

**AL RAYAN QATAR ETF**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**31 March 2018**

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**AL RAYAN QATAR ETF**

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**As at 31 March 2018**

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|  | Note | 31 March<br>2018<br>QAR<br>(Unaudited) |
|--|------|--|
| <b>ASSETS</b>                                  |      |  |
| Bank balances                                  |      | 18,634,547                             |
| Investment securities                          | 3    | 440,460,166                            |
| Other receivables                              |      | 681,351                                |
| <b>TOTAL ASSETS</b>                            |      | <b>459,776,064</b>                     |
| <b>LIABILITIES</b>                             |      |  |
| Other payables and accrued expenses            |      | 93,409                                 |
| <b>TOTAL LIABILITIES</b>                       |      | <b>93,409</b>                          |
| <b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b> |      | <b>459,682,655</b>                     |
| <b>Units</b>                                   |      |  |
| <b>NUMBER OF UNITS IN ISSUE</b>                |      | <b>20,100,000</b>                      |
| <b>NET ASSET VALUE PER UNIT (QAR)</b>          |      | <b>22.870</b>                          |

The condensed interim financial statements for the period from the Launch Date up to 31 March 2018 were authorised for issue by the Founder and the Fund Manager on 29 April 2018.



Adel Mustafawi  
Group Chief Executive Officer  
Masraf Al Rayan Q.P.S.C.  
The Founder



Haithem Katerji  
Chief Investment Officer  
Al Rayan Investment L.L.C.  
The Fund Manager

The attached notes 1 to 11 form an integral part of these condensed interim financial statements.

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Al Rayan  
MB

**AL RAYAN QATAR ETF**

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the period from the Launch Date up to 31 March 2018**

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|  |      | <i>For the period<br/>ended 31 March<br/>2018</i> |
|--|------|---|
|  |      | <b>QAR<br/>(Unaudited)</b>                        |
| <b>OPERATING INCOME</b>                                      | Note |   |
| Net profit / (loss) from investment securities               | 4    | (21,806,938)                                      |
| Net dividend income  |      | 7,139,289   |
| <b>Total income</b>  |      | <u><u>(14,667,649)</u></u>                        |
| <br>   |      |   |
| <b>EXPENSES</b>  |      |   |
| Total expense  | 6    | 199,897   |
| <b>Total expenses</b>  |      | <u><u>199,897</u></u>                             |
| <br>   |      |   |
| <b>CHANGE IN NET ASSETS ATTRIBUTABLE TO UNIT<br/>HOLDERS</b> |      | <u><u>(14,867,546)</u></u>                        |

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The attached notes 1 to 11 form an integral part of these condensed interim financial statements.

## AL RAYAN QATAR ETF

### CONDENSED INTERIM STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS

For the period from the Launch Date up to 31 March 2018

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|   | <i>Note</i> | <b><i>For the period<br/>ended<br/>31-Mar-2018<br/>QAR<br/>(Unaudited)</i></b> |
|---|-------------|--|
| <b>Balance at Launch Date</b>                                       | 9           | 460,412,072  |
| Change in net assets attributable to the unit holders               |             | <u>(14,867,546)</u>  |
| <b><u>Creations and redemptions by authorised participants:</u></b> |             |  |
| Creation orders received during the period                          |             | 14,138,129   |
| Redemption orders received during the period                        |             | -  |
| <b>Transactions with the authorised participants</b>                |             | <u>14,138,129</u>  |
| <b>Balance at 31 March</b>  |             | <b><u><u>459,682,655</u></u></b>   |

### UNITS IN ISSUE

|                                     | <b><i>31 March 2018<br/>Numbers<br/>(Unaudited)</i></b> |
|-------------------------------------|---|
| Units at the Launch Date            | 19,500,000  |
| New Units created during the period | 600,000   |
| Redemptions during the period       | -   |
|                                     | <b><u><u>20,100,000</u></u></b>                         |

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The attached notes 1 to 11 form an integral part of these condensed interim financial statements.

**AL RAYAN QATAR ETF****CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**For the period from the Launch Date up to 31 March 2018**

|  |      | <b><i>For the period ended</i></b> |
|--|------|------------------------------------|
|  |      | <b><i>31 March 2018</i></b>        |
|  |      | <b><i>QAR</i></b>                  |
|  | Note | <b><i>(Unaudited)</i></b>          |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                              |      |                                    |
| Change in net assets attributable to unit holders                        |      | (14,867,546)                       |
| Adjustments for:   |      |                                    |
| Unrealised loss / (gain) on revaluation of investment securities         | 4    | 19,114,369                         |
| Operating profit before changes in operating assets and liabilities      |      | 4,246,823                          |
| <i>Changes in :</i>  |      |                                    |
| Investment securities  |      | (10,321,435)                       |
| Other receivables  |      | (681,351)                          |
| Other payables and accrued expenses                                      |      | 93,409                             |
| <b>Net cash from operating activities</b>                                |      | <b>(6,662,554)</b>                 |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                              |      |                                    |
| Value of the creation orders processed                                   |      | 14,138,129                         |
| Value of the redemption orders processed                                 |      | -                                  |
| Dividends paid to the unitholders  |      | -                                  |
| <b>Net cash used in financing activities</b>                             |      | <b>14,138,129</b>                  |
| Net increase / (decrease) in cash and cash equivalents during the period |      | 7,475,575                          |
| Balance of cash and cash equivalents at Launch Date                      | 9    | 11,158,972                         |
| <b>Balance of cash and cash equivalents at 31 March</b>                  |      | <b>18,634,547</b>                  |

The attached notes 1 to 11 form an integral part of these condensed interim financial statements.

## AL RAYAN QATAR ETF

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS As at and for the period from the Launch Date up to 31 March 2018

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#### 1. LEGAL STATUS AND MAIN ACTIVITIES

Al Rayan Qatar ETF (the "Fund") is an open-ended Shari'a compliant fund incorporated under Law No. 25 of the year 2002 and the Ministry of Economy and Commerce Decision No. (69) of the year 2004 for issuing by-laws for investment funds of the State of Qatar. The Fund was licensed by Qatar Central Bank with license No. MF/27/2016 and registered with the Ministry of Economy and Commerce with a registration No. 91075.

The Fund was launched on 21 March 2018 ("Launch Date"), the date on which the Fund was listed on Qatar Stock Exchange (the "Exchange"). The term of the Fund shall be 25 years, starting from 26 December 2016 the date of registration of the Fund in the Investment Funds Register of the Ministry, renewable by the Founder on approval of the Qatar Central Bank.

The nominal value of the Unit is 1/100th of the QE Al Rayan Islamic Index – Price (the "Index") value as of the close of trading on The Exchange on the last business day before the Launch Date, with the Fund's capital ranging from QR 50,000,000 (Qatari Riyals Fifty Million) as minimum limit to QAR 2,000,000,000 (Qatari Riyals Two Billion) as a maximum limit.

The Fund was founded by the Masraf Al Rayan (Q.P.S.C.) (the "Founder") which was incorporated as Qatari Public Shareholding Company under Qatar Commercial Companies' law No. 11 of 2015, under decision No. 11 of 2006 dated 4 January 2006 of the Ministry of Economy and Commerce.

The Founder has appointed Al Rayan Investment L.L.C. as the Fund Manager (the "Fund Manager"), HSBC Bank Middle East Limited, Qatar Branch as the Custodian (the "Fund Custodian"), and The Group Securities as the Liquidity Provider of the Fund.

#### **Objective of the Fund and Nature of its Activity**

The objective of the Fund is to track the performance of the Index, as closely as possible, before fees and expenses. The Index is a price-return index that consists of Shari'a-compliant listed equities on the Exchange, which meet the Exchange criteria. Although the Fund Manager aims to replicate the performance of the Index as closely as possible, there is no guarantee that the Fund's investment objective will be achieved.

#### 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

##### **Basis of preparation**

The condensed interim financial statements of the Fund for the period from the Launch Date up to 31 March 2018 have been prepared in accordance with IAS 34 – Interim Financial Reporting and applicable provisions of the Qatar Central Bank regulations and is presented in Qatari Riyals, which is the presentation currency of the Fund.

The results for the period from the Launch Date up to 31 March 2018, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Significant accounting policies**

These condensed interim financial statements are prepared on a historical cost basis, except for investment securities classified as fair value through profit or loss which are carried at fair value.

The preparation of the condensed interim financial statements requires the Fund Manager to make judgements, estimates and assumptions that affects the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The following standards and amendments to standards have been applied by the Fund in preparation of these condensed interim financial statements.

**Standards**

- IFRS 9 - Financial Instruments (January 1, 2018)
- IFRS 15 - Revenue from Contracts with Customers (January 1, 2018)

**3. SIGNIFICANT ACCOUNTING POLICIES**

Below are the accounting policies as applied.

**(a) Revenue recognition**

- Net gain from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes, but excludes profits and dividend income; and
- Dividend income is recognised when the Fund has the right to collect the dividends.

**(b) Fee and commission**

Fee and commission expenses are recognised in profit or loss. (please see note 5).

**(c) Financial assets and liabilities**

**(i) Classification**

The Fund classifies its financial assets and financial liabilities at fair value through profit or loss (held for trading).

**(ii) Recognition**

The Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.



**(iii) Initial measurement**

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs related to such financial assets and liabilities are recognised directly in profit and loss.

**(iv) Subsequent measurement**

After initial measurement, the Fund measures financial instruments which are classified as at fair value through profit or loss at closing price.

**(v) De-recognition**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

**(e) Cash and cash equivalents**

For the purpose of the cash flows statement, cash and cash equivalents consist of cash on hand, and bank balances.

**(f) Fair value**

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

## AL RAYAN QATAR ETF

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS As at and for the period from the Launch Date up to 31 March 2018

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(g) **Other payables and accruals**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

(h) **Other receivables**

Other receivables are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful receivables is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

#### 4. INVESTMENT SECURITIES

Investment securities carried as held for trading:

All the securities are listed on Exchange in Qatar and denominated in Qatari Riyals.

#### 5. NET GAIN/ (LOSS) FROM INVESTMENT SECURITIES

|   | <u><i>For the period</i></u><br><u><i>Ended</i></u><br><u><i>31-Mar-18</i></u><br><u><i>QAR</i></u><br><u><i>(Unaudited)</i></u> |
|---|--|
| Net realized gains / (loss) on sale of investment securities          | (2,692,569)  |
| Net unrealized gains / (loss) on revaluation of investment securities | (19,114,369)   |
|   | <u><u><b>(21,806,938)</b></u></u>  |

#### 6. EXPENSE

The expenses of the Fund are captured under Total Expense Ratio. Total Expense of the Fund shall include management fee, custody fee, index fee, auditor's fee, regulator's fee and other miscellaneous fees. The Total Expense Ratio of the Fund is 0.50% of the Total Net Asset Value of the Fund. Such fees shall be charged to the Fund on daily basis.

At any time or in the event, the total fees and expenses, excluding Management Fee, exceeds 0.5% of Total Net Asset Value, the Founder has the right to change the Total Expense Ratio, subject to the approval of QCB.

#### 7. CREATION AND REDEMPTION OF UNITS

Authorised Participants, who are approved by the Founder, are the only party authorised to create or redeem the Creation Units against the Creation Basket. Each Creation Unit is an aggregation of 100,000 Units or such number of Units that maybe changed by the Founder from time to time.

All persons, whether natural or corporate and whether Qatari or foreign, who are not Authorised Participant will purchase or sell Units on the Exchange.

## AL RAYAN QATAR ETF

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS As at and for the period from the Launch Date up to 31 March 2018

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#### 8. RELATED PARTIES DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

#### 9. FAIR VALUE HIERARCHY

The Fund uses the following hierarchy for determining and disclosing the fair value of financial investments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets at fair value through profit or loss are valued as per the Level 1 valuation method.

The fair value of investment securities as at 31 March 2018 is QAR 440,460,166 under level 1 of fair value hierarchy.

During the reporting period 31 March 2018, there were no transfers made between Level 1, level 2 and Level 3 fair value measurements.

#### 10. NET ASSET VALUE AT LAUNCH DATE

|                                     | <b>20 March 2018</b><br><b>QAR</b><br><b>(Unaudited)</b> |
|-------------------------------------|--|
| <b>ASSETS</b>                       |  |
| Bank balances                       | 11,158,972   |
| Investment securities               | 449,253,100  |
| <b>TOTAL ASSETS</b>                 | <b>460,412,072</b>                                       |
| <b>LIABILITIES</b>                  |  |
| Other payables and accrued expenses | -  |
| <b>TOTAL LIABILITIES</b>            | <b>-</b>   |
| <b>NET ASSET VALUE</b>              | <b>460,412,072</b>                                       |

#### 11. COMPARATIVES

The Fund is launched on 21 March 2018, hence there are no comparatives for the reporting period.