

**Al Yusr Morabaha and Sukuk Fund
(Managed by Alawwal Invest Company)**

**INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)**

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020



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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE UNITHOLDERS OF AL YUSR MORABAHA AND SUKUK FUND (Managed by Alawwal Invest Company)

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of Al Yusr Morabaha and Sukuk Fund (the "Fund") managed by Alawwal Invest Company (the "Fund Manager") as at 30 June 2020 and the related interim condensed statements of comprehensive income, cash flows and changes in equity for the six-month period ended 30 June 2020, and a summary of significant accounting policies and other explanatory notes. 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") 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 Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim 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.

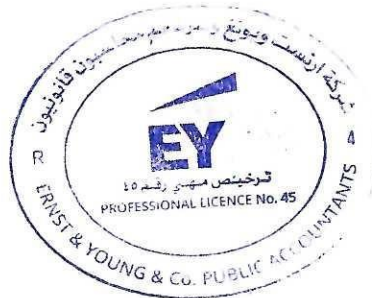
Conclusion:

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 endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

Yousef A. AlMubarak
Certified Public Accountant
License No. 427

Riyadh: 23 Thul-Hijjah 1441H
(13 August 2020)



Al Yusr Morabaha and Sukuk Fund (Managed by Alawwal Invest Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2020

	<i>Notes</i>	30 June 2020 SR	<i>31 December 2019 SR</i>
ASSETS			
Cash and cash equivalents	4	11,410,712	137,334,434
Investments at fair value through profit or loss	5	114,134,310	172,571,523
Morabaha placements measured at amortised cost	6	581,623,385	696,023,000
Investments measured at amortised cost	7	154,974,877	233,237,744
TOTAL ASSETS		862,143,284	1,239,166,701
LIABILITY			
Accrued expenses		46,712	69,387
TOTAL LIABILITY		46,712	69,387
EQUITY			
Net assets attributable to the redeemable unitholders		862,096,572	1,239,097,314
TOTAL LIABILITY AND EQUITY		862,143,284	1,239,166,701
Units in issue		67,850,350	98,373,281
Net assets value attributable to each unit		12.7059	12.5959

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

Al Yusr Morabaha and Sukuk Fund (Managed by Alawwal Invest Company)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six-month period ended 30 June 2020

	<i>Notes</i>	2020 SR	2019 SR
INCOME			
Net gain from investments at fair value through profit or loss	8	2,498,151	1,882,290
Special commission income		12,128,140	13,745,485
		14,626,291	15,627,775
EXPENSES			
Management fees	11	(3,029,710)	(2,281,910)
Other expenses	10,11	(937,450)	(237,793)
		(3,967,160)	(2,519,703)
PROFIT FOR THE PERIOD		10,659,131	13,108,072
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		10,659,131	13,108,072

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

Al Yusr Morabaha and Sukuk Fund (Managed by Alawwal Invest Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS(UNAUDITED)

For the six-month period ended 30 June 2020

	2020 SR	2019 SR
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	10,659,131	13,108,072
Adjustments to reconcile profit for the period to net cash flows:		
Unrealized loss (gain) on investments at fair value through profit or loss	940,306	(1,478,148)
	11,599,437	11,629,924
Working capital adjustments:		
Decrease (increase) in investments at fair value through profit or loss	57,496,906	(94,483,805)
Increase in due from broker	-	(55,906,195)
Decrease (Increase) in morabaha placements measured at amortised cost	114,399,615	(46,657,329)
Decrease in investments measured at amortised cost	78,262,867	157,659,972
Decrease in accrued expenses	(22,675)	(409,712)
Net cash flows from (used in) operating activities	261,736,150	(28,167,145)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuances of units	271,776,591	457,927,340
Payment on redemption of units	(659,436,463)	(223,536,890)
Net cash flows (used in) from financing activities	(387,659,872)	234,390,450
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(125,923,722)	206,223,305
Cash and cash equivalents at the beginning of the period	137,334,434	39,155,474
CASH AND CASH EQUIVALENTS (OVERDRAFT) AT THE END OF THE PERIOD	11,410,712	245,378,779

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

Al Yusr Morabaha and Sukuk Fund (Managed by Alawwal Invest Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six-month period ended 30 June 2020

	2020	2019
	SR	SR
EQUITY AT THE BEGINNING OF THE PERIOD	1,239,097,314	888,283,872
Profit for the period	10,659,131	13,108,072
Other comprehensive income for the period	-	-
	10,659,131	13,108,072
Issuance of units during the period	271,776,591	457,927,340
Redemptions of units during the period	(659,436,463)	(223,536,890)
EQUITY AT THE END OF THE PERIOD	862,096,573	1,135,782,394

UNIT TRANSACTIONS

Transactions in units for the period ended 30 June are summarised as follows:

	2020	2019
	Units	Units
UNITS AT THE BEGINNING OF THE PERIOD	98,373,281	72,393,575
Units issued during the period	21,506,444	36,981,447
Units redeemed during the period	(52,029,375)	(18,124,265)
NET (DECREASE) INCREASE IN UNITS	(30,522,931)	18,857,182
UNITS AT THE END OF THE PERIOD	67,850,350	91,250,757

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

Al Yusr Morabaha and Sukuk Fund (Managed by Alawwal Invest Company)
NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
 At 30 June 2020

1. GENERAL

Al Yusr Morabaha and Sukuk Fund (the “Fund”) is an open-ended fund domiciled in Kingdom of Saudi Arabia, created by an agreement between Alawwal Invest Company (the “Fund Manager”), a subsidiary of Alawwal Bank (the “Bank”) and investors in the Fund (the “Unitholders”).

The Fund’s Manager registered office is at P.O. Box 1467, Riyadh 11431, Kingdom of Saudi Arabia.

Al Yusr Morabaha and Sukuk Fund	
Commencement Date	1 July 2003
Latest Governing Terms and Condition Date	7 November 2019
Latest Governing Information Memorandum Date	7 November 2019
Category	Sharia'ah compliant
Objective	Capital preservation & appreciation
Allowed Investment Channels	Morabaha deposits
	Sukuk
	Structured investment products
	Morabaha funds

The Fund has appointed Riyadh Capital Company (the “Custodian”) to act as its custodian, administrator and registrar. The fees of the custodian and administrator’s services are paid by the Fund. The Fund Manager is responsible for the overall management with other institutions for the provision of investment, custody or other administrative services on behalf of the Fund.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) detailing requirements for all investments funds operating within the Kingdom of Saudi Arabia and published by the Capital Market Authority (the “CMA”) on 3 Dhul Hijja 1427H (corresponding to 24 December 2006). The Regulations were further amended on 16 Sha’aban 1437H (corresponding to 23 May 2016) (the “Amended Regulations”). The Fund Manager believes that the Amended Regulations was effective since 6 Safar 1438H (corresponding to 6 November 2016).

3. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

3.1. Basis of preparation

These interim condensed financial statements for the six-month period ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”).

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund’s annual financial statements as at 31 December 2019.

The interim condensed financial statements have been prepared on a historical cost basis, using the accrual basis of accounting except for investments held at fair value through profit or loss that are measured at fair value. These interim condensed financial statements are presented in Saudi Arabian Riyals (“SR”), which is the Fund’s functional currency. All financial information presented has been rounded to the nearest SR.

3.2 New standards, interpretations and amendments

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Fund’s annual financial statements for the year ended 31 December 2019.

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 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.

Al Yusr Morabaha and Sukuk Fund (Managed by Alawwal Invest Company)
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
 (continued)
 At 30 June 2020

4. CASH AND CASH EQUIVALENTS

	<i>30 June 2020</i> SR	<i>31 December 2019</i> SR
Bank balances - current account	11,410,712	137,334,434
Short-term placements with maturity of three months or less	-	-
Total	11,410,712	137,334,434

The bank balances is placed with a local Saudi banks, having sound credit rating. Counterparties with whom the Fund has made placements have credit ratings of investment grade as issued by rating agencies.

5. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The composition of the investments as at interim condensed statement of financial position date summarized below:

	<i>30 June 2020</i>			<i>31 December 2019</i>		
	<i>Cost</i> SR	<i>Market value</i> SR	<i>Unrealized gain</i> SR	<i>Cost</i> SR	<i>Market Value</i> SR	<i>Unrealized gain</i> SR
<i>Mutual fund</i>						
FALCOM SAR Murabaha Fund	112,182,583	114,134,310	1,951,727	169,679,490	172,571,523	2,892,033

All the investments are made in Kingdom of Saudi Arabia.

6. MORABAHA PLACEMENTS MEASURED AT AMORTISED COST

	<i>30 June 2020</i> SR	<i>31 December 2019</i> SR
Gulf International Bank	165,428,850	265,302,867
Bank Aljazirah	185,323,424	199,884,958
National Bank of Kuwait	150,869,444	161,485,000
Alawwal Bank	80,001,667	49,211,664
Banque Saudi Fransi	-	20,138,511
	581,623,385	696,023,000

Counterparties with whom the Fund has made placements have credit ratings of investment grade as issued by rating agencies. The average effective special commission rate on money market placements as at the period end is 1.37% p.a. (31 December 2019: 2.5% p.a.).

Money Market placements measured at amortised cost is subject to impairment assessment based on ECL model as per IFRS 9. The management has assessed that allowances for ECL is not significant.

Al Yusr Morabaha and Sukuk Fund (Managed by Alawwal Invest Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(continued)
At 30 June 2020

7. INVESTMENTS MEASURED AT AMORTISED COST

	30 June 2020 SR	<i>31 December 2019 SR</i>
<i>Debt securities</i>		
CBB Int'l Sukuk	118,352,213	68,183,448
Abdullah Al Othaim Real Estate Investment and Development Company Sukuk	33,433,233	33,472,901
Arabian Aramco Total Services Company Sukuk (SATORP)	3,189,431	3,375,704
Riyadh Bank – Sukuk	-	80,060,571
Saudi British Bank (SABB) – Sukuk	-	28,093,953
Najran Cement – Sukuk	-	20,051,167
	154,974,877	233,237,744

The average effective special commission rate on investments as at the period end is 4.74% p.a. (31 December 2019: 4.17% p.a.).

Investments measured at amortised cost is subject to impairment assessment based on ECL model as per IFRS 9. The management has assessed that allowances for ECL is not significant.

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

	<i>For the six-month period ended 30 June</i>	
	2020 SR	<i>2019 SR</i>
Realised gain	3,438,457	404,142
Unrealised (loss) gain	(940,306)	1,478,148
	2,498,151	1,882,290

9. FAIR VALUES OF FINANCIAL INSTRUMENTS

All assets and liabilities for which fair value is measured or disclosed in the interim condensed financial statements are categorised within the fair value hierarchy, 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; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

Al Yusr Morabaha and Sukuk Fund (Managed by Alawwal Invest Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(continued)
At 30 June 2020

9. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The table below presents the financial instruments measured at their fair values as of reporting date based on the fair value hierarchy:

	<i>30 June 2020</i>			
	<i>Level 1 SR</i>	<i>Level 2 SR</i>	<i>Level 3 SR</i>	<i>Total SR</i>
Investments at FVPL	114,134,310	-	-	114,134,310
Total	114,134,310	-	-	114,134,310

	<i>31 December 2019</i>			
	<i>Level 1 SR</i>	<i>Level 2 SR</i>	<i>Level 3 SR</i>	<i>Total SR</i>
Investments at FVPL	172,571,523	-	-	172,571,523
Total	172,571,523	-	-	172,571,523

For assets and liabilities that are measured at fair value on a recurring basis, the Fund identifies transfers between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the end of the reporting period during which the change has occurred. During the period, there was no transfer in fair value hierarchy for the financial assets held at fair value through profit or loss.

The fair values of investments measured at amortised cost are set out below:

	<i>30 June 2020 SR</i>	<i>31 December 2019 SR</i>
Investments measured at amortised cost	154,974,877	233,237,744
	154,974,877	233,237,744

The valuation of investments measured at amortised cost is estimated using contractual cash flows discounted at market yield as of reporting date, which is the sukuk market yield plus the prevailing Saudi Inter Bank offer rates (SIBOR). Input into the discounted cash flow techniques includes market yield, contractual cash flows and primary origination spreads.

Other financial instruments such as, cash and cash equivalents and morabaha placements. These are short-term financial assets whose carrying amounts approximate fair value, because of their short-term nature and the high credit quality of counterparties.

For all other financial assets and liabilities, the carrying value is an approximation of fair value, including: overdraft and accrued expenses.

Al Yusr Morabaha and Sukuk Fund (Managed by Alawwal Invest Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(continued)
At 30 June 2020

10. OTHER EXPENSES

	<i>For the six-month period ended 30 June</i>	
	2020	2019
	SR	SR
Sukuk premium amortized	651,939	-
Value Added Tax	157,690	119,654
Custody fee	97,370	88,862
Audit fees	19,945	17,356
CMA monitoring fees	3,740	3,720
Brokerage fees	-	3,250
Tadawul fees	2,493	2,480
Board member fees (note 11)	4,273	2,471
	937,450	237,793

11. TRANSACTIONS WITH RELATED PARTIES

Management fee and other transactions

The Fund is managed and administered by the Fund Manager. For this service the Fund pays a management fee calculated on every valuation day, at an annual rate of 0.5 % of the Fund's daily net assets. In addition, the Fund Manager charges a subscription fee of 1% on gross subscriptions to cover administration costs. Total management fees for the period amounted to SR 3,029,710 (30 June 2019: SR 2,281,910).

Other expenses paid by the Fund Manager on behalf of the Fund are charged to the Fund.

Board of directors

The independent directors are entitled to remuneration for their services at rates determined by the Fund's terms and conditions in respect of attending meetings of the board of directors or meetings of the Fund. Independent director's fees are currently SR 3,000 per meeting up to a maximum of 2 meetings per annum per director which is paid equally by all funds supervised by the board, in addition, SR 2,000 are paid to each independent director by the Fund per annum. The directors remuneration during the period amounted to SR 4,273 (30 June 2019: SR 2,471), the fees payable to directors at the period-end were SR 4,273 (31 December 2019: SR 8,571).

Units held by related parties

The balances as at period end resulting from such transactions included in the interim condensed financial statements are as follows:

<i>Related party and nature of relationship</i>	<i>Nature of transaction</i>	<i>30 June 2020</i>	<i>31 December 2019</i>
		<i>Units</i>	<i>Units</i>
Fund manager	Units held	3,947,549	3,947,549
		3,947,549	3,947,549

Al Yusr Morabaha and Sukuk Fund (Managed by Alawwal Invest Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(continued)
At 30 June 2020

12. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

<i>As at 30 June 2020</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Cash and cash equivalents	11,410,712	-	11,410,712
Investments at fair value through profit or loss	114,134,310	-	114,134,310
Morabaha placements measured at amortised cost	581,623,385	-	581,623,385
Investments measured at amortised cost	36,622,664	118,352,213	154,974,877
TOTAL ASSETS	743,791,071	118,352,213	862,143,284
LIABILITY			
Accrued expenses	46,712	-	46,712
TOTAL LIABILITY	46,712	-	46,712
<i>As at 31 December 2019</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Cash and cash equivalents	137,334,434	-	137,334,434
Investments at fair value through profit or loss	172,571,523	-	172,571,523
Morabaha placements measured at amortised cost	696,023,000	-	696,023,000
Investments measured at amortised cost	133,584,639	99,653,105	233,237,744
TOTAL ASSETS	1,139,513,596	99,653,105	1,239,166,701
LIABILITY			
Accrued expenses	69,387	-	69,387
TOTAL LIABILITY	69,387	-	69,387

13. VALUATION PERIOD

The last valuation day of the period was 30 June 2020 (2019: 31 December 2019).

14. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The outbreak of the newly emerging Corona Virus (COVID-19) is still evolving and increasing. Therefore, it is now difficult to predict the magnitude and full extent of the resulting impact on business and the Fund.

It is still not certain what size and extent of these impacts will be determined, depending on future developments that cannot be accurately predicted at the present time, such as the rate of virus transmission and the size and effectiveness of measures taken to contain it. In light of the current uncertainty of the economic impact, it is not possible to make a reliable estimate of the resulting impact at the date of these financial statements being approved.

These developments may affect the future financial results, cash flows and the financial position of the Fund.

Al Yusr Morabaha and Sukuk Fund (Managed by Alawwal Invest Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(continued)
At 30 June 2020

15. SUBSEQUENT EVENTS

In the opinion of management, no events have occurred subsequent to the reporting date and before the issuance of these interim condensed financial statements which requires adjustment to, or disclosure, in these interim condensed financial statements.

16. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements are approved by the Fund Board on 23 Thul-Hijjah 1441H (13 August 2020).