

RIYAD SMALL AND MEDIUM CAP FUND
Open-Ended Mutual Fund
(Managed by Riyad Capital)
Interim condensed financial statements (Un-audited)
For the six-months period ended 30 June 2021
Together with the
Independent Auditor's Review Report to the Unit Holders

RIYAD SMALL AND MEDIUM CAP FUND
Open-Ended Mutual Fund
(Managed by Riyadh Capital)
Interim Condensed Financial Statements (Un-audited)
For the period ended 30 June 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS**TO THE UNITHOLDERS OF
RIYAD SMALL AND MEDIUM CAP FUND
Kingdom of Saudi Arabia****INTRODUCTION**

We have reviewed the accompanying interim statement of financial position of RIYAD SMALL AND MEDIUM CAP FUND (the "Fund") managed by Riyadh Capital (the "Fund Manager") as at 30 June 2021 and the related interim statements of comprehensive income, changes in net assets (Equity) attributable to the unitholders and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.**Ibrahim Ahmed Al-Bassam
Certified Public Accountant - License No. 337****10 Muharram 1443H
18 August 2021G
Riyadh, Kingdom of Saudi Arabia**

RIYAD SMALL AND MEDIUM CAP FUND**Open-Ended Mutual Fund
(Managed by Riyadh Capital)****INTERIM STATEMENT OF FINANCIAL POSITION****As at 30 June 2021****(Amounts in Saudi Arabian Riyal)**

	Note	30 June 2021 (Un-audited)	31 December 2020 (Audited)
ASSETS			
Cash and cash equivalents	6, 11	89,132	108,042
Investments carried at fair value through profit or loss (FVPL)	7	19,562,262	16,994,910
Total assets		19,651,394	17,102,952
LIABILITIES			
Management fee payable	11	98,001	88,184
Accrued expenses		29,826	35,445
Total liabilities		127,827	123,629
Net assets (equity) attributable to the Unit Holders		19,523,567	16,979,323
Units in issue (number)	8	648,169.49	716,494.24
Net assets attributable to each unit		30.12	23.70

RIYAD SMALL AND MEDIUM CAP FUND
Open-Ended Mutual Fund
(Managed by Riyadh Capital)

INTERIM STATEMENT OF COMPREHENSIVE INCOME / (LOSS) (UN-AUDITED)

For the six-month period ended 30 June 2021

(Amounts in Saudi Arabian Riyal)

	Note	30 June 2021	30 June 2020
<u>Investment income</u>			
Net gain / (loss) from investments carried at FVPL	9	4,297,877	(1,013,257)
Dividend income		243,155	193,360
		4,541,032	(819,897)
<u>Expenses</u>			
Fund management fees	11	(189,810)	(151,309)
Other expenses	10	(43,611)	(14,082)
		(233,421)	(165,391)
Net income / (loss) for the period		4,307,611	(985,288)
Other comprehensive income for the period		-	-
Total comprehensive income / (loss) for the period		4,307,611	(985,288)

RIYAD SMALL AND MEDIUM CAP FUND**Open-Ended Mutual Fund****(Managed by Riyadh Capital)****INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNIT HOLDERS (UN-AUDITED)****For the six-month period ended 30 June 2021****(Amounts in Saudi Arabian Riyal)**

	<u>30 June 2021</u>	<u>30 June 2020</u>
Net assets (equity) attributable to the Unit Holders at the beginning of the period	16,979,323	17,062,514
Total comprehensive income / (loss) for the period	4,307,611	(985,288)
Contributions and redemptions by the Unit Holders		
Issuance of units	1,663,258	238,134
Redemption of units	(3,426,625)	(1,560,161)
Net changes from unit transactions	(1,763,367)	(1,322,027)
Net assets (equity) attributable to the Unit Holders at the end of the period	19,523,567	14,755,199

RIYAD SMALL AND MEDIUM CAP FUND**Open-Ended Mutual Fund****(Managed by Riyadh Capital)****INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)****For the six-month period ended 30 June 2021****(Amounts in Saudi Arabian Riyal)**

	Note	30 June 2021	30 June 2020
Cash flows from operating activities:			
Net income / (loss) for the period		4,307,611	(985,288)
Adjustments for:			
Unrealized (gain) from investments carried at FVPL	9	(3,536,219)	(439,181)
		771,392	(1,424,469)
Net changes in operating assets and liabilities:			
Investments carried at FVPL		968,867	4,553,372
Dividend receivable		-	(19,359)
Management fee payable		9,817	(18,559)
Accrued expenses		(5,619)	-
Net cash from operating activities		1,744,457	3,090,985
Cash flows from financing activities:			
Proceeds from issuance of units		1,663,258	238,134
Redemptions of the units		(3,426,625)	(1,522,071)
Net cash used in financing activities		(1,763,367)	(1,283,937)
Net changes in cash and cash equivalents		(18,910)	1,807,048
Cash and cash equivalents at beginning of the period		108,042	177,144
Cash and cash equivalents at end of the period		89,132	1,984,192

RIYAD SMALL AND MEDIUM CAP FUND

Open-Ended Mutual Fund

(Managed by Riyadh Capital)

Notes to the interim condensed financial statements (Un-audited)

For the six-month period ended 30 June 2021

(All amounts in Saudi Arabian Riyal unless otherwise stated)

1 FUND AND ITS ACTIVITIES

The Riyadh Small and Medium Cap Fund (the “Fund”) is an equity fund managed through an agreement between Riyadh Capital (the “Fund Manager”) and the investors in the Fund (the “Unit Holders”). The Fund aims to achieve long-term capital growth through investing primarily in equities of small and medium sized Saudi companies and also in equities of small and medium sized Gulf companies within the criteria set by Shariah Committee of Riyadh Capital.

In dealing with the Unit Holders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund.

The management of the Fund is the responsibility of the Fund Manager. However, in accordance with the Fund’s Agreement, the Fund Manager can delegate or assign its duties to one or more of the financial institutions in the Kingdom of Saudi Arabia and overseas.

Saudi Central Bank (“SAMA”) approval for the establishment of the Fund was granted in its letter number 291/5 dated 23 Muharram 1430H (corresponding to 20 January 2009). The Fund commenced its operations on 30 December 2009.

2 REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) issued by CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) which were amended on 12 Rajab 1442H (corresponding to 24 February 2021) detailing requirements for all funds within the Kingdom of Saudi Arabia.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These interim financial statements have been prepared in accordance with ‘International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

These interim condensed financial statements do not include all of the information required in annual financial statements and should be read in conjunction with the annual financial statements of the Fund for the year ended 31 December 2020. The results for the six-month period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

3.2 Basis of measurement

These interim condensed financial statements have been prepared under the historical cost convention, using the accrual basis of accounting except for investments carried at fair value through profit or loss which are carried at their fair value. The Fund presents its interim statement of financial position in the order of liquidity.

3.3 Functional and Presentation Currency

Items included in the interim condensed financial statements are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). These interim condensed financial statements are presented in Saudi Arabian Riyal (“SAR”) which is the Fund’s functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into SAR using the exchange rates prevailing at the date of transactions. Foreign currency assets and liabilities are translated into SAR using the exchange rates prevailing at date of the interim statement of financial position. Foreign exchange gains and losses, if any, arising from translation are included in the interim statement of comprehensive income / (loss).

RIYAD SMALL AND MEDIUM CAP FUND

Open-Ended Mutual Fund

(Managed by Riyadh Capital)

Notes to the interim condensed financial statements (Un-audited)

For the six-month period ended 30 June 2021

(All amounts in Saudi Arabian Riyal unless otherwise stated)

3 BASIS OF PREPARATION (CONTINUED)

3.4 Critical accounting judgments, estimates and assumption

The preparation of the interim condensed financial statements requires management to make judgments, 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 assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation 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 accounting period, are described below. The Fund based its assumptions and estimates on parameters available when the interim condensed 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 Fund. Such changes are reflected in the assumptions when they occur.

Going concern

The Fund Manager has 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, the management is not aware of any material uncertainties that may cast significant doubt on the Fund's ability to continue as a going concern.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used and disclosed in the annual financial statements of the Fund for the year ended 31 December 2020. Certain new standards, amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed financial statements of the Fund.

There are other several amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's interim condensed financial statements. In the opinion of the Fund's Board, these will have no significant impact on the interim condensed financial statements of the Fund. The Fund intends to adopt those amendments and interpretations, if applicable.

5 MANAGEMENT FEE, AND OTHER CHARGES

On each valuation day, the Fund Manager charges the Fund, a management fee at the rate of 1.5% per annum of the Fund's net assets value. In addition, on a daily basis the Fund Manager charges the Fund, custody and administration fees each at the rate of 0.035% and 0.20% per annum of the Fund's net asset value respectively.

The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund such as audit and legal fees, and other similar charges. These charges are not expected to exceed in total 0.2% per annum of the Fund's net assets value.

6 CASH AND CASH EQUIVALENTS

	Note	30 June 2021 (Un-audited)	31 December 2020 (Audited)
Cash in investment account	6.1, 11	<u>89,132</u>	<u>108,042</u>
		<u>89,132</u>	<u>108,042</u>

6.1 Cash in investment account is held in an investment account with Riyadh Capital, a related party (Also see Note 1). The Fund does not earn profit on these investment accounts.

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7 INVESTMENTS CARRIED AT FVPL

The Fund invests primarily in equity of listed Saudi and GCC companies. The sector-wise portfolio of investments carried at FVPL is summarized as follows:

	30 June 2021 (Un-audited)	31 December 2020 (Audited)
Materials	7,901,315	6,109,227
Banks	2,896,798	2,394,787
Real Estate Mgmt & Dev't	1,930,855	1,142,422
Retailing	1,463,558	1,498,801
Telecommunication Services	1,234,317	1,333,454
Capital Goods	973,682	289,762
Food & Beverages	692,555	886,111
Energy	645,188	547,346
Health Care Equipment & Svc	489,292	930,883
Insurance	480,693	771,970
Consumer Services	268,799	532,800
Software and services	209,042	-
Food and Staples Retailing	173,600	347,278
Transportation	103,008	-
RIET	99,560	210,069
Total market value	19,562,262	16,994,910
Total cost	16,026,043	15,267,864

8 UNIT TRANSACTIONS

Transactions in units for the period / year are summarized as follows:

	30 June 2021 (Un-audited)	31 December 2020 (Audited)
	<i>(Units in numbers)</i>	
Units at the beginning of the period / year	716,494.24	820,587.44
Units issued during the period / year	58,494.51	33,984.54
Units redeemed during the period / year	(126,819.26)	(138,077.74)
Net change in units	(68,324.75)	(104,093.20)
Units at the end of the period / year	648,169.49	716,494.24

9 NET GAIN / (LOSS) FROM INVESTMENTS CARRIED AT FVPL

	30 June 2021 (Un-audited)	30 June 2020 (Un-audited)
Realized gain / (loss) from sale of investments carried at FVPL	761,658	(1,452,438)
Unrealized gain from revaluation of investments carried at FVPL	3,536,219	439,181
	4,297,877	(1,013,257)

10 OTHER EXPENSES

	30 June 2021 (Un-audited)	30 June 2020 (Un-audited)
VAT expense	29,960	7,698
Other expenses	13,651	6,384
	43,611	14,082

RIYAD SMALL AND MEDIUM CAP FUND

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11 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Fund include “Riyad Capital” being the Fund Manager, “Riyad Bank” being the shareholder of Riyadh Capital, other funds managed by the Fund Manager and the Fund’s Board of Directors.

In the ordinary course of its activities, the Fund transacts business with related parties. The related parties’ transactions are governed by limits set by the regulations issued by the CMA. All related party transactions are approved by the Fund’s Board of Directors.

The significant related party transactions entered into by the Fund during the period and the balances resulting from such transactions are as follows:

Related party	Nature of transactions	Amount of transaction during the period		Closing balance (payable) / receivable	
		30 June 2021 (Un-audited)	30 June 2020 (Un-audited)	30 June 2021 (Un-audited)	31 December 2020 (Audited)
Riyad Capital	Fund management fee	189,809	151,309	(98,001)	(88,184)
	Accrued VAT*	28,472	7,566	(16,189)	(13,228)
	Investment account	-	-	89,132	108,042

*Accrued VAT to related party is included in the financial position under Accrued expenses.

12 FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2021 (Un-audited)	Amortized cost	FVPL
Assets as per interim statement of financial position		
Cash and cash equivalents	89,132	-
Investments carried at FVPL	-	19,562,262
Total	89,132	19,562,262
31 December 2020 (Audited)		
Assets as per statement of financial position		
Cash and cash equivalents	108,042	-
Investments carried at FVPL	-	16,994,910
Total	108,042	16,994,910

13 FINANCIAL RISK MANAGEMENT

13.1 Financial risk factors

The objective of the Fund is to safeguard its ability to continue as a going concern so that it can continue to provide optimum returns to its Unit Holders and to ensure reasonable safety to the Unit Holders.

The Fund’s activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and operational risk.

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall management of the Fund.

RIYAD SMALL AND MEDIUM CAP FUND**Open-Ended Mutual Fund****(Managed by Riyadh Capital)****Notes to the interim condensed financial statements (Un-audited)****For the six-month period ended 30 June 2021****(All amounts in Saudi Arabian Riyal unless otherwise stated)****13 FINANCIAL RISK MANAGEMENT (CONTINUED)****13.1 Financial risk factors (continued)**

Monitoring and controlling risks is primarily set up to be performed based on the limits established by the Fund Board. The Fund has its Terms and Conditions document that set out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

(a) Market risk*(i) Price risk*

Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements.

The price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds. The Fund Manager diversifies the investment portfolio and closely monitors the price movement of its investments in financial instruments. As of the interim statement of financial position date, the Fund has equity investments.

The effect on the net assets value (as a result of the change in the fair value of investments as at 30 June 2021 (Un-audited) and 31 December 2020 (Audited) due to a reasonably possible change in equity indices based on the industry concentration, with all other variables held constants is as follows:

	30 June 2021 (Un-audited)		31 December 2020 (Audited)	
	Potential reasonable change %	Effect on NAV	Potential reasonable change %	Effect on NAV
Materials	+/-1%	79,013	+/-1%	61,092
Banks	+/-1%	28,968	+/-1%	23,948
Real Estate Mgmt & Devt	+/-1%	19,309	+/-1%	11,424
Retailing	+/-1%	14,636	+/-1%	14,988
Telecommunication Services	+/-1%	12,343	+/-1%	13,335
Capital Goods	+/-1%	9,737	+/-1%	2,898
Food & Beverages	+/-1%	6,926	+/-1%	8,861
Energy	+/-1%	6,452	+/-1%	5,473
Health Care Equipment & Svc	+/-1%	4,893	+/-1%	9,309
Insurance	+/-1%	4,807	+/-1%	7,720
Consumer Services	+/-1%	2,688	+/-1%	5,328
Software and services	+/-1%	2,090	+/-1%	-
Food and Staple Retailing	+/-1%	1,736	+/-1%	3,473
Transportation	+/-1%	1,030	+/-1%	-
REITs	+/-1%	996	+/-1%	2,101

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. As at the date of interim statement of financial position, the Fund is exposed to credit risk on its cash balance carried at amortized cost as follows:

	30 June 2021 (Un-audited)	31 December 2020 (Audited)
Cash and cash equivalents	89,132	108,042

RIYAD SMALL AND MEDIUM CAP FUND

Open-Ended Mutual Fund

(Managed by Riyadh Capital)

Notes to the interim condensed financial statements (Un-audited)

For the six-month period ended 30 June 2021

(All amounts in Saudi Arabian Riyal unless otherwise stated)

13 FINANCIAL RISK MANAGEMENT (CONTINUED)

13.1 Financial risk factors (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund's Terms and Conditions provide for subscription and redemption of units from Monday to Wednesday, therefore, it is exposed to the liquidity risk of meeting Unit Holder redemptions on these days. The Fund's financial liabilities primarily consist of accrued expenses and management fee payable which are expected to be settled within one month from the interim statement of financial position date.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by taking short term loans from the Fund Manager.

The expected maturity of the assets and liabilities of the Fund is less than 12 months.

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to Unit Holders.

13.2 Fair value estimation

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

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

The fair value hierarchy has the following levels:

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

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equity and debt instruments. The Fund does not adjust the quoted price for these instruments.

Fund classifies all of its financial assets except for those carried at amortized cost, at fair value as level 1.

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(All amounts in Saudi Arabian Riyal unless otherwise stated)

14 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation for the current period.

15 SUBSEQUENT EVENTS

As of the date of approval of these interim condensed interim financial statements, there have been no significant subsequent events requiring disclosure to or adjustment in these interim condensed financial statements.

16 LAST VALUATION DAY

The last valuation day for the period was 30 June 2021 (30 June 2020).

17 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were authorized for issue by the Fund's Board of Directors on 17 August 2021 (corresponding to 09 Muharram 1443H).