

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

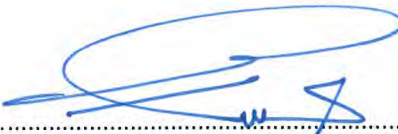
Gopal Balasubramaniam
KPMG
Auditor's Registration No. 251
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License No.120153

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:
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I. Dakh
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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.