AL RAYAN QATAR ETF

INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD FROM 21 MARCH 2018 TO 30 JUNE 2018

CONTENTS

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Independent auditor's report on review of interim financial statements to the unit holders of Al Rayan Qatar ETF

Introduction

We have reviewed the accompanying 30 June 2018 interim financial statements of Al Rayan Qatar ETF ('the Fund'), which comprise:

- the statement of financial position as at 30 June 2018;
- the income statement for the period from 21 March 2018 to 30 June 2018;
- the statement of changes in net assets attributable to the unit holders for the period from 21 March 2018 to 30 June 2018;
- the statement of cash flows for the period from 21 March 2018 to 30 June 2018; and
- notes to the interim financial statements.

The Fund Manager of the Fund is responsible for the preparation and presentation of these interim financial statements in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and the applicable provisions of the Qatar Central Bank regulations ('QCB regulations'). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. 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 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 financial statements for the period from 21 March 2018 to 30 June 2018 are not prepared, in all material respects, in accordance with FAS and the QCB regulations.

18 July 2018
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
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STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

In Qatari Riyals

	Note	30 June 2018 *(Reviewed)*
ASSETS		
Bank balances		1,632,161
Investment securities	5	504,712,935
Prepayments		174,685
TOTAL ASSETS		**506,519,781**
LIABILITIES		
Payables and accrued expenses	6	470,798
TOTAL LIABILITIES		**470,798**
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		**506,048,983**
NUMBER OF UNITS IN ISSUE	7	**23,000,000**
NET ASSET VALUE PER UNIT		**22.002**

These financial statements were approved by the Founder and the Fund Manager on 18 July 2018 and were signed on its behalf by:

....
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

INCOME STATEMENT
For the period from 21 March 2018 to 30 June 2018 In Qatari Riyals

	Note	For the period from 21 March 2018 to 30 June 2018 *(Reviewed)*
OPERATING INCOME		
Net loss from investment securities	8	(21,759,948)
Net dividend income		8,572,504
Total income		**(13,187,444)**
EXPENSES		
Expenses	9	697,443
Total expenses		**697,443**
CHANGE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		**(13,884,887)**

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

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS
For the period from 21 March 2018 to 30 June 2018 In Qatari Riyals

	Note	For the period from 21 March 2018 to 30 June 2018 *(Reviewed)*
Balance at 21 March 2018 (Unaudited)		**460,412,072**
Change in net assets attributable to the unit holders		(13,884,887)
Creations and redemptions by authorised participants:		
Issue and redeemable units during the period		82,421,798
Payment for redemption of redeemable units		-
Transactions with the unit holders		**82,421,798**
Dividends paid to the unit holders		(22,900,000)
Balance at 30 June		**506,048,983**

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

STATEMENT OF CASH FLOWS
For the period from 21 March 2018 to 30 June 2018 In Qatari Riyals

	Note	For the period from 21 March 2018 to 30 June 2018 *(Reviewed)*
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets attributable to unit holders		(13,884,887)
Adjustments for:		
Net unrealised loss on revaluation of investment securities	8	18,916,340
Operating profit before changes in operating assets and liabilities		**5,031,453**
Changes in :		
Investment securities		5,124,012
Prepayments		(174,685)
Other payables and accrued expenses		470,798
Net cash from operating activities		**10,451,578**
CASH FLOWS FROM FINANCING ACTIVITIES		
Value of the unit issued		2,921,610
Value of the unit redeemed		-
Dividends paid to the unit holders		(22,900,000)
Net cash used in financing activities		**(19,978,390)**
Net decrease in cash and cash equivalents during the period		(9,526,811)
Balance of cash and cash equivalents at the beginning of the period		11,158,972
Balance of cash and cash equivalents at 30 June		**1,632,161**

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

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 ("QCB") 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.

Authorised participants, who are approved by the Founder, are the only parties authorised to create or redeem the units against the basket. Each 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 participants will purchase or sell units on the exchange.

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

a) Statement of compliance

The financial statements of the Fund have been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and the applicable provisions of QCB regulations ("QCB regulations"). In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Fund uses the guidance from the relevant International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

b) Basis of preparation

The interim financial statements of the Fund for the period from 21 March 2018 to 30 June 2018 have been prepared in accordance with FAS and applicable provisions of the Qatar Central Bank regulations and is presented in Qatari Riyals, which is the presentation currency of the Fund.

2. BASIS OF PREPARATION (CONTINUES)

b) Basis of preparation (continues)

The results for the period from 21 March 2018 to 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

c) Basis of measurement

These financial statements have been prepared under the historical cost convention, except for investment securities classified as fair value through income statement which are carried at fair value.

d) Functional and presentational currency

These financial statements are presented in Qatari Riyals, which is the Fund's functional currency. All amounts have been rounded to the nearest Qatari riyal.

e) Use of judgments and estimates

In preparing these financial statements the Fund Manager has made judgments, estimates and assumptions that affect the application of accounting policies and the 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 prospectively.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied in the preparation of these financial statements:

a) Financial instruments

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.

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 retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Fund has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the assets, or (b) 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.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Financial instruments (continued)

Offsetting
Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial Investments

Initial measurement
Financial assets at fair value through income statement 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.

Subsequent measurement
After initial measurement, the Fund measures financial instruments which are classified as at fair value through income statement at closing price.

b) Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise of cash and balances with banks.

c) 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.

d) 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.

e) Revenue recognition

- Net gain/(loss) from financial instruments at fair value through income statement includes all realised gains/(loss) and unrealised gains/(loss) on fair value changes, but excludes dividend income; and
- Dividend income is recognised when the Fund has the right to collect the dividends.

f) New standards and interpretations

New standards, amendments and interpretations effective from 1 January 2018

There were no new accounting standards, amendments and interpretation that are issued and effective from 1 January 2018.

New standards, amendments and interpretations issued but not yet effective

FAS 30 – Impairment, credit losses and onerous commitments

AAOIFI has issued FAS 30 Impairment, Credit losses and onerous commitments in 2017.

The objective of this standard is to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing, investment and certain other assets of Islamic financial institutions (the institutions), and provisions against onerous commitments enabling in particular the users of financial statements to fairly assess the amounts, timing and uncertainties with regard to the future cash flows associated with such assets and transactions.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) New standards and interpretations (continued)

New standards, amendments and interpretations issued but not yet effective (Continued)

FAS 30 will replace FAS 11 Provisions and Reserves and parts of FAS 25 Investment in Sukuk, shares and similar instruments that deals with impairment.

The standard shall be effective from the financial periods beginning on or after 1 January 2020. Early adoption is permitted.

The Fund is in the process of assessing the estimated impact of the initial application of FAS 30 will have on its financial statements.

FAS 31 - "Investment Agency (Al-Wakala Bi Al-Istithmar)

AAOIFI has issued Financial Accounting Standard No. 31 "Investment Agency (Al-Wakala Bi Al-Istithmar) on 14 May 2018.

The objective of this standard is to establish the principles of accounting and financial reporting for the investment agency (Al-Wakala Bi Al-Istithmar) instruments and the related assets and obligations from both the principal (investor) and the agent perspectives. The standard provides a broad classification where at the inception of the transaction, the principal (investor) shall evaluate the nature of investment as either a 'pass-through investment' – as a preferred option; or the 'Wakala venture' approach.

This standard shall be effective for the financial periods beginning on or after 1 January 2020. Early adoption is permitted.

The Fund is in the process of assessing the estimated impact of the initial application of FAS 31 will have on its financial statements.

FAS 28 Murabaha and other deferred payment sales

The objective of this standard is to prescribe the appropriate accounting and reporting principles for recognition, measurement and disclosures to apply in relation to Murabaha and other deferred payment sales transactions for the sellers and buyers for such transactions. This standard supersedes the earlier FAS No. 2 "Murabaha and Murabaha to the Purchase Orderer" and FAS No. 20 "Deferred Payment Sale". This standard applies to accounting for Murabaha and other deferred payment sales transaction carried out under Shari'ah principles, excluding Tawarruq and commodity murabaha transactions.

This standard shall be effective for the financial periods beginning on or after 1 January 2019. Early adoption of the standard is permitted.

The Fund is in the process of assessing the estimated impact of the initial application of FAS 28 will have on its financial statements.

4. FINANCIAL RISK MANAGEMENT

The Fund has exposure to the following risks from the financial instruments:

- credit risk;
- market risk; and
- liquidity risk.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Introduction and overview

The Fund's objective in managing risks is the creation and protection of unit holder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risks limits and other controls. The process of risk management is critical to the Fund's continuing profitability.

Risk management structure

The Fund Manager is responsible for identifying and controlling risks. The Fund Manager supervises and is ultimately responsible for the overall risk management of the Fund.

The Fund Manager monitors and measures the overall risk in relation to the aggregate risk exposure across all risks type and activities.

a) Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. Policies and procedures are established for the control and monitoring of all such exposures.

The Fund's policy over credit risk is to minimize the exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting the credit standards set out in the Fund's prospectus.

The Fund's maximum exposure at the reporting date is represented by the respective carrying amounts of the relevant financial assets in the statement of financial position.

Gross maximum exposures are as follows:

Exposure to credit risk	30 June 2018
Cash and Cash equivalent	
Bank balances*	1,632,161

* The Fund has a current account with banks, having acceptable credit rating.

b) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as profit rates, foreign exchange rates and equity prices. The maximum risk resulting from financial instrument equals to their fair value.

Currency risk
Currency risk is the risk that the value of financial instrument will fluctuate due to changes in foreign exchange rates. The Fund is not exposed to any currency risk as all the transactions are carried out in Qatari Riyals

Equity price risk
Equity price risk is the risk of unfavorable changes in the fair values of equities as a result of changes in the levels of equity indices and the value of individual shares. The unit holders' net assets price risk exposure arises from the Fund's investments in unit holders' equity securities. As of 30 June 2018 the fund has equity securities amounting to QAR 504,712,935. A 1% variation in the equity indices would result in increase / (decrease) in the fair values of equity securities and the statement of comprehensive income by QAR 5,047,129.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Market risk (continued)

Concentration of equity price risk
The Fund seeks to replicate the Index, therefore all securities are placed in the state of Qatar.

The following table analyses the Fund's concentration of equity price risk in the Fund's equity portfolio by industrial sector:

	30 June 2018
	% of equity securities
Industrials	32%
Banks & Financial Services	31%
Real Estate	16%
Consumer Goods & Services	11%
Transportations	5%
Telecommunications	5%
Insurance	1%
	100%

c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will be settled in a manner disadvantageous for the Fund.

The Fund's policy and the Fund Manager's approach to managing liquidity is to have sufficient liquidity to meet its liabilities, including estimated redemptions of shares, as and when due, without incurring undue losses or risking damage of the Fund's reputation. It is the Fund Manager duty to monitor the Fund's liquidity position on a daily basis.

The Fund seeks to replicate, before fees and expenses, the performance results of the Index by investing in the Index components according to weights that substantially corresponds with those found in Index replicates and complying with its guideline which, under normal market conditions, are readily convertible to cash.

As at the report date, the fund has 0.32% of its net assets invested in cash and cash equivalents.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk (continued)

Maturity analysis

Analysis of equity at fair value through profit or loss into maturity groupings is based on the expected date on which these assets will be realised. For other assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date on which the assets will be realised.

30 June 2018	0 to 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	More than 5 years	Total
Financial assets						
Bank balances	1,632,161	-	-	-	-	1,632,161
Investment securities	504,712,935	-	-	-	-	504,712,935
Prepayments	70,367	-	104,318	-	-	174,685
Total financial assets	**506,415,463**	**-**	**104,318**	**-**	**-**	**506,519,781**
Financial liabilities						
Payables and accrued expenses	366,480	-	104,318	-	-	470,798
Total financial liabilities	**366,480**	**-**	**104,318**	**-**	**-**	**470,798**
Liquidity gap	**506,048,983**	**-**	**-**	**-**	**-**	**506,048,983**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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.

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 income statement are valued as per the Level 1 valuation method.

The fair value of investment securities as at 30 June 2018 is QAR 504,712,935 under level 1 of fair value hierarchy.

During the reporting period 30 June 2018, there were no transfers made between Level 1, level 2 and Level 3 fair value measurements.

5. NVESTMENT SECURITIES

Investment securities carried as fair value through income statement

	30 June 2018 *(Reviewed)*
Listed equity securities – State of Qatar	**504,712,935**

6. PAYABLES AND ACCRUED EXPENSES

	30 June 2018 *(Reviewed)*
Accrued management fee	250,283
Accrued custodian fee	38,821
Accrued other expenses	181,694
	470,798

7. UNITS IN ISSUE

	30 June 2018 *(Reviewed)*
Units at the beginning of the period	19,500,000
New units created during the period	3,500,000
Redemptions during the period	-
Units as at 30 June	**23,000,000**

8. NET LOSS FROM INVESTMENT SECURITIES

	For the period from 21 March 2018 to 30 June 2018 *(Reviewed)*
Net realized losses on sale of investment securities	(2,843,608)
Net unrealized losses on revaluation of investment securities	(18,916,340)
	(21,759,948)

9. EXPENSES

	For the period from 21 March 2018 to 30 June 2018 *(Reviewed)*
Management fees (Note 10)	250,283
Custodian fees	152,886
Transaction fees	69,602
Listing fee	40,458
Audit fees	1,820
Others	182,394
Total Expenses	**697,443**

10. 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.

Management fee

The expenses of the Fund are captured under Total Expense Ratio ("TER"). Total expense of the Fund shall include management fee, custody fee, index fee, auditor's fee, regulator's fee and other miscellaneous fees. The TER of the Fund is 0.5% of the Total Net Asset Value of the Fund.

The Fund pays management fee to the Fund Manager on a monthly basis. The management fee amounts to the difference between the TER and all other expenses.

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 the QCB.

	30 June 2018
Statement of financial position items	
Accrued management fees	250,283

	For the period from 21 March 2018 to 30 June 2018
Income statement	
Management fee	250,283

11. COMPARATIVES

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