

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

**INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)**

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019



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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 2019 and the related interim condensed statements of comprehensive income, cash flows and changes in equity for the six-month period ended 30 June 2019, 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: 4 Dhual-Hijjah 1440H
(5 August 2019)



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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2019

		<i>30 June</i> <i>2019</i> <i>SR</i>	<i>31 December</i> <i>2018</i> <i>SR</i>
	<i>Notes</i>		
ASSETS			
Cash and cash equivalents	4	245,378,779	39,155,474
Investments at fair value through profit or loss	5	239,252,949	143,290,996
Due from broker		55,906,195	-
Morabaha placements measured at amortised cost	6	409,859,236	363,201,907
Investments measured at amortised cost	7	185,412,377	343,072,349
TOTAL ASSETS		1,135,809,536	888,720,726
LIABILITIES			
Accrued expenses		27,142	436,854
TOTAL LIABILITIES		27,142	436,854
EQUITY			
Net assets attributable to the redeemable unitholders		1,135,782,394	888,283,872
Units in issue		91,250,757	72,393,574
Net assets value attributable to each unit		12.4468	12.2702

The accompanying notes 1 to 14 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 2019

	<i>Notes</i>	2019 SR	2018 SR
INCOME			
Net gain from investments at fair value through profit or loss	8	1,882,290	4,014,744
Special commission income		13,745,485	8,000,242
		<u>15,627,775</u>	<u>12,014,986</u>
EXPENSES			
Management fees	11	(2,281,910)	(2,264,217)
Other expenses	10,11	(237,793)	(137,560)
		<u>(2,519,703)</u>	<u>(2,401,777)</u>
PROFIT FOR THE PERIOD		13,108,072	9,613,209
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>13,108,072</u>	<u>9,613,209</u>

The accompanying notes 1 to 14 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 2019

	2019 SR	2018 SR
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	13,108,072	9,613,209
Adjustments to reconcile profit for the period to net cash flows:		
Unrealized gain on investments at fair value through profit or loss	(1,478,148)	(3,023,698)
	<u>11,629,924</u>	<u>6,589,511</u>
Working capital adjustments:		
(Increase) decrease in investments at fair value through profit or loss	(94,483,805)	29,032,171
Increase in due from broker	(55,906,195)	-
Increase in morabaha placements measured at amortised cost	(46,657,329)	(46,218)
(Decrease) in investments measured at amortised cost	157,659,972	(6,607,547)
(Decrease) increase in accrued expenses	(409,712)	61,638
	<u>(28,167,145)</u>	<u>29,029,555</u>
Net cash flows (used in) from operating activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuances of units	457,927,340	69,773,742
Payment on redemption of units	(223,536,890)	(242,769,574)
	<u>234,390,450</u>	<u>(172,995,832)</u>
Net cash flows (used in) from financing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	206,223,305	(143,966,277)
Cash and cash equivalents at the beginning of the period	<u>39,155,474</u>	<u>50,468,449</u>
CASH AND CASH EQUIVALENTS (OVERDRAFT) AT THE END OF THE PERIOD	<u>245,378,779</u>	<u>(93,497,828)</u>

The accompanying notes 1 to 14 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 2019

	2019 SR	2018 SR
EQUITY AT THE BEGINNING OF THE PERIOD	888,283,872	960,313,322
Profit for the period	13,108,072	9,613,209
Other comprehensive income for the period	-	-
	13,108,072	9,613,209
Issuance of units during the period	457,927,340	69,773,742
Redemptions of units during the period	(223,536,890)	(242,769,574)
EQUITY AT THE END OF THE PERIOD	1,135,782,394	796,930,699

UNIT TRANSACTIONS

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

	2019 Units	2018 Units
UNITS AT THE BEGINNING OF THE PERIOD	72,393,575	80,201,624
Units issued during the period	36,981,447	5,808,967
Units redeemed during the period	(18,124,265)	(20,155,045)
NET INCREASE (DECREASE) IN UNITS	18,857,182	(14,346,078)
UNITS AT THE END OF THE PERIOD	91,250,757	65,855,546

The accompanying notes 1 to 14 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 2019

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	24 July 2018
Latest Governing Information Memorandum Date	24 July 2018
Category	Sharia'ah compliant
Objective	Capital preservation & appreciation
Allowed Investment Channels	Morabaha deposits
	Sukuk
	Structured investment products
	Morabaha funds

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 2019 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 2018.

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 2018. There are new standards, amendments and interpretations apply for the first time in 2019, 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 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)

For the six-month period ended 30 June 2019

4. CASH AND CASH EQUIVALENTS

	<i>30 June 2019</i>	<i>31 December 2018</i>
	SR	SR
Bank balances - current account	80,208,966	39,155,474
Short-term placements with maturity of three months or less	165,169,813	-
Total	245,378,779	39,155,474

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. The average effective special commission rate on money market placements as at the period end is 2.85% p.a. (31 December 2018: Nil).

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 2019</i>			<i>31 December 2018</i>		
	<i>Cost</i>	<i>Market</i>	<i>Unrealized</i>	<i>Cost</i>	<i>Market</i>	<i>Unrealized</i>
	SR	SR	SR	SR	SR	SR
<i>Mutual fund</i>						
FALCOM SAR Murabaha Fund	235,696,626	239,252,949	3,556,323	141,212,821	143,290,996	2,078,175

All the investments are made in Kingdom of Saudi Arabia.

6. MORABAHA PLACEMENTS MEASURED AT AMORTISED COST

	<i>30 June</i>	<i>31 December</i>
	2019	2018
	SR	SR
Alawwal Bank	211,194,069	145,794,819
Bank Aljazirah	100,776,028	-
National Bank of Kuwait	50,658,333	-
Banque Saudi Fransi	47,230,806	47,232,505
Gulf International Bank	-	170,174,583
	409,859,236	363,201,907

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 2.89% p.a. (31 December 2018: 3.10% 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)

For the six-month period ended 30 June 2019

7. INVESTMENTS MEASURED AT AMORTISED COST

	30 June 2019 SR	<i>31 December 2018 SR</i>
<i>Debt securities</i>		
Riyadh Bank – Sukuk	80,052,057	90,084,422
Abdullah Al Othaim Real Estate Investment and Development Company Sukuk	33,529,111	33,510,079
Saudi British Bank (SABB) – Sukuk	28,109,051	28,113,976
Najran Cement – Sukuk	20,052,527	20,058,522
Advanced Petrochemical Company Sukuk	20,096,805	20,044,864
Arabian Aramco Total Services Company Sukuk (SATORP)	3,572,826	3,762,044
National Commercial Bank Sukuk	-	91,245,622
Al Hilal Bank Sukuk	-	56,252,820
	185,412,377	343,072,349

The average effective special commission rate on investments as at the period end is 4.42% p.a. (31 December 2018: 4.42% 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>	
	2019 SR	<i>2018 SR</i>
Realised gain	404,142	991,046
Unrealised gain	1,478,148	3,023,698
	1,882,290	4,014,744

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.

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 2019</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Investments at FVPL	239,252,949	-	-	239,252,949
Total	239,252,949	-	-	239,252,949

	<i>31 December 2018</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Investments at FVPL	143,290,996	-	-	143,290,996
Total	143,290,996	-	-	143,290,996

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</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>SR</i>	<i>SR</i>
Investments measured at amortised cost	185,412,377	343,072,349
	185,412,377	343,072,349

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)

For the six-month period ended 30 June 2019

10. OTHER EXPENSES

	<i>For the six-month period ended 30 June</i>	
	2019	2018
	SR	SR
Value Added Tax	119,654	113,211
Custody fee	88,862	-
Audit fees	17,356	15,620
CMA monitoring fees	3,720	3,905
Brokerage fees	3,250	-
Tadawul fees	2,480	2,603
Board member fees (note 11)	2,471	2,221
	237,793	137,560

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 2,281,910 (30 June 2018: SR 2,264,217).

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

The Bank acts as the Fund's banker and the Fund Manager acted as the custodian to the Fund's investment until 31 March 2018 after that custody was transferred to Riyadh Capital Company.

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 2,471 (30 June 2018: SR 2,221), the fees payable to directors at the period-end were SR 2,471 (31 December 2018: SR 4,267).

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 2019</i>	<i>31 December 2018</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)

For the six-month period ended 30 June 2019

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 2019</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Cash and cash equivalents	245,378,779	-	245,378,779
Investments at fair value through profit or loss	239,252,949	-	239,252,949
Due from broker	55,906,195	-	55,906,195
Morabaha placements measured at amortised cost	409,859,236	-	409,859,236
Investments measured at amortised cost	120,201,388	65,210,989	185,412,377
TOTAL ASSETS	1,070,598,547	65,210,989	1,135,809,536
LIABILITIES			
Accrued expenses	27,142	-	27,142
TOTAL LIABILITIES	27,142	-	27,142
<i>As at 31 December 2018</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Cash and cash equivalents	39,155,474	-	39,155,474
Investments at fair value through profit or loss	143,290,996	-	143,290,996
Morabaha placements measured at amortised cost	343,064,047	20,137,860	363,201,907
Investments measured at amortised cost	167,543,306	175,529,043	343,072,349
TOTAL ASSETS	693,053,823	195,666,903	888,720,726
LIABILITY			
Accrued expenses	436,854	-	436,854
TOTAL LIABILITY	436,854	-	436,854

13. VALUATION PERIOD

The last valuation day of the period was 30 June 2019 (2018: 31 December 2018).

14. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements are approved by the Fund Board on 4 Dhual Hijjah 1440H (Corresponding to 5 August 2019).