

FUTURE EQUITY FUND
Open-Ended Fund
(Managed by Riyadh Capital)
Interim Condensed Financial Statements (Un-Audited)
For the six month period ended 30 June 2017
together with the
Independent Auditor's Review Report



Audit – Consultants – Zakat & Tax

Al-Bassam & Al-Nemer

Allied Accountants

(Member firm of PKF International)

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE UNITHOLDERS

FUTURE EQUITY FUND

Riyadh, Kingdom of Saudi Arabia

Introduction:

We have reviewed the accompanying interim balance sheet of Future Equity Fund ("the Fund") as at 30 June 2017 and the related interim statements of income, cash flows and changes in net assets attributable to unitholders for the six month period then ended and the accompanying notes which form an integral part of these interim condensed financial statements. The Fund's management is responsible for the preparation and fair presentation of these interim condensed financial in accordance with accounting standards generally accepted 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 Engagements 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 these 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 and consequently, it 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 accounting standards generally accepted in the Kingdom of Saudi Arabia.

For and on behalf of

PKF Al Bassam & Al Nemer

Allied Accountant

Ibrahim A. Al-Bassam
Certified Public Accountant
Registration No. 337



16 August 2017

24 Dhul-Qa'dah 1438

FUTURE EQUITY FUND
Open-Ended Fund
(Managed by Riyadh Capital)
INTERIM CONDENSED BALANCE SHEET (UN-AUDITED)
As at 30 June 2017
(Amounts in USD)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>			
Cash and cash equivalents		18,438	8,707
Held for trading investments	7	20,621,781	23,143,317
Total assets		20,640,219	23,152,024
<u>LIABILITIES</u>			
Accrued expenses	10	10,914	12,427
Total liabilities		10,914	12,427
Net assets attributable to the Unitholders		20,629,305	23,139,597
Units in issue (<i>number</i>)	8	1,249,360.87	1,668,420.17
Net assets attributable to each unit		16.51	13.87

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

FUTURE EQUITY FUND
Open-Ended Fund
(Managed by Riyadh Capital)
INTERIM CONDENSED STATEMENT OF INCOME (UN-AUDITED)
For the six month period ended 30 June 2017
(Amounts in USD)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<u>INCOME</u>			
Net gain from held for trading investments	9	2,997,115	1,302,775
<u>EXPENSES</u>			
Fund management fee	10	(45,450)	(21,687)
Other expenses	10	(4,040)	(2,088)
		<u>(49,490)</u>	<u>(23,775)</u>
Net income for the period		<u>2,947,625</u>	<u>1,279,000</u>

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

FUTURE EQUITY FUND
Open-ended Fund
(Managed by Riyadh Capital)
INTERIM CONDENSED STATEMENT OF CASH FLOWS (UN-AUDITED)
For the six month period ended 30 June 2017
(Amounts in USD)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	2,947,625	1,279,000
<i>Adjustments to reconcile net income to net cash from operating activities:</i>		
Unrealized gain on held for trading investments	<u>(2,866,645)</u>	<u>(1,329,511)</u>
	80,980	(50,511)
Changes in operating assets and liabilities:		
Held for trading investments	1,027,917	406,737
Accrued expenses	<u>(1,499)</u>	<u>(422)</u>
Net cash from operating activities	1,107,398	355,804
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	-	-
Payments for redemption of units	<u>(1,099,271)</u>	<u>(404,160)</u>
Net cash used in financing activities	(1,099,271)	(404,160)
Net increase / (decrease) in cash and cash equivalents	8,127	(48,356)
Cash and cash equivalents at beginning of the period	10,311	57,063
Cash and cash equivalents at end of the Period	<u>18,438</u>	<u>8,707</u>

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

FUTURE EQUITY FUND
Open-Ended Fund
(Managed by Riyadh Capital)
INTERIM CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE
TO UNITHOLDERS (UN-AUDITED)
For the six month period ended 30 June 2017
(Amounts in USD)

	<u>2017</u>	<u>2016</u>
Net assets attributable to the Unitholders at beginning of the period	18,591,830	22,227,753
Net income for the period	2,947,625	1,279,000
<i>Changes from unit transactions:</i>		
Issuance of units	-	-
Redemption of units	(910,150)	(367,156)
Net change from unit transactions	(910,150)	(367,156)
Net assets attributable to the Unitholders at end of the period	20,629,305	23,139,597

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

FUTURE EQUITY FUND
Open-Ended Fund
(Managed by Riyadh Capital)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six month period ended 30 June 2017

1. THE FUND AND ITS ACTIVITIES

The Future Equity Fund (the “Fund”) is an equity fund managed through an agreement between Riyadh Capital (the “Fund Manager”) and the Fund investors (the “Unitholders”). The Fund aims at providing long term capital growth with very high risks by investing in China, India, Latin America, Eastern Europe and Africa listed companies.

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund’s Management prepares separate interim condensed 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. Accordingly, pursuant to an agreement, dated 3 December 2002, Fidelity International acts as the Sub Fund Manager of the Fund and Brown Brothers Harriman, pursuant to an agreement, dated 1 June 2002 acts as the sub-administrator and custodian of the Fund.

Saudi Arabian Monetary Agency’s approval for the establishment of the Fund was granted in its letter number 6414/MAS/1301 dated 9 Rabi’II 1427 H (corresponding to 7 May 2006). The Fund commenced its operations on 2 June 2006.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) issued by Capital Market Authority (CMA) 3 Dhul Hijja 1427H (corresponding to 24 December 2006) which was amended on 16 Shaban 1437 (corresponding to 23 May 2016), detailing requirements for all investments funds within the Kingdom of Saudi Arabia.

3. SUBSCRIPTION/ REDEMPTION

The Fund is open for subscriptions / redemptions of units daily from Monday to Wednesday. The net assets value of the Fund is determined daily from Monday to Wednesday (each “Valuation Day”). The net assets value of the Fund for the purpose of purchase or sale of units is determined by dividing the net value of assets (fair value of fund assets minus fund liabilities) by the total number of outstanding fund units on the relevant valuation day.

4. BASIS OF PRESENTATION

4.1 *Statement of compliance*

These interim condensed financial statements have been prepared in accordance with generally accepted accounting standards applicable in the Kingdom of Saudi Arabia issued by the Saudi Organization of Certified Public Accountants.

These interim condensed financial statements do not include all of the information required for a full set of financial statements and should be read in conjunction with the annual financial statements of the Fund for the year ended 31 December 2016.

These interim condensed financial statements do not necessarily constitute an indication of the yearend financial statements.

These interim condensed financial statements were approved by the Fund’s Board of Directors on 16 August 2017 corresponding to 24 Dhul-Qa’dah 1438.

FUTURE EQUITY FUND
Open-Ended Fund
(Managed by Riyadh Capital)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six month period ended 30 June 2017

4. BASIS OF PRESENTATION (Continued)

4.2 *Basis of measurement*

These interim condensed financial statements have been prepared under the historical cost convention, except for the measurement of investments held for trading at fair value, using the accrual basis of accounting and the going concern concept.

4.3 *Functional and presentation currency*

These interim condensed financial statements are presented in United States Dollar (USD) which is functional currency of the fund. All financial information presented has been rounded to the nearest USD.

4.4 *Use of estimates and judgments*

In the ordinary course of business, the preparation of interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

5. SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT POLICIES

The significant accounting policies used in the preparation of these interim condensed financial statements are consistent with those used and disclosed the annual financial statements of the Fund for the year ended 31 December 2016.

Risk management policies are consistent with those used and disclosed in the annual financial statements for the year ended 31 December 2016.

FUTURE EQUITY FUND
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For the six month period ended 30 June 2017
(Amounts in USD)

6. FUND MANAGEMENT FEE, ADMINISTRATION AND OTHER CHARGES

On a daily basis, the sub Fund Manager charges the Fund, a management fee at the rate of 1.5 percent per annum of the Fund's net assets value. In addition, on daily basis the Sub Custodian charges the Fund custody fees at threat of 0.1 percent per annum of the fund's net assets value. The net assets value of the fund being sub-managed and reported by the sub-manager to the fund manager, is net of the above mentioned fees rates totaling to 1.6% per annum of the fund's net assets value. Moreover, the fund manager charges the fund administration fee of 0.2 percent per annum of the fund's net assets value which is shown in the statement of income under management fee caption.

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

7. HELD FOR TRADING INVESTMENTS

Held for trading investments represent investments made by the Fidelity International in the following international mutual funds:

<u>Description</u>	<u>2017</u>		<u>2016</u>	
	<u>Units</u>	<u>Market Value</u>	<u>Units</u>	<u>Market Value</u>
FF China Focus Fund	78,221.56	5,098,483	121,074.51	5,904,804
FF Latin America Fund	154,392.07	4,776,891	212,238.92	5,991,505
Frank East Europe Fund	270,247.95	4,891,976	270,247.95	4,081,438
FF India Focus Fund	81,883.93	3,660,212	118,776.33	4,334,148
Ishares MSCI South Africa Index Fund	33,603.00	1,903,274	45,408.00	2,345,323
Other net Assets		290,945	-	486,099
	<u>618,348.511</u>	<u>20,621,781</u>	<u>767,745.71</u>	<u>23,143,317</u>

- 7.1** The cost of above held for trading investments portfolio amounted to USD 17.76 million (29 June 2016: USD 21.84 million).

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six month period ended 30 June 2017
(Amounts in USD)

8. UNIT TRANSACTIONS

Transaction in units for the period are summarized as follows:

	<i>(Units in numbers)</i>	
	<u>2017</u>	<u>2016</u>
Units at beginning of the period	1,304,048.34	1,698,488.22
Units issued	-	-
Units redeemed	(54,687.47)	(30,068.05)
Net change in units	(54,687.47)	(30,068.05)
Units at end of the period	<u>1,249,360.87</u>	<u>1,668,420.17</u>

9. NET GAIN / (LOSS) FROM HELD FOR TRADING INVESTMENTS

	<u>2017</u>	<u>2016</u>
Realised gain / (loss) from sale of held for trading investments	130,470	(26,736)
Unrealised gain from revaluation of held for trading investments	<u>2,866,645</u>	<u>1,329,511</u>
	<u>2,997,115</u>	<u>1,302,775</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six month period ended 30 June 2017
(Amounts in USD)

10. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Fund include “Riyad Capital” being the Fund Manager and Riyadh Bank (being the partner of Riyadh Capital).

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.

Riyad Bank acts as a banker of the Fund and as at 21 June 2017 USD nil (30 June 2016: 8,707) were held in current account of the Fund maintained with Riyadh Bank.

Riyad Capital is the custodian of the Fund and as at 21 June 2017 the amount held therewith, in an investment account, was USD 18,438 (29 June 2016: nil).

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

<u>Related Party</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the period</u>		<u>Closing balance (Payable)</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Riyad Capital	Fund management Fee	(45,450)	(21,687)	(9,864)	(11,377)
	Expenses incurred on behalf of the Fund	(4,040)	(2,088)	(1,050)	(1,050)
Total		(49,490)	(23,775)	(10,914)	(12,427)

11. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

Financial instruments comprise financial assets and financial liabilities. The Fund’s financial assets consist of cash and cash equivalents and held for trading investments and financial liabilities consist of accrued expenses and redemptions payable.

Held for trading investments are carried at fair value. The fair values of other financial assets and liabilities are not materially different from their carrying values.

12. LAST VALUATION DAY

The last Valuation Day of the period was 21 June 2017 (2016: 29 June 2016).

Annex- Fund Information:

1- Name & Address:

Riyad Capital is a Saudi Closed Joint Stock Company with Paid Up Capital of SR 200,000,000 licensed by The Saudi Arabian Capital Market Authority (NO. 07070-37). Commercial Registration No. 1010239234 Head Office: 6775 Takhassusi Street- Olaya, Riyadh 12331-3712, Saudi Arabia.

Website: <http://www.riyadcapital.com>

2- Name and address of the Sub-Manager:

Fidelity Investments Luxembourg S.A.

Kansallis House, Place de l'Etoile, BP2174, L - 1021 Luxembourg

Tel +352250404

FAX +352250340/343

3- Investment activities during the period:

To date, the Fund has invested exclusively with Fidelity Global (the Foreign Fund Manager). The following table summarizes the portfolio held for trading:

Fund name	Market Value	No. of Units
China Fund	5,098,483	78,221.56
Latin American Fund	4,776,891	154,392.07
East European Fund	4,891,976	270,247.95
India Fund	3,660,212	81,883.93
South African Stock Index Fund	1,903,274	33,603.00
Others	290,945	-
Total	20,621,781	618,348.511

4- Report on the performance of the Investment Fund during the period:

Benchmark	Fund Performance
15.40	15.82

5- Any changes in terms & conditions and information note during the period:

Nil.

6- Other Information:

More information can be found on the Fund's website, where periodic reports are published on the Fund's characteristics and performance that enable unit holders to make their decisions.

7- The Fund's investments in other funds:

The Fund has no investments in other funds.

8- Special Commission:

The Fund Manager did not receive any special commission during the period
