

**Al Yusr SAR Morabaha 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 SAR MORABAHA FUND
(Managed by Alawwal Invest Company)**

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of Al Yusr SAR Morabaha 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 SAR Morabaha 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	31 December 2019 SR
ASSETS			
Cash and cash equivalents	4	5,466,925	3,225,198
Investments at fair value through profit or loss	5	56,804,748	67,963,732
Morabaha placements measured at amortised cost	6	170,315,667	190,473,807
Investments measured at amortised cost	7	14,672,179	15,528,594
TOTAL ASSETS		247,259,519	277,191,331
LIABILITY			
Accrued expenses		40,241	64,071
TOTAL LIABILITY		40,241	64,071
EQUITY			
Net assets attributable to the redeemable unitholders		247,219,278	277,127,260
TOTAL LIABILITY AND EQUITY		247,259,519	277,191,331
Units in issue		17,282,312	19,498,698
Net assets value attributable to each unit		14.3048	14.2126

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

Al Yusr SAR Morabaha 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	749,252	421,250
Special commission income		1,714,703	4,827,556
		<u>2,463,955</u>	<u>5,248,806</u>
EXPENSES			
Management fees	11	(643,087)	(818,763)
Other expenses	10,11	(114,502)	(124,363)
		<u>(757,589)</u>	<u>(943,126)</u>
PROFIT FOR THE PERIOD		1,706,366	4,305,680
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>1,706,366</u>	<u>4,305,680</u>

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

Al Yusr SAR Morabaha 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	1,706,366	4,305,680
Adjustments to reconcile profit for the period to net cash flows:		
Unrealized (gain) loss on investments at fair value through profit or loss	(249,069)	215,631
	1,457,297	4,521,311
Working capital adjustments:		
Decrease in investments at fair value through profit or loss	11,408,054	25,999,852
Increase in other receivables	-	(36,605,202)
Decrease in morabaha placements measured at amortised cost	20,158,140	77,486,337
Decrease in investments measured at amortised cost	856,415	52,901,495
Decrease in accrued expenses	(23,831)	(222,907)
Net cash flows from operating activities	33,856,075	124,080,886
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuances of units	23,040,000	6,949,611
Payment on redemption of units	(54,654,348)	(139,548,297)
Net cash flows used in financing activities	(31,614,348)	(132,598,686)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,241,727	(8,517,800)
Cash and cash equivalents at the beginning of the period	3,225,198	18,947,952
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5,466,925	10,430,152

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

Al Yusr SAR Morabaha 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	277,127,260	405,904,315
Profit for the period	1,706,366	4,305,680
Other comprehensive income for the period	-	-
Total comprehensive income for the period	1,706,366	4,305,680
Issuance of units during the period	23,040,000	6,949,611
Redemptions of units during the period	(54,654,348)	(139,548,297)
EQUITY AT THE END OF THE PERIOD	247,219,278	277,611,309

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	19,498,698	29,227,684
Units issued during the period	1,620,408	498,211
Units redeemed during the period	(3,836,794)	(9,998,433)
NET DECREASE IN UNITS	(2,216,386)	(9,500,222)
UNITS AT THE END OF THE PERIOD	17,282,312	19,727,462

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

Al Yusr SAR Morabaha Fund (Managed by Alawwal Invest Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 June 2020

1. GENERAL

Al Yusr SAR Morabaha 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 The Saudi British Bank (formerly 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 SAR Morabaha Fund	
Commencement Date	26 December 2001
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 of the Fund’s activities. The Fund Manager can also enter into arrangements 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 SAR Morabaha Fund (Managed by Alawwal Invest Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(continued)

At 30 June 2020

4. CASH AND CASH EQUIVALENTS

	30 June 2020 SR	31 December 2019 SR
Bank balances	5,466,925	3,225,198
Short-term deposits with maturity of three months or less	-	-
Total	5,466,925	3,225,198

The bank balances is placed with a local Saudi banks, having sound credit rating.

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:

	30 June 2020			31 December 2019		
	Cost SR	Market value SR	Unrealized gain SR	Cost SR	Market value SR	Unrealized gain SR
<i>Mutual fund</i>						
Falcom SAR Morabaha Fund	55,746,984	56,804,748	1,057,764	67,155,037	67,963,732	808,695
	55,746,984	56,804,748	1,057,764	67,155,037	67,963,732	808,695

All the investments are made in Kingdom of Saudi Arabia.

6. MORABAHA PLACEMENTS MEASURED AT AMORTISED COST

	30 June 2020 SR	31 December 2019 SR
Gulf International Bank	60,139,500	65,268,667
Alawwal Bank	60,024,500	-
National Bank of Kuwait	50,151,667	60,021,500
Bank Al Jazirah	-	50,079,444
Banque Saudi Fransi	-	15,104,196
	170,315,667	190,473,807

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 1.15% p.a. (31 December 2019: 2.465% p.a.).

Morabaha 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 SAR Morabaha 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

	<i>30 June</i> 2020 SR	<i>31 December</i> 2019 SR
<i>Debt securities</i>		
Arabian Aramco Total Services Company Sukuk (SATORP)	14,672,179	15,528,594

The average effective special commission rate on investments as at the period end is 2.02% p.a. (31 December 2019: 3.207% 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	2019 SR
Realised gain	500,183	636,881
Unrealised gain (loss)	249,069	(215,631)
	749,252	421,250

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 2020</i>			
	<i>Level 1</i> SR	<i>Level 2</i> SR	<i>Level 3</i> SR	<i>Total</i> SR
Investments at FVPL	56,804,748	-	-	56,804,748
Total	56,804,748	-	-	56,804,748
	<i>31 December 2019</i>			
	<i>Level 1</i> SR	<i>Level 2</i> SR	<i>Level 3</i> SR	<i>Total</i> SR
Investments at FVPL	67,963,732	-	-	67,963,732
Total	67,963,732	-	-	67,963,732

Al Yusr SAR Morabaha 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)

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> 2020 SR	<i>31 December</i> 2019 SR
Investments measured at amortised cost	14,672,179	15,528,594
	14,672,179	15,528,594

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.

10. OTHER EXPENSES

	<i>For the six-month period ended 30 June</i>	
	2020 SR	2019 SR
Custody fees	48,152	48,000
Value Added Tax	35,899	44,454
Audit fees	19,945	17,356
Brokerage fees	-	5,882
CMA monitoring fees	3,740	3,720
Tadawul fees	2,493	2,480
Board member fees (note 11)	4,273	2,471
	114,502	124,363

Al Yusr SAR Morabaha Fund (Managed by Alawwal Invest Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(continued)

At 30 June 2020

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. Total management fees for the period amounted to SR 643,087 (30 June 2019: 818,763).

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 total remuneration for 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>Units</i>	<i>31 December 2019</i> <i>Units</i>
Fund Manager	Units held	<u>2,968,871</u>	<u>2,968,871</u>
		<u>2,968,871</u>	<u>2,968,871</u>

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</i> <i>SR</i>	<i>After 12 months</i> <i>SR</i>	<i>Total</i> <i>SR</i>
ASSETS			
Cash and cash equivalents	5,466,925	-	5,466,925
Investments at fair value through profit or loss	56,804,748	-	56,804,748
Morabaha placements measured at amortised cost	170,315,667	-	170,315,667
Investments measured at amortised cost	14,672,179	-	14,672,179
TOTAL ASSETS	<u>247,259,519</u>	<u>-</u>	<u>247,259,519</u>
LIABILITY			
Accrued expenses	40,241	-	40,241
TOTAL LIABILITY	<u>40,241</u>	<u>-</u>	<u>40,241</u>

Al Yusr SAR Morabaha 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 (continued)

<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	3,225,198	-	3,225,198
Investments at fair value through profit or loss	67,963,732	-	67,963,732
Morabaha placements measured at amortised cost	190,473,807	-	190,473,807
Investments measured at amortised cost	15,528,594	-	15,528,594
TOTAL ASSETS	277,191,331	-	277,191,331
LIABILITY			
Accrued expenses	64,071	-	64,071
TOTAL LIABILITY	64,071	-	64,071

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.

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).