

Blom Saudi Arabia Fund
(Managed by Blominvest Saudi Arabia)

**FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT**

31 DECEMBER 2021



Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
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INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF BLOM SAUDI ARABIA FUND (MANAGED BY BLOMINVEST SAUDI ARABIA)

Opinion

We have audited the financial statements of Blom Saudi Arabia Fund (the "Fund") managed by Blominvest Saudi Arabia (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity attributable to the unitholders and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2021, 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 Organisation for Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the 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 Organisation for Chartered and Professional Accountants and the applicable provisions of the Investment Funds Regulations issued by the Board of the Capital Market Authority, and the Fund's terms and conditions and the Information Memorandum, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.




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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

for Ernst & Young Professional Services


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

Riyadh: 27 Sha'ban 1443H
(30 March 2022)



Blom Saudi Arabia Fund
(Managed by Blominvest Saudi Arabia)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 SR	2020 SR
ASSETS			
Financial assets at fair value through profit or loss (FVTPL)	7	13,805,033	11,386,239
Receivables from disposals of financial assets at FVTPL		-	213,776
IPO subscription deposit and others		124,038	1,638
Cash and cash equivalents		830,677	265,719
TOTAL ASSETS		14,759,748	11,867,372
LIABILITIES AND EQUITY			
LIABILITIES			
Management fees payable	9	19,006	17,017
Accrued expenses		107,137	63,508
TOTAL LIABILITIES		126,143	80,525
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS (TOTAL EQUITY)		14,633,605	11,786,847
TOTAL LIABILITIES AND EQUITY		14,759,748	11,867,372
Redeemable units in issue		5,717	6,453
Net assets value attributable to each unit		2,559.67	1,826.59

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

Blom Saudi Arabia Fund
(Managed by Blominvest Saudi Arabia)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 SR	2020 SR
INCOME			
Net realised gain on financial assets at FVTPL		4,330,044	1,001,994
Net movement in unrealised gain on financial assets at FVTPL		517,557	285,396
Dividend income		383,579	269,773
Other income		52,678	-
TOTAL INCOME		5,283,858	1,557,163
EXPENSES			
Management fees	9	(216,824)	(155,066)
Other expenses	8	(346,368)	(290,899)
TOTAL EXPENSES		(563,192)	(445,965)
NET INCOME FOR THE YEAR		4,720,666	1,111,198
OTHER COMPREHENSIVE INCOME FOR THE YEAR		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,720,666	1,111,198

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

Blom Saudi Arabia Fund
(Managed by Blominvest Saudi Arabia)

STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE
UNITHOLDERS

For the year ended 31 December 2021

	2021 SR	2020 SR
Equity attributable to the unitholders at beginning of the year	11,786,847	11,348,359
Net income and total comprehensive income for the year	4,720,666	1,111,198
Issuance and redemption of units		
Redemptions of units during the year	(1,883,908)	(772,710)
Issuance of units during the year	10,000	100,000
Net changes from units transactions	(1,873,908)	(672,710)
Equity attributable to unitholders at the end of the year	14,633,605	11,786,847

REDEEMABLE UNIT TRANSACTIONS

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

	2021 Units	2020 Units
Units at beginning of the year	6,453	6,859
Redemption of units during the year	(741)	(473)
Issue of units during the year	5	67
Net changes in units	(736)	(406)
Units at end of the year	5,717	6,453

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

Blom Saudi Arabia Fund
(Managed by Blominvest Saudi Arabia)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 SR	2020 SR
OPERATING ACTIVITIES		
Net income for the year	4,720,666	1,111,198
Adjustment to reconcile net income to net cash flows:		
Movement in unrealized gain on financial assets at FVTPL	(517,557)	(285,396)
Dividend income	(383,579)	(269,773)
	<u>3,819,530</u>	<u>556,029</u>
Working capital adjustments:		
Financial assets at FVTPL	(1,687,461)	(62,463)
IPO subscription deposit and others	(122,400)	-
Management fees payable and accrued expenses	45,618	(8,098)
	<u>2,055,287</u>	<u>485,468</u>
Net cash flows from operating activities	2,055,287	485,468
Dividend income	383,579	269,886
	<u>2,438,866</u>	<u>755,354</u>
Net cash flows from operating activities	<u>2,438,866</u>	<u>755,354</u>
FINANCING ACTIVITIES		
Proceeds from issuance of units	10,000	100,000
Payment on redemption of units	(1,883,908)	(772,710)
	<u>(1,873,908)</u>	<u>(672,710)</u>
Net cash used in financing activities	(1,873,908)	(672,710)
NET INCREASE IN CASH AND CASH EQUIVALENTS	564,958	82,644
Cash and cash equivalents at the beginning of year	<u>265,719</u>	<u>183,075</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>830,677</u>	<u>265,719</u>

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

Blom Saudi Arabia Fund (Managed by Blominvest Saudi Arabia)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

1. GENERAL

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

The objective of the Fund is to generate long term capital growth for investors through investing in equity securities listed in Tadawul, either directly or through other funds or collective investment schemes established under the laws and regulations of the Kingdom of Saudi Arabia. The Fund was established on 21 Jumada Al Awal 1432H (corresponding to 25 April 2011) as per approval from the Capital Market Authority (the “CMA”) and commenced its operations on 6 July 2011.

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

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

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

2. REGULATING AUTHORITY

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

3. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

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

These financial statements have been prepared on a historical cost basis, except for investments at fair value through profit or loss which are stated at their fair value and also using the accruals basis of accounting and the going concern concept.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

Blom Saudi Arabia Fund
(Managed by Blominvest Saudi Arabia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Financial instruments

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

(i) Classification

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

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

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

Financial assets

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

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset
- *Financial assets measured at amortised cost*
A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- *Financial assets measured at fair value through profit or loss (FVTPL)*
A financial asset is measured at fair value through profit or loss if:
 - i. Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding (SPPI); and
 - ii. It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
 - iii. At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Fund investments includes investments in equity instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

Financial liabilities

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

This category includes all financial liabilities, other than those measured at fair value through profit or loss..

Blom Saudi Arabia Fund
(Managed by Blominvest Saudi Arabia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Financial instruments (continued)

(ii) Recognition

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

(iii) Initial measurement

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

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

(iv) Subsequent measurement

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

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

(v) Derecognition of financial instruments

Financial assets

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

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

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

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

Financial liabilities

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

(vi) Offsetting of financial instruments

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

Blom Saudi Arabia Fund
(Managed by Blominvest Saudi Arabia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Financial instruments (continued)

(vii) Impairment of financial assets

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

4.2 Trade date accounting

All regular way purchases and sales of financial assets are recognised / derecognised on the trade date (i.e. the date that the Fund commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

4.3 Cash and cash equivalents

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

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

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

4.4 Accrued expenses

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

4.5 Provisions

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

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

4.6 Zakat and income tax

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

4.7 Redeemable Units

Redeemable units are classified as equity instruments when:

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

Blom Saudi Arabia Fund (Managed by Blominvest Saudi Arabia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Redeemable Units (Continued)

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

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

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

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

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

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

The capital of the Fund is SR 5,717,000 (31 December 2020: SR 6,453,000) divided into 5,717 (31 December 2020: 6,453) participating units of SAR 1,000 par value. All issued participating units are fully paid. The Fund's capital is represented by these participating units and are classified as equity instruments. The units are entitled to payment of a proportionate share of the Fund's net asset value upon winding up of the Fund.

4.8 Net assets value per unit

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

4.9 Dividend income

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

4.10 Net gain or loss on financial assets at fair value through profit or loss ("FVTPL")

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

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

4.11 Management fees

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

At 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Fair value of financial instruments

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

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

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

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

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

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

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

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

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

4.13 Foreign currency translation

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Going concern

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

Fair value Measurement

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

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

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

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the financial statements of the Fund. The Fund intends to use the practical expedients in future periods if they become applicable.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. However, these amendments had no impact on the financial statements of the Fund.

Blom Saudi Arabia Fund
(Managed by Blominvest Saudi Arabia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

**6. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED BY THE FUND
(continued)**

Standards issued but not yet effective and not early adopted

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

Based on the Fund's assessment, the below standards are not expected to have potential impacts on the reported numbers and disclosures.

Standards	Description	Mandatory effective date
IFRS 17	Insurance Contracts	1 January 2023
IFRS 1	First-time Adoption of International Financial Reporting Standards: Subsidiary as a first-time adopter	1 January 2022
IFRS 9	Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 37	Onerous Contracts: Costs of Fulfilling a Contract	1 January 2022

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

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

Sectors	31 December 2021			
	% of market value	Cost SR	Market value SR	Unrealised gain/(loss) SR
Banks	37.25%	3,633,987	5,142,327	1,508,340
Commercial and professional services	1.03%	143,553	142,090	(1,463)
Consumer services	4.59%	630,207	633,870	3,663
Energy	1.44%	200,944	198,530	(2,414)
Material	23.01%	2,979,936	3,176,068	196,132
Real estate management and development	4.49%	636,166	619,248	(16,918)
Retailing	3.37%	407,036	465,052	58,016
Transportation	0.83%	121,161	114,420	(6,741)
Utilities	8.50%	1,058,261	1,173,983	115,722
Insurance	2.29%	348,505	315,672	(32,833)
Health care equipment and services	5.46%	729,164	753,216	24,052
Consumer durables and apparel	0.88%	168,162	121,883	(46,279)
Media and entertainment	2.17%	260,185	301,167	40,982
Capital goods	4.15%	591,481	572,227	(19,254)
Software and services	0.54%	79,372	75,280	(4,092)
	100%	11,988,120	13,805,033	1,816,913

Blom Saudi Arabia Fund
(Managed by Blominvest Saudi Arabia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

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

<i>Sectors</i>	<i>31 December 2020</i>			
	<i>% of market value</i>	<i>Cost SR</i>	<i>Market value SR</i>	<i>Unrealised gain SR</i>
Materials	37.43%	3,547,182	4,262,304	715,122
Energy	15.99%	1,744,836	1,821,103	76,267
Banks	15.25%	1,541,031	1,736,950	195,919
Retailing	10.98%	1,147,517	1,249,686	102,169
Real estate management and development	6.02%	680,505	685,706	5,201
Food and Beverage	3.05%	309,486	347,060	37,574
Health care equipment and services	2.34%	218,498	266,194	47,696
Telecommunication services	2.04%	208,415	232,036	23,621
Utilities	1.87%	219,310	213,000	(6,310)
Capital goods	1.48%	148,889	168,448	19,559
Food and staples retailing	1.18%	98,128	134,343	36,215
Insurance	0.99%	90,868	113,094	22,226
Transportation	0.57%	56,078	64,600	8,522
Pharmaceuticals, biotechnology and life sciences	0.51%	41,826	57,663	15,837
Commercial and professional services	0.30%	34,314	34,052	(262)
	<u>100.00%</u>	<u>10,086,883</u>	<u>11,386,239</u>	<u>1,299,356</u>

8. OTHER EXPENSES

	<i>2021 SR</i>	<i>2020 SR</i>
Administration fee (see note below)	90,000	90,000
Transaction charges	69,825	51,975
Audit fees	38,500	38,500
Board meeting expense	37,500	28,125
Custodian fees (see note below)	30,000	30,000
Miscellaneous charges	80,543	52,299
	<u>346,368</u>	<u>290,899</u>

HSBC Saudi Arabia Limited act as the custodian and administrator of the Fund. The Fund pays an administration fee calculated at an annual rate, as per the below table as set out in the Fund's terms and conditions, of the net asset value at each valuation date.

<i>Net asset value</i>	<i>Annual rate</i>
From SR Nil to SR 187.5 million	0.10%
SR 187.5 million and above	0.08%
Minimum monthly administration fee	SR 7,500

The custody fee is calculated and accrued at a rate of 0.10% per annum of the net asset value at each valuation date as set out in the Fund's terms and conditions and subject to the monthly minimum fee of SR 2,500.

Blom Saudi Arabia Fund
(Managed by Blominvest Saudi Arabia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

9. TRANSACTIONS WITH RELATED PARTIES

The Fund pays a management fee at the rate of 1.50% per annum calculated based on the net assets at each valuation date. The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund including audit fee, board compensation and other similar charges.

The management fees amounting to SR 216,824 (2020: SR 155,066) recognised in the statement of comprehensive income represent the fees charged by the Fund Manager during the year as prescribed above. The accrued management fees payable to the Fund Manager as of 31 December 2021 is SR 19,006 (2020: SR 17,017).

The Board member fees amounting to SR 37,500 (2020: SR 28,125) recognised in the statement of comprehensive income. The accrued Board member fees as of 31 December 2021 is SR 56,250 (2020: SR 18,750).

The unitholders' account included 1,239 units (2020: 1,239 units) held by the Fund Manager as of 31 December 2021.

10. FINANCIAL ASSETS AND FINANCIAL LIABILITY

Set out below is an overview of the financial assets, other than cash and cash equivalents, held by the Fund as at 31 December 2021 and 31 December 2020.

	2021 SR	2020 SR
<i>Financial assets at fair value through profit or loss</i>		
Financial assets at FVTPL	13,805,033	11,386,239
<i>Financial assets at amortised cost</i>		
Receivables from disposals of financial assets at FVTPL	-	213,776
Other receivables	124,038	1,638
<i>Total financial assets</i>	<u>13,929,071</u>	<u>11,601,653</u>

Set out below is an overview of financial liability held by the Fund as at 31 December 2021 and 31 December 2020.

	2021 SR	2020 SR
<i>Financial liability at amortised cost</i>		
Management fees payable	<u>19,006</u>	<u>17,017</u>

11. FAIR VALUE HIERARCHY

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

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

The Fund has only investments at fair value through profit or loss which is measured at fair values. All other financial assets and liabilities are classified as amortised cost and management believes that the fair value of all other financial assets and liabilities at the reporting date approximate their carrying values owing to their short-term tenure and the fact that these are readily liquid.

Blom Saudi Arabia Fund
(Managed by Blominvest Saudi Arabia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

11. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of the Fund's financial assets as at 31 December 2021 and 31 December 2020. There are no other financial assets and financial liabilities measured at fair value.

	<i>Total</i> SR	<i>Fair value measurement using</i>		
		<i>Quoted prices in active markets (Level 1)</i> SR	<i>Significant observable inputs (Level 2)</i> SR	<i>Significant unobservable inputs (Level 3)</i> SR
<i>As at 31 December 2021</i>				
<i>Financial assets measured at fair value</i>				
Financial assets at FVTPL	13,805,033	13,805,033	-	-
<i>As at 31 December 2020</i>				
<i>Financial assets measured at fair value</i>				
Financial assets at FVTPL	11,386,239	11,386,239	-	-

There were no transfers between Level 1 and Level 2 fair value measurements during the year, and no transfers into or out of Level 3 fair value measurements during the year.

12. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

The Fund's principal financial liabilities are management fees payable. The Fund also has financial assets in the form of cash and cash equivalents, financial assets at FVTPL and other receivables which are integral and directly derived out of its regular business.

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

Credit risk

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

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

	<i>2021</i> SR	<i>2020</i> SR
Receivables from disposals of financial assets at FVTPL	-	213,776
Other receivables	124,038	1,638
Cash and cash equivalents	830,677	265,719
	954,715	481,133

The management has conducted an assessment as required under IFRS 9 and based on such an assessment, the management believes that no allowance for expected credit losses is required to be recognise against the carrying value of cash and cash equivalents, receivables from disposal of financial assets at FVTPL and other receivables.

Blom Saudi Arabia Fund
(Managed by Blominvest Saudi Arabia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

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

Liquidity risk

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

The Fund's terms and conditions provide for redemptions of units twice a week and it is, therefore, exposed to the liquidity risk of meeting Unit holders redemptions. The Fund's investments at fair value through profit and loss are considered to be readily realisable, as the equity investments are listed on the Saudi stock market and can be redeemed any time throughout the week. The Fund Manager monitors liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet commitments as they arise.

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

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 commission rate risk, foreign currency risk and equity price risk. The maximum risk resulting from financial instruments equals their fair value. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters while optimising the return. The Fund is only exposed to equity price risk.

Equity price risk

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

Sensitivity analysis

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

<i>Effect on profit and loss</i>	<u>2021</u>		<u>2020</u>	
		<i>SR</i>		<i>SR</i>
<i>Net movement in unrealised gain (loss) on financial assets at FVTPL</i>	+ 5%	690,252	+ 5%	569,312
	- 5%	(690,252)	- 5%	(569,312)

Concentration of equity price risk

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

<i>% of equity securities and units in funds:</i>	<u>2021</u>	<u>2020</u>
Kingdom of Saudi Arabia	100%	100%

Blom Saudi Arabia Fund
(Managed by Blominvest Saudi Arabia)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

13. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
<i>As at 31 December 2021</i>			
ASSETS			
Financial assets at FVTPL	13,805,033	-	13,805,033
IPO subscription deposit and others	124,038	-	124,038
Cash and cash equivalents	830,677	-	830,677
TOTAL ASSETS	14,759,748	-	14,759,748
LIABILITIES			
Management fees payable	19,006	-	19,006
Accrued expenses	107,137	-	107,137
TOTAL LIABILITIES	126,143	-	126,143
	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
<i>As at 31 December 2020</i>			
ASSETS			
Financial assets at FVTPL	11,386,239	-	11,386,239
Receivables from disposals of financial assets at FVTPL	213,776	-	213,776
Other receivables	1,638	-	1,638
Cash and cash equivalents	265,719	-	265,719
TOTAL ASSETS	11,867,372	-	11,867,372
LIABILITIES			
Accrued management fees	17,017	-	17,017
Accrued expenses	63,508	-	63,508
TOTAL LIABILITIES	80,525	-	80,525

14. LAST VALUATION DAY

The last valuation day of the year was 29 December 2021 (2020: 31 December 2020).

15. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

During March 2020, the World Health Organisation (“WHO”) declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus.

In response to the rapid spread of the virus and the resulting disruption of some social and economic activities and business continuity, the Fund Manager has taken a series of preventive and precautionary measures, including activating of remote work to ensure the safety of its employees and their families.

As of the date of financial statements for the year period ended 31 December 2021, the Fund’s operations and financial results have witnessed impact due to the COVID-19 outbreak mainly as result of decline in the Fund’s investments’ fair values in line with unit price declining trend. The impact of the pandemic on the Fund’s operations and financial results till the date of the financial statements has been reflected in the net assets value and investments value. These developments could further impact our future financial results, cash flows and financial condition and the Fund Manager will continue to assess the nature and extent of the impact on its business and financial results.

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Fund’s management on 26 Sha’ban 1443H (corresponding to 29 March 2022).