

AI RAYAN QATAR ETF

FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD FROM 21 MARCH 2018 TO 31 DECEMBER 2018

AL RAYAN QATAR ETF

FINANCIAL STATEMENTS

As at and for the period from 21 March 2018 to 31 December 2018

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INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF AL RAYAN QATAR ETF

Report on the Financial Statements

We have audited the accompanying financial statements of Al Rayan Qatar ETF (the 'Fund') which comprise the statement of financial position as at 31 December 2018, the statements of income, changes in net assets attributable to the unit holders and cash flows for the period from 21 March 2018 to 31 December 2018 (the "Period") then ended, and notes, comprising significant accounting policies and other explanatory information.

Respective Responsibilities of the Fund Manager and Auditors

These financial statements and the Fund's undertaking to operate in accordance with Islamic Shari'a rules and principles are the responsibility of the Fund manager of the Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of Opinion

We conducted our audit in accordance with the Auditing Standards for Islamic Financial Institutions ("ASIFI") issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI") and the applicable provisions of QCB regulations ("QCB regulations"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentations. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2018, and the results of its operations, changes in unitholders' equity and cash flows for the period then ended in accordance with the Financial Accounting Standards issued by the AAOIFI and the applicable provisions of QCB Regulations.

Emphasis of Matter Paragraph

We draw attention to Note 12 of the financial statements, which describes that the fund was launched on 21 March 2018 accordingly the opening balances relating to the fund were not subject to the audit. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations we considered necessary for the purpose of our audit. The Fund has maintained proper accounting records and the financial statements are in agreement therewith. We are not aware of any violations of the applicable provisions of the QCB regulations or the terms of the Article of Association and any amendments thereto having occurred during the period which might have had a material effect on the Fund's financial position or performance as at and for period ended 31 December 2018.

21 January 2019
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Auditor's Registration No. 251
Licensed by QFMA: External Auditor's
License No.120153

AL RAYAN QATAR ETF

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 QAR
ASSETS		
Bank balances	6	715,371
Investment securities	7	538,071,939
Other receivables		31,335
Total assets		538,818,645
LIABILITIES		
Other payables and accrued expenses	9	196,778
Total liabilities		196,778
NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS		538,621,867
NUMBER OF UNITS IN ISSUE		Units 22,500,000
NET ASSET VALUE PER UNIT (QAR)		23.939

These financial statements were approved by Founder and the Fund Manager on 21 January 2019 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 LLC
The Fund Manager

The attached notes 1 to 13 form an integral part of these financial statements.

Handwritten notes in blue ink:
Jaxew
I. D. Katerji
1/21

AL RAYAN QATAR ETF

INCOME STATEMENT

For the period from 21 March 2018 to 31 December 2018

	Notes	For the period from 21 March 2018 to 31 December 2018 QAR
OPERATING INCOME		
Net gain from investment securities	10	23,939,265
Net dividend income		8,572,504
Profit on bank balances		4,583
Total income		32,516,352
EXPENSES		
Expenses	11	(2,043,325)
Total expenses		(2,043,325)
CHANGE IN NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS		30,473,027

The attached notes 1 to 13 form an integral part of these financial statements.

AL RAYAN QATAR ETF

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS
For the period from 21 March 2018 to 31 December 2018

	For the period from 21 March 2018 to 31 December 2018 QAR
Balance at 21 March – Unaudited	<u>460,412,072</u>
Change in net assets attributable to the unit holders	<u>30,473,027</u>
<u>Creations and redemptions by authorised participants:</u>	
Issue of redeemable units during the period	82,421,798
Redemption of redeemable units during the period	<u>(11,785,030)</u>
Transactions with the authorised participants	<u>70,636,768</u>
Dividend paid to unit holders during the period	(22,900,000)
Balance as at 31 December	<u>538,621,867</u>

The attached notes 1 to 13 form an integral part of these financial statements.

AL RAYAN QATAR ETF**STATEMENT OF CASH FLOWS**

For the period from 21 March 2018 to 31 December 2018

	Notes	For the period from 21 March 2018 to 31 December 2018 QAR
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets attributable to unit holders		30,473,027
<i>Adjustments for:</i>		
Net unrealized gain on revaluation of investment securities	10	<u>(30,459,166)</u>
Operating profit before changes in operating assets and liabilities		13,861
<i>Changes in :</i>		
Investment securities		9,381,560
Prepayments		(31,335)
Other payables and accrued expenses		196,778
Net cash from operating activities		<u>9,560,863</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units		2,921,610
Payments for redemption of redeemable units		(26,075)
Dividends paid to the unit holders		<u>(22,900,000)</u>
Net cash used in financing activities		<u>(20,004,465)</u>
Net decrease in cash and cash equivalents during the period		(10,443,601)
Balance of cash and cash equivalents at beginning of the period		11,158,972
Balance of cash and cash equivalents at 31 December		<u>715,371</u>

The attached notes 1 to 13 form an integral part of these financial statements.

AL RAYAN QATAR ETF

NOTES TO THE FINANCIAL STATEMENTS

For the period from 21 March 2018 to 31 December 2018

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 Commerce and Industry 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 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 Organization 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 financial statements of the Fund for the period from 21 March 2018 to 31 December 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 (CONTINUED)

(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 estimates and judgments

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 consistently throughout the period presented in 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 21 March 2018 to 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Financial instruments (continued)

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 income statement.

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

For the purpose of the cash flows statement, cash and cash equivalents consist of cash on hand, bank balances and short term deposits with original maturities of three months or less and are stated at amortized cost less provision for doubtful debts, if any.

(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;
- Dividend income is recognised when the Fund has the right to collect the dividends; and
- Income from bank deposits is recognised on a time apportioned basis over the period of the contract based on the principal amounts outstanding and the expected profits.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 21 March 2018 to 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) New standards and interpretations (continued)

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

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.

FAS 35 – Risk Reserves

The objective of this standard is to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the income statement taking investors, of Islamic financial institutions (IFIs/ the institutions).

The standard defines the accounting principles for risk reserves in line with the best practices of financial reporting and risk management. The standard encourages maintaining adequate risk reserves to safeguarding the interest of income and loss stakeholders particularly against various risks including credit, market, equity investment risks, as well as, the rate of return risk including displaces commercial risk. This is expected to provide better stability to the Islamic finance industry in line with the best practices. This standard does not mandatorily require to maintain risk reserves, however, it is applicable to any such reserves, by whichever name referred to by the institution, if they meet the definition of any of reserves covered by the standard.

This standard shall be effective for the financial periods beginning on or after 1 January 2021. Early adoption of the standard is permitted.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 21 March 2018 to 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) New standards and interpretations (continued)

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

The Fund is in the process of assessing the estimated impact of the initial application of FAS 35 will have on its financial statements.

(g) Fee and commission

Fee and commission expenses are recognised in income statement as the related services are performed.

4. FINANCIAL RISK MANAGEMENT

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

- a) credit risk;
- b) liquidity risk; and
- c) market risk

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 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. It arises principally from bank balances and other receivables. 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.

Exposure to credit risk

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.

Cash and cash equivalents

Bank balances*

2018
QAR

715,371

*The Fund has current and call accounts with Qatari banks and profit bearing call account with the Founder, that have acceptable credit ratings.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) 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 0.13% of its net assets invested in cash and cash equivalents.

AL RAYAN QATAR ETF

NOTES TO THE FINANCIAL STATEMENTS

For the period from 21 March 2018 to 31 December 2018

4 FINANCIAL RISK MANAGEMENT (continued)

b) Liquidity risk (continued)

Maturity analysis

Analysis of equity at fair value through income statement 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.

2018	0 to 3 Months QAR	3 to 6 Months QAR	6 to 12 Months QAR	1 to 5 Years QAR	More than 5 years QAR	Total QAR
Financial assets						
Bank balances	715,371	-	-	-	-	715,371
Investment securities	538,071,939	-	-	-	-	538,071,939
Prepayments	31,335	-	-	-	-	31,335
Total financial assets	538,818,645	-	-	-	-	538,818,645
Financial liabilities						
Other payables and accrued expenses	196,778	-	-	-	-	196,778
Total financial liabilities	196,778	-	-	-	-	196,778
Liquidity gap	538,621,867	-	-	-	-	538,621,867

NOTES TO THE FINANCIAL STATEMENTS

For the period from 21 March 2018 to 31 December 2018

4 FINANCIAL RISK MANAGEMENT (continued)

c) 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.

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of financial instruments.

The following table analyses the Fund's profit rate risk exposure. The Fund's assets and liabilities are included at fair value and categorised by the earlier of contractual re-pricing or maturity dates.

	0 to 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 years	More than 5 years	Non-profit bearing	Total
2018	QAR	QAR	QAR	QAR	QAR	QAR	QAR
Assets							
Bank balances	715,371	-	-	-	-	-	715,371
Investment securities	-	-	-	-	-	538,071,939	538,071,939
Other receivables	-	-	-	-	-	31,335	31,335
Total assets	715,371	-	-	-	-	538,103,274	538,818,645
Liabilities							
Other payables and accrued expenses	-	-	-	-	-	196,778	196,778
Total liabilities	-	-	-	-	-	196,778	196,778
Total profit sensitivity gap	715,371	-	-	-	-	537,906,496	538,621,867

NOTES TO THE FINANCIAL STATEMENTS

For the period from 21 March 2018 to 31 December 2018

4 FINANCIAL RISK MANAGEMENT (continued)**c) Market risk (continued)*****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 equity securities. As of 31 December 2018 the fund has equity securities amounting to QAR 538,071,939. A 1% variation in the equity indices would result in increase / (decrease) in the fair values of equity securities and the income statement by QAR 5,380,719.

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 unit holders equity price risk in the Fund's equity portfolio by geographical distribution (based on counterparties' place of primary listing or, if not listed, place of domicile).

	2018 % of equity securities
State of Qatar	100%
	100%

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

	2018 % of equity securities
Industrials	37%
Banks & Financial Services	30%
Real Estate	13%
Consumer Goods & Services	11%
Transport	5%
Telecom	4%
	100%

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.

AL RAYAN QATAR ETF

NOTES TO THE FINANCIAL STATEMENTS

For the period from 21 March 2018 to 31 December 2018

4 FINANCIAL RISK MANAGEMENT (continued)

(d) Fair value of financial assets and liabilities (continued)

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 31 December 2018 is QAR 538,071,939 under level 1 of fair value hierarchy.

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

5. CARRYING AMOUNTS VERSUS FAIR VALUES

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2018			Fair value
	Fair value through profit or loss	Amortised cost	Total Carrying amount	
Assets				
Bank balances	-	715,371	715,371	715,371
Investment securities	538,071,939	-	538,071,939	538,071,939
Other receivables	-	31,335	31,335	31,335
Total assets	538,071,939	746,706	538,818,645	538,818,645
Liabilities				
Other payables	-	196,778	196,778	196,778
Total Liabilities	-	196,778	196,778	196,778

6. Bank Balances

	2018 QAR
Balance with banks	712,731
Accrued profit	2,640
	<u>715,371</u>

AL RAYAN QATAR ETF**NOTES TO THE FINANCIAL STATEMENTS**For the period from 21 March 2018 to 31 December 2018

7. INVESTMENT SECURITIES

Investment securities carried as fair value through income statement:

	2018 QAR
Listed equity securities – State of Qatar	538,071,939
	<u>538,071,939</u>

Cost and fair market value of the investment securities are as follows:

Cost of Investments held at year end	507,612,773
Unrealized gain on revaluation of investments	30,459,166
Fair market value	<u>538,071,939</u>

Investment securities are denominated in the following currencies:

Currency	
Qatari Riyals	538,071,939
	<u>538,071,939</u>

8. ISSUED AND FULLY PAID UNITS

	2018 Units
Units at the beginning of the period	19,500,000
Subscriptions during the period	3,500,000
Redemptions during the period	(500,000)
	<u>22,500,000</u>

9. OTHER PAYABLES AND ACCRUED EXPENSES

	2018 QAR
Accrued management fees	109,395
Accrued custodian fees	47,222
Accrued audit fees	27,311
Accrued other expenses	12,850
	<u>196,778</u>

10. NET GAIN FROM INVESTMENT SECURITIES

	2018 QAR
Net realized loss on sale of investment securities	(6,519,901)
Net unrealized gain on revaluation of investment securities	30,459,166
	<u>23,939,265</u>

AL RAYAN QATAR ETF

NOTES TO THE FINANCIAL STATEMENTS

For the period from 21 March 2018 to 31 December 2018

11. EXPENSES

	2018 QAR
Management fees (Note 12)	904,090
Custodian fees	426,164
Transaction cost	396,137
Listing fee	221,665
Audit fees	54,638
Others	40,631
Total Expenses	2,043,325
Total Expense Ratio (TER) for the period based on average daily NAV	0.50%

Total expense of the Fund include management fee, custody fee, index fee, auditor's fee, regulator's fee and other miscellaneous fees. The total expenses (TER) are set at 0.50% of the total net asset value of the Fund and calculated on daily basis.

12. 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 fees

The Fund pays management fee to the Fund Manager. 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.

	2018 QAR
Statement of financial position items	
Accrued management fee	109,395
Bank balance	715,371
	<u>824,766</u>
	2018 QAR
Income statement items	
Management fee	904,090
Profit on bank balance	2,640
	<u>906,730</u>

13. COMPARATIVE INFORMATION

The Fund was launched on 21 March 2018; hence, there are no comparatives for the reporting period. The Fund received initial seed capital from the investors which formed part of the opening balances of the Fund. The initial seed capital received by the Fund was in the form of equity securities and cash of which the baskets of units were created and distributed among the investors on the launch date of the Fund.