,889,674	67,907,195
Sub-fund manager of real estate funds	Due to related parties	23,849,175	20,089,953	10,231,109
Shareholder	Term loan	-	-	55,000,000
	Bank overdraft	-	-	52,972

The summary of compensation to key management personnel and the Board of Directors for the years are as follows:

	<u>31 December</u> <u>2018</u> SR	<u>31 December</u> <u>2017</u> SR
Salaries and employee related benefits	3,091,595	2,991,595

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

12 PROPERTY AND EQUIPMENT, NET

The cost of property and equipment is depreciated on a straight-line basis over the following estimated useful lives:

	5 years	Office furniture 5 years	Equipment SR	Office furniture SR	Computer hardware SR	Leasehold improvements SR	Motor vehicles SR	31 December 2018 SR	31 December 2017 SR
Equipment	5 years	Office furniture	1,834,634	734,254	2,464,667	3,786,067	186,500	9,006,122	8,717,766
Computer hardware	3 years	Motor vehicles	-	-	65,050	-	-	65,050	288,356
			-	-	(93,490)	-	-	(93,490)	-
Cost:			<u>1,834,634</u>	<u>734,254</u>	<u>2,436,227</u>	<u>3,786,067</u>	<u>186,500</u>	<u>8,977,682</u>	<u>9,006,122</u>
At the beginning of the year			1,804,747	730,467	1,999,699	3,437,015	177,626	8,149,554	7,348,898
Additions during the year			19,986	1,540	264,796	349,052	8,874	644,248	800,656
Disposals during the year			-	-	(93,490)	-	-	(93,490)	-
At the end of the year			<u>1,824,733</u>	<u>732,007</u>	<u>2,171,005</u>	<u>3,786,067</u>	<u>186,500</u>	<u>8,700,312</u>	<u>8,149,554</u>
Depreciation:									
At the beginning of the year									
Charge for the year									
Disposals during the year									
At the end of the year									
Net book amounts:									
At 31 December 2018			<u>9,901</u>	<u>2,247</u>	<u>265,222</u>	<u>-</u>	<u>-</u>	<u>277,370</u>	<u>856,568</u>
At 31 December 2017			<u>29,887</u>	<u>3,787</u>	<u>464,968</u>	<u>349,052</u>	<u>8,874</u>	<u>856,568</u>	<u>856,568</u>

**BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018**

12 PROPERTY AND EQUIPMENT, NET (continued)

The cost of property and equipment is depreciated on a straight-line basis over the following estimated useful lives:

Equipment	5 years	Office furniture	5 years	Leasehold improvements	10 years or end of rent period whichever is shorter	Motor vehicles	31 December 2017	1 January 2017
Computer hardware	3 years	Motor vehicles	5 years	SR	SR	SR	SR	SR
		Equipment SR	Office furniture SR	Computer hardware SR	Leasehold improvements SR	Motor vehicles SR		
At the beginning of the year		1,834,634	734,254	2,240,711	3,721,667	186,500	8,717,766	8,683,964
Additions during the year		-	-	223,956	64,400		288,356	33,802
At the end of the year		1,834,634	734,254	2,464,667	3,786,067	186,500	9,006,122	8,717,766
<i>Depreciation:</i>								
At the beginning of the year		1,787,557	728,009	1,606,995	3,058,411	167,926	7,348,898	6,583,084
Charge for the year		17,190	2,458	392,704	378,604	9,700	800,656	765,814
At the end of the year		1,804,747	730,467	1,999,699	3,437,015	177,626	8,149,554	7,348,898
<i>Net book amounts:</i>								
At 31 December 2017		29,887	3,787	464,968	349,052	8,874	856,568	
<i>At 1 January 2017</i>		47,077	6,245	633,716	663,256	18,574		1,368,868

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2018

13 INTAGIBLE ASSETS, NET

Intangible assets comprise of software that is depreciated on a straight line basis over an estimated useful life of 3 years.

	<i>31 December</i> 2018 SR	<i>31 December</i> 2017 SR	<i>1 January</i> 2017 SR
<i>Cost</i>			
At the beginning of the year	4,158,283	3,991,884	3,975,283
Additions during the year	440,210	166,399	16,601
At the end of the year	<u>4,598,493</u>	<u>4,158,283</u>	<u>3,991,884</u>
<i>Accumulated amortization</i>			
At the beginning of the year	3,965,206	3,839,900	3,699,409
Charge during the year	181,425	125,306	140,491
At the end of the year	<u>4,146,631</u>	<u>3,965,206</u>	<u>3,839,900</u>
<i>Net book value</i>			
At the end of year	<u>451,862</u>	<u>193,077</u>	<u>151,984</u>

14 INVESTMENT PROPERTIES

Investment properties represent the following:

- (a) Two plots of land in Al Khobar, Saudi Arabia. The total cost of the investment is SR 27,175,368 (31 December 2017: SR 27,175,368, 1 January 2017: SR 26,894,868) including survey and other fees of SR 1,683,000 (31 December 2017: SR 1,402,500, 1 January 2017: SR 1,402,500). The title deeds of the investment properties are registered in the name of Chairman of the Company through a trust agreement that confirms the holding of the land on behalf of the Company.
- (b) Twenty seven plots of land in Riyadh, Saudi Arabia amounting to SR 18,145,820 (Forty plots at 31 December 2017: SR 30,370,957, Forty nine plots at 1 January 2017 SR 32,110,328), representing 50% of the total value of these properties. The title deeds of the investment properties are registered in the name of Chairman of the Company through a trust agreement that confirms the holding of the land on behalf of the Company.

The movement during the year was as following:

	<i>31 December</i> 2018 SR	<i>31 December</i> 2017 SR	<i>1 January</i> 2017 SR
At the beginning of the year	57,546,324	59,005,196	59,005,196
Additions	-	280,500	-
Disposals	(12,225,135)	(1,739,372)	-
At the end of the year	<u>45,321,189</u>	<u>57,546,324</u>	<u>59,005,196</u>
Fair values as at the end of the year	<u>45,503,657</u>	<u>59,043,179</u>	<u>63,153,391</u>

The fair value of the investment in investment properties is based on market values obtained from an independent valuer named White Cube real estate, licensed by Taqeeem. These values are subject to the independent valuer's estimation uncertainties.

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2018

15 ZAKAT AND INCOME TAX

a) Zakat

Charge for the year

The zakat charge consists of the current year provision amounting to SR 3,186,225 (2017: SR 3,016,078)

The provision is based on the following:

	2018 SR	2017 SR
Equity	315,204,306	245,000,000
Opening balance of provisions and other adjustments	34,468,682	66,111,258
Book value of long term assets	(35,435,071)	(23,839,577)
	<u>314,237,917</u>	<u>287,271,681</u>
Adjusted income for the year	4,384,571	14,336,093
	<u>318,622,488</u>	<u>301,607,774</u>
Zakat base	<u>318,622,488</u>	<u>301,607,774</u>
Share of Saudi shareholder in the Zakat base @ 40%	<u>127,448,995</u>	<u>120,643,110</u>
Zakat charge for the year @ 2.5%	<u>3,186,225</u>	<u>3,016,078</u>

The differences between the financial and zakat results are mainly due to provisions which are not allowed in the calculation of adjusted losses.

b) Income tax

Charge for the year

The income tax charge consists of the current year provision amounting to SR 394,611 (2017: SR 1,170,214).

Movement in zakat and income tax payable during the year

The movement in Zakat and income tax payable for the year ended 31 December 2018 and 31 December 2017 is as follows:

	Zakat SR	Income Tax SR	Total SR
Movement for the year ended 31 December 2018			
At the beginning of the year	10,516,889	142,711	10,659,600
Provided during the year	3,186,225	394,611	3,580,836
Payments during the year	(1,178,802)	-	(1,178,802)
	<u>12,524,312</u>	<u>537,322</u>	<u>13,061,634</u>
Movement for the year ended 31 December 2017			
At the beginning of the year	9,715,283	446,470	10,161,753
Provided during the year	3,016,078	1,170,214	4,186,292
Payments during the year	(2,214,472)	(1,473,973)	(3,688,445)
	<u>10,516,889</u>	<u>142,711</u>	<u>10,659,600</u>

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2018

15 ZAKAT AND INCOME TAX (continued)

Status of assessment

The Company has filed its income tax and zakat declarations for the periods ended 30 June 2009, 31 December 2009 and for the years ended 31 December 2010 through 2017 with the General Authority for Zakat and Income Tax (the "GAZT"). No assessment is issued by the GAZT yet.

16 NET EMPLOYEE DEFINED BENEFIT LIABILITIES

The movement in provision for end-of-service benefits for the year ended as follows:

	<i>31 December</i> 2018 SR	<i>31 December</i> 2017 SR
Balance at beginning of the year	2,073,786	1,648,797
Current service cost	409,031	374,359
Interest cost	64,008	52,526
Amount recognized in profit or loss account	473,039	426,885
Re-measurements		
Actuarial losses	40,697	12,823
Amount recognized in OCI	40,697	12,823
Benefits paid during the year	(18,049)	(14,719)
Balance at the end of the year	2,569,473	2,073,786

The Company carried out an employee benefits actuarial valuation, using the projected unit credit method, of its liability as at 31 December 2018 arising from the end of service benefits to qualifying in-service employees.

Significant actuarial assumptions

The following were the principal actuarial assumptions:

<i>Key actuarial assumptions</i>	<i>31 December 2018</i>	<i>31 December 2017</i>	<i>1 January 2017</i>
<i>Financial assumptions</i>			
Discount rate used	3.70%	3.10%	3.20%
Salary growth rate*	2.70%	2.10%	2.20%
<i>Demographic assumptions</i>			
Retirement age	60	60	60

*A salary increase assumption of 2.70% p.a. for the first five years has been assumed by the Company and for the subsequent years a salary increase rate of 3.10% p.a. is assumed, and is based on actual salary increases in past years

Sensitivity analysis

A reasonably possible change to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation. The following is a sensitivity analysis for the salary inflation and discount rate assumptions that were performed at the previous and current valuation date:

	<i>31 December 2018</i>	<i>31 December 2017</i>	<i>1 January 2017</i>
Discount Rate +0.5%	2,392,531	1,930,978	1,535,255
Discount Rate -0.5%	2,713,235	2,189,814	1,741,047
Long Term Salary Increases +0.5%	2,714,081	2,190,497	1,741,590
Long Term Salary Increases -0.5%	2,390,372	1,929,326	1,533,870

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

17 SHARE CAPITAL

	<i>31 December</i> 2018 SR	<i>31 December</i> 2017 SR	<i>1 January</i> 2017 SR
Ordinary shares (SR 10 per share)	245,000,000	245,000,000	245,000,000

Share capital of SR 245 million (31 December 2017: SR 245 million; 1 January 2017: SR 245 million) is divided into 24,500,000 shares (31 December 2017: 24,500,000 shares; 1 January 2017: 24,500,000 shares) of SR 10 each, which is wholly paid.

18 STATUTORY RESERVES

As required by the Saudi Arabian Regulations for Companies, the Company must transfer 10% of the net income for the year (after deducting losses brought forward) to the statutory reserve till it has built up a reserve equal to 50% of the capital. The reserve is not available for distribution.

19. NET LOSS FROM INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>31 December</i> 2018 SR	<i>31 December</i> 2017 SR
Unrealised loss	(2,328,064)	(3,155,065)
Realised gain	333,663	2,761,209
	<u>(1,994,401)</u>	<u>(393,856)</u>

20 GENERAL AND ADMINISTRATION EXPENSES

	<i>31 December</i> 2018 SR	<i>31 December</i> 2017 SR
Staff costs	11,008,187	10,766,169
Legal and professional fees	1,382,897	1,075,314
Rent and premises	1,163,937	1,178,943
Depreciation and amortisation (note 12 and 13)	825,673	925,962
Others	4,045,068	3,650,503
	<u>18,425,762</u>	<u>17,596,891</u>

21 THE EARNINGS PER SHARE

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding.

	<i>31 December</i> 2018 SR	<i>31 December</i> 2017 SR
Income for the year	4,758,232	6,549,576
Weighted average number of ordinary shares	24,500,000	24,500,000
Basic and diluted, income for the year per share	0.19	0.27

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2018

22 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of financial assets, other than cash and cash equivalents, held by the Company as at 31 December 2018, 31 December 2017, and 1 January 2017.

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
<i>Financial assets at amortised cost</i>			
Investments at amortised cost (note 10)	22,590,483	12,616,249	12,642,017
Due from related parties	119,433,708	99,889,674	67,907,195
<i>Financial assets at fair value through OCI</i>			
Local equities listed in Tadawul (note 9.1)	29,425,023	15,826,258	16,246,560
<i>Financial assets at fair value through profit or loss</i>			
Money market funds (note 8.1)	60,070,895	54,713,656	-
Mutual funds (note 8.2)	24,773,289	14,437,987	11,430,638
Real Estate funds (note 8.3)	48,015,616	51,702,558	49,618,862
<i>Total financial assets</i>	304,309,014	249,186,382	157,845,272
<i>Total current</i>	261,852,551	220,743,875	128,956,695
<i>Total non-current</i>	42,456,463	28,442,507	28,888,577

Set out below is an overview of financial liabilities held by the Company as at 31 December 2018, 31 December 2017, and 1 January 2017.

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
<i>Financial liabilities at amortised cost</i>			
Bank overdraft	-	-	52,972
Due to related parties	23,849,175	20,089,953	10,231,109
Accrued expenses and other payables	2,592,563	1,371,565	2,534,301
Zakat payable	13,061,634	10,659,600	10,161,753
Term loan	-	-	55,000,000
<i>Total financial liabilities at amortised cost</i>	39,503,372	32,121,118	77,980,135
<i>Total current</i>	39,503,372	32,121,118	22,980,135
<i>Total non-current</i>	-	-	55,000,000

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2018

23 FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of the Company'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>Total</i>	<i>Fair value measurement using</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>				
Money market funds	60,070,895	-	60,070,895	-
Mutual funds	24,773,289	-	24,773,289	-
Real Estate funds	48,015,616	-	48,015,616	-
Local equities listed in Tadawul	29,425,023	29,425,023	-	-
<i>As at 31 December 2017</i>				
<i>Financial assets measured at fair value</i>				
Money market funds	54,713,656	-	54,713,656	-
Mutual funds	14,437,987	-	14,437,987	-
Real Estate funds	51,702,558	-	51,702,558	-
Local equities listed in Tadawul	15,826,258	15,826,258	-	-
<i>As at 1 January 2017</i>				
<i>Financial assets measured at fair value</i>				
Money market funds	-	-	-	-
Mutual funds	11,430,638	-	11,430,638	-
Real Estate funds	49,618,862	-	49,618,862	-
Local equities listed in Tadawul	16,246,560	16,246,560	-	-

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.

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

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2018

24. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to market risk (which includes interest rate risk, currency risk and equity price risk), liquidity risk, and credit risk and investment holding period risk arising from the financial instruments it holds.

Risk management structure

The Company's Board of Directors is ultimately responsible for the overall risk management of the Company.

Risk measurement and reporting system

The Company's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses that are an estimate of the ultimate actual loss based on statistical models. The models make use of the probabilities derived from historical experience, adjusted to reflect the economic environment. Monitoring and controlling risks is primarily set up to be performed based on limits established by the Board of Directors. These limits reflect the business strategy, including the risk that the Company is willing to accept and the market environment of the Company. In addition, the Board monitors and measures the overall risk in relation to the aggregate risk exposure across all risk type and activities.

Risk mitigation

The Company has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

Excessive risk concentration

Concentration indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if the Company has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The investment manager is instructed to reduce exposure or to use derivative instruments to manage excessive risk concentrations when they arise.

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 Company. The Company has adopted a policy of only dealing with creditworthy counterparties, for whom the credit risk is assessed to be low. The Company 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 Company maintains bank accounts with high credit rated financial institutions.

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

	<i>31 December 2018</i>	<i>31 December 2017</i>	<i>1 January 2017</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Due from related parties	119,433,708	99,889,674	67,907,195
Investments at amortised cost	22,590,483	12,616,249	12,642,017
Investments at fair value through other comprehensive income	29,425,023	15,826,258	16,246,560
Investments at fair value through profit or loss	132,859,800	120,854,201	61,049,500
Other current financial assets	4,126,538	3,922,564	4,656,527
Time Deposits	-	-	138,994,444
Cash and cash equivalents	8,710,869	36,429,409	25,304,769
	<u>317,146,421</u>	<u>289,538,355</u>	<u>326,801,012</u>

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2018

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

Credit risk (continued)

Credit concentration

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

No significant concentrations of credit risk were identified by the management as at the reporting date.

The management has conducted an assessment as required under IFRS 9 and based on such assessment, the management believes that there is no need for any significant impairment loss against the carrying value of cash and cash equivalents, time deposits, due from related parties and other financial assets.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by ensuring that sufficient funds are available from Shareholders and related parties at all times to meet any future commitments, and financing facilities are available.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments:

<i>31 December 2018</i>	<i>On Demand SR</i>	<i>Within 3 months SR</i>	<i>3 months to 1 year SR</i>	<i>Above 1 year SR</i>	<i>No fixed maturity SR</i>	<i>Total SR</i>
Due to related parties	-	-	23,849,175	-	-	23,849,175
Other payables	-	-	793,309	-	-	793,309
Zakat payable	-	-	-	-	13,061,634	13,061,634
<i>Total financial liabilities</i>	-	-	24,642,484	-	13,061,634	37,704,118
<i>31 December 2017</i>						
Due to related parties	-	-	20,089,953	-	-	20,089,953
Other payables	-	-	85,999	-	-	85,999
Zakat payable	-	-	-	-	10,659,600	10,659,600
<i>Total financial liabilities</i>	-	-	20,175,952	-	10,659,600	30,835,552
<i>1 January 2017</i>						
Bank overdraft	52,972	-	-	-	-	52,972
Due to related parties	-	-	10,231,109	-	-	10,231,109
Other payables	-	-	91,133	-	-	91,133
Zakat payable	-	-	-	-	10,161,753	10,161,753
<i>Total financial liabilities</i>	52,972	-	10,322,242	-	10,161,753	20,536,967

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2018

24. 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 market risk exposures within acceptable parameters while optimizing the return.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board of Directors has established limits on the interest gaps for stipulated periods. The Company's investments in debt securities carry fixed interest rates and mature within five years.

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 Company's investments in equity securities. The Company'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 geographical distribution and/or industry concentration.

Sensitivity analysis

The table below sets out the effect on profit or loss and other comprehensive income 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>	+ 5%	6,642,990	+ 5%	6,042,710
	- 5%	(6,642,990)	- 5%	(6,042,710)

<i>Effect on other comprehensive income</i>	<i>2018</i>		<i>2017</i>	
		<i>SR</i>		<i>SR</i>
<i>Net gain (loss) on investments held at FVOCI</i>	+ 5%	1,471,251	+ 5%	791,313
	- 5%	(1,471,251)	- 5%	(791,313)

Concentration of equity price risk

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

% of equity securities and units in managed funds

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

**BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2018

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

The following table analyses the Company's concentration of equity price risk in the Fund's equity portfolio by industrial distribution:

% of equity securities and units in managed funds measured at FVPL and FVOCI

	<i>31 December</i> 2018 SR	<i>31 December</i> 2017 SR	<i>1 January</i> 2017 SR
Listed equities - Financial	14,023,031	3,425,716	3,172,140
Listed equities - Non – Financial	15,401,992	12,400,532	13,074,421
Money market funds	60,070,895	54,713,656	-
Mutual funds	24,773,289	14,437,987	11,430,638
Real Estate funds	48,015,616	51,702,558	49,618,862

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company does not have any significant exposure to currency risk as all its significant monetary assets and monetary liabilities are denominated in Saudi Riyals. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US dollars during the year and Saudi Riyals are pegged to the US dollar.

25. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Company's financial assets and liabilities based on contractual undiscounted receipts and payments

<i>As at 31 December 2018</i>	<i>Within</i> <i>12 months</i> SR	<i>After</i> <i>12 months</i> SR	<i>Total</i> SR
ASSETS			
Due from related parties	119,433,708	-	119,433,708
Other current financial assets	4,126,538	-	4,126,538
Investments at amortised cost	9,559,043	13,031,440	22,590,483
Investments at fair value through other comprehensive income	-	29,425,023	29,425,023
Investments at fair value through profit or loss	132,859,800	-	132,859,800
Cash and cash equivalents	8,710,869	-	8,710,869
TOTAL ASSETS	274,689,958	42,456,463	317,146,421
LIABILITIES			
Due to related parties	23,849,175	-	23,849,175
Other payables	793,309	-	793,309
Zakat payable	13,061,634	-	13,061,634
TOTAL LIABILITIES	37,704,118	-	37,704,118

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2018

25. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

<i>As at 31 December 2017</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Due from related parties	99,889,674	-	99,889,674
Other current financial assets	3,922,564	-	3,922,564
Investments at amortised cost	-	12,616,249	12,616,249
Investments at fair value through other comprehensive income	-	15,826,258	15,826,258
Investments at fair value through profit or loss	120,854,201	-	120,854,201
Cash and cash equivalents	36,429,409	-	36,429,409
TOTAL ASSETS	261,095,848	28,442,507	289,538,355
LIABILITIES			
Due to related parties	20,089,953	-	20,089,953
Other payables	85,999	-	85,999
Zakat payable	10,659,600	-	10,659,600
TOTAL LIABILITIES	30,835,552	-	30,835,552
<i>As at 1 January 2017</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Due from related parties	67,907,195	-	67,907,195
Other current financial assets	4,656,527	-	4,656,527
Investments at amortised cost	-	12,642,017	12,642,017
Investments at fair value through other comprehensive income	-	16,246,560	16,246,560
Investments at fair value through profit or loss	61,049,500	-	61,049,500
Time deposits	138,994,444	-	138,994,444
Cash and cash equivalents	25,304,769	-	25,304,769
TOTAL ASSETS	297,912,435	28,888,577	326,801,012
LIABILITIES			
Bank overdraft	52,972	-	52,972
Due to related parties	10,231,109	-	10,231,109
Other payables	91,133	-	91,133
Zakat payable	10,161,753	-	10,161,753
TOTAL LIABILITIES	20,536,967	-	20,536,967

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2018

26 SEGMENT REPORTING

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed by the Company's Chief Operating Decision maker in order to make decisions about resources to be allocated to each segment and to assess its performance.

Segment results that are reported to the Company's Chief Operating Decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Company is organized into the following main operating segments:

- **Arranging and advising activities** include introducing parties in relation to securities business, advising on corporate finance business or acting in any way to bring about a deal in a security, advising a person on the merits of dealing in a security or exercising any right to deal conferred by a security.
- **Managing activities** include managing securities belonging to another person in circumstances involving the exercise of discretion.
- **Dealing activities** include engagement in trading in a security, whether as principal or agent, and dealing includes the sale, purchase, managing the subscription for or underwriting securities.
- **Others including private wealth management** represents certain assets, liabilities, operating income or expenses of the Company, which have been derived from proprietary investments and other income.

	<i>Arranging and Advising Activities</i> SR	<i>Managing Activities</i> SR	<i>Dealing Activities</i> SR	<i>Others including Private Wealth Management</i> SR	<i>Total</i> SR
31 December 2018					
Total assets	102,022,428	244,125,096	-	18,218,291	364,365,815
Total liabilities	11,780,397	28,188,806	-	2,103,642	42,072,845
Total operating income	-	27,454,265	-	275,418	27,729,683
Total operating expenses	(3,110,066)	(18,882,546)	-	(222,148)	(22,214,760)
Net operating income	(3,110,066)	8,571,719	-	53,270	5,514,923
31 December 2017					
Total assets	97,831,779	234,097,471	-	17,469,960	349,399,210
Total liabilities	9,574,573	22,910,586	-	1,709,745	34,194,904
Total operating income	-	36,881,442	-	1,738,537	38,619,979
Total operating expenses	(3,903,776)	(23,701,495)	-	(278,840)	(27,884,111)
Net operating income / (loss)	(3,903,776)	13,139,947	-	1,499,697	10,735,868

The Company's assets, liabilities, and operations are entirely in Saudi Arabia.

27 CAPITAL COMMITMENTS AND CONTINGENCIES

The Company, in the normal course of business, has not committed any guarantees during the year and has no outstanding guarantees from prior years .

As at 31 December 2018, The Company does not have any capital commitments. (2017: nil).

28 SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events since 31 December 2018 that would have a material impact on the financial position or financial performance of the Company as reflected in these financial statements.

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2018

29 CAPITAL ADEQUACY

The Capital Market Authority has issued Prudential Regulations (the “Rules”) dated 30 December 2012 (corresponding to 17 Safar 1434H) pursuant to Royal Decree No. M/30 dated 2/6/1424H. According to the Rules, CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under Pillar I. In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

	<i>31 December 2018 SR'000</i>	<i>31 December 2017 SR'000</i>	<i>1 January 2017 SR'000</i>
Capital base			
Tier I	319,513	309,792	300,468
Tier II	-	5,553	28,257
Total	319,513	315,345	328,725
Minimum capital			
Market risk	21,706	438	663
Credit risk	119,582	136,724	105,198
Operational risk	6,135	7,776	8,381
Total	147,423	144,938	114,242
Capital adequacy ratio	2.17	2.18	2.88
Surplus	172,090	170,407	214,483

a) The Capital Base of the Company comprises of

- Tier-1 capital consists of paid-up share capital, retained earnings, share premium (if any), reserves excluding revaluation reserves.
- Tier-2 capital consists of subordinated loans, cumulative preference shares and revaluation reserves.

b) The minimum capital requirements for market, credit & operational risk are calculated as per the requirements specified in part 3 of the Prudential Rules issued by the CMA.

b) The Company’s business objectives when managing capital adequacy is to comply with the capital requirements set forth by the CMA to safeguard the Company’s ability to continue as a going concern, and to maintain a strong capital base.

30 CUSTOMERS’ FUNDS

The assets under management outstanding at end of the year including mutual funds and discretionary portfolios amounted to SR 4,031,075,375 (2017: SR 3,860,752,394).

31 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Management on 26 March 2019 (corresponding to 19 Rajab 1440H).