

AL RAYAN QATAR ETF
CONDENSED INTERIM FINANCIAL STATEMENTS
30 September 2019

AL RAYAN QATAR ETF

CONDENSED INTERIM FINANCIAL STATEMENTS
As at and for the period ended 30 September 2019

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

Introduction

We have reviewed the accompanying 30 September 2019 condensed interim financial statements of Al Rayan Qatar ETF ('the Fund'), which comprise:

- the condensed statement of financial position as at 30 September 2019;
- the condensed income statement for the three and nine month periods ended 30 September 2019;
- the condensed statement of changes in net assets attributable to the unit holders for the nine month period ended 30 September 2019;
- the condensed statement of cash flows for the nine month period ended 30 September 2019; and
- notes to the condensed interim financial statements.

The Fund Manager of the Fund is responsible for the preparation and presentation of these condensed 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 condensed 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 30 September 2019 condensed interim financial statements are not prepared, in all material respects, in accordance with FAS issued by AAOIFI and the applicable provisions of QCB regulations.

16 October 2019
Doha
State of Qatar


Gopal Balasubramaniam
KPMG
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AL RAYAN QATAR ETF

CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 September 2019

In Qatari Riyals

| | Note | 30 September 2019 (Reviewed) | 31 December 2018 (Audited) |
|--|------|------------------------------------|----------------------------------|
| ASSETS | | | |
| Bank balances | | 3,247,903 | 715,371 |
| Investment securities | 3 | 525,214,510 | 538,071,939 |
| Trade settlements | | 905,790 | - |
| Other receivables | | 45,429 | 31,335 |
| TOTAL ASSETS | | 529,413,632 | 538,818,645 |
| LIABILITIES | | | |
| Other payables and accrued expenses | | 1,233,044 | 196,778 |
| TOTAL LIABILITIES | | 1,233,044 | 196,778 |
| NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS | | 528,180,588 | 538,621,867 |
| NUMBER OF UNITS IN ISSUE | 4 | 225,000,000 | 225,000,000 |
| NET ASSET VALUE PER UNIT | | 2.347 | 2.394 |

These condensed interim financial statements were approved by the Founder and the Fund Manager on 16 October 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 L.L.C.
 The Fund Manager

The accompanying notes 1 to 10 form an integral part of these condensed interim financial statements.

AL RAYAN QATAR ETF

CONDENSED INCOME STATEMENT

For the three and nine month periods ended 30 September 2019

In Qatari Riyals

| | Note | For the three month period ended 30 September 2019 | For the three month period ended 30 September 2018 | For the nine month period ended 30 September 2019 | For the period from 21 March to 30 September 2018 |
|--|------|--|--|--|---|
| ----- <i>(Reviewed)</i> ----- | | | | | |
| OPERATING INCOME | | | | | |
| Net (loss) / gain from investment securities | 5 | (8,179,380) | 32,327,609 | (9,246,999) | 10,567,661 |
| Net dividend income | | - | - | 25,464,209 | 8,572,505 |
| Profit on bank balances | | 13,886 | - | 107,356 | - |
| Total (loss) / income | | (8,165,494) | 32,327,609 | 16,324,566 | 19,140,166 |
| EXPENSES | | | | | |
| Expenses | 6 | (660,438) | (665,315) | (2,015,845) | (1,362,758) |
| Total expenses | | (660,438) | (665,315) | (2,015,845) | (1,362,758) |
| CHANGE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS | | (8,825,932) | 31,662,294 | 14,308,721 | 17,777,408 |

The accompanying notes 1 to 10 form an integral part of these condensed interim financial statements.

AL RAYAN QATAR ETF**CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS**
For the nine month period ended 30 September 2019 In Qatari Riyals

| | 30 September 2019 (Reviewed) | 30 September 2018 (Reviewed) |
|--|---|------------------------------------|
| Balance at 1 January 2019 (Audited) / 21 March 2018 (Unaudited) | 538,621,867 | 460,412,072 |
| Change in net assets attributable to the unit holders | 14,308,721 | 17,777,408 |
| <u>Creations and redemptions by authorised participants:</u> | | |
| Issue of redeemable units during the period | - | 82,421,798 |
| Payment for redemption of redeemable units | - | (11,785,030) |
| Transactions with the unit holders | - | 70,636,768 |
| Dividends paid to the unit holders | (24,750,000) | (22,900,000) |
| Balance at 30 September | 528,180,588 | 525,926,248 |

The accompanying notes 1 to 10 form an integral part of these condensed interim financial statements.

AL RAYAN QATAR ETF

CONDENSED STATEMENT OF CASH FLOWS
For the nine month period ended 30 September 2019

In Qatari Riyals

| | Note | For the nine month period ended 30 September 2019 (Reviewed) | For the period from 21 March 2018 to 30 September 2018 (Reviewed) |
|--|------|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Change in net assets attributable to unit holders | | 14,308,721 | 17,777,408 |
| <i>Adjustments for:</i> | | | |
| Net unrealised losses / (gains) on revaluation of investment securities | 5 | 3,756,843 | (17,073,140) |
| Operating profit before changes in operating assets and liabilities | | <u>18,065,564</u> | <u>704,268</u> |
| <i>Changes in :</i> | | | |
| Investment securities | | 9,100,586 | 11,948,397 |
| Other receivables | | (14,094) | (67,826) |
| Other payables and accrued expenses | | 1,036,266 | 900,792 |
| Trade settlements | | (905,790) | 601,072 |
| Net cash from operating activities | | <u>27,282,532</u> | <u>14,086,703</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 | | (24,750,000) | (22,900,000) |
| Net cash used in financing activities | | <u>(24,750,000)</u> | <u>(20,004,465)</u> |
| Net increase / (decrease) in cash and cash equivalents during the period | | 2,532,532 | (5,917,762) |
| Balance of cash and cash equivalents at the beginning of the period | | 715,371 | 11,158,972 |
| Balance of cash and cash equivalents at 30 September | | <u>3,247,903</u> | <u>5,241,210</u> |

The accompanying notes 1 to 10 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 ended 30 September 2019

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 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 may be 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 condensed interim 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"). Accordingly, the condensed interim financial statements have been prepared in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting'.

b) Basis of preparation

The condensed interim financial statements of the Fund for the three and nine month periods ended 30 September 2019 have been prepared in accordance with FAS and applicable provisions of the QCB regulations and is presented in Qatari Riyals, which is the functional and presentation currency of the Fund.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

As at and for the period ended 30 September 2019

2. BASIS OF PREPARATION (CONTINUED)

b) Basis of preparation (continued)

The condensed interim financial statements do not contain all information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2018. In addition, results for the period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

c) Significant accounting policies

These condensed interim 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.

In preparing these condensed interim 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 in the period in which it is revised and in any future periods affected.

The significant judgments made by Fund Manager in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2018.

The financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2018.

The accounting policies applied in these condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2018, except for the adoption of new standards and interpretations noted below:

New standards and interpretations

New standards, amendments and interpretations effective from 1 January 2019

FAS 28 – Murabaha and other deferred payment sales

AAOIFI has issued FAS 28 Murabaha and Other Deferred Payment Sales in 2017. FAS 28 supersedes the earlier FAS 2 "Murabaha and Murabaha to the Purchase Orderer" and FAS 20 "Deferred Payment Sale".

The objective of this standard is to prescribe the appropriate accounting and reporting principles for recognition, measurement and disclosures in relation to Murabaha and other deferred payment sales transactions for the sellers and buyers, for such transactions.

The new standard is effective for annual reporting periods beginning on or after 1 January 2019 and has no impact on the Fund's condensed interim financial statements.

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

2. BASIS OF PREPARATION (CONTINUED)

Significant accounting policies (continued)

New standards and interpretations (continued)

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

FAS 30 – Impairment, credit losses and onerous commitments (continued)

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 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.

AAOIFI has issued FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar) in 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. This standard shall be effective for the financial periods beginning on or after 1 January 2020 with early adoption permitted.

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

FAS 33 – Investments in Sukuk, shares and similar instruments

AAOIFI has issued FAS 33 Investment in sukuk, shares and similar instruments in 2019. FAS 33 supersedes the earlier FAS 25 " Investment in sukuks, shares and similar instruments ". The objective of this standard is to set out improved principles for classification, recognition, measurement, presentation and disclosure of investments in Sukuk, shares and other similar instruments of investment made by Islamic Financial Institutions in line with Shari'ah principles. This standard shall be effective for the financial periods beginning on or after 1 January 2020 with early adoption permitted.

The Fund is in the process of assessing the impact of the initial application of FAS 33 will have on its financial statements.

FAS 34 – Financial reporting for sukuk-holders

The objective of this standard is to establish the principles of accounting and financial reporting for assets and business underlying the Sukuk to ensure transparent and fair reporting for all stakeholders particularly Sukukholders. This standard shall be effective for the financial periods beginning on or after 1 January 2020 with early adoption permitted.

The Fund is in the process of assessing the impact of the initial application of FAS 34 will have on its financial statements.

FAS 35 – Risk Reserves

AAOIFI has issued FAS 35 "Risk Reserves" in 2018. This standard along with FAS 30 'Impairment, Credit losses and onerous commitments' supersede the earlier FAS 11 "Provisions and 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).

2. BASIS OF PREPARATION (CONTINUED)**New standards and interpretations (continued)**

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

This standard shall be effective for the financial periods beginning on or after 1 January 2021. Early adoption of the standard is permitted. The Fund is in the process of assessing the impact of the initial application of FAS 35 will have on its financial statements.

3. INVESTMENT SECURITIES

Investment securities carried as fair value through income statement

| | 30 September 2019 <i>(Reviewed)</i> | 31 December 2018 <i>(Audited)</i> |
|---|---|---|
| Listed equity securities – State of Qatar | <u>525,214,510</u> | <u>538,071,939</u> |

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

| | 30 September 2019 <i>(Reviewed)</i> | 31 December 2018 <i>(Audited)</i> |
|---|---|---|
| Cost of Investments | 498,580,617 | 507,681,203 |
| Unrealized gain on revaluation of investments | 26,633,893 | 30,390,736 |
| Fair market value | <u>525,214,510</u> | <u>538,071,939</u> |

All the investment securities are denominated in Qatari Riyal.

4. ISSUED AND FULLY PAID UNITS

| | 30 September 2019 <i>(Reviewed)</i> | 31 December 2018 <i>(Audited)</i> |
|--------------------------------------|---|---|
| Units at the beginning of the period | 225,000,000 | 195,000,000 |
| Subscriptions during the period | - | 35,000,000 |
| Redemptions during the period | - | (5,000,000) |
| | <u>225,000,000</u> | <u>225,000,000</u> |

As per instructions from Qatar Financial Market Authority (QFMA), the Fund has obtained the required approval from QFMA dated 17 April 2019 for the split of 10 units for each 1 unit. This has led to an increase in the number of units from 22,500,000 to 225,000,000. The listing of the new stock on Qatar Exchange was implemented on 7 July 2019, as decided by Qatar Exchange. Consequently, the number of units outstanding has been retrospectively adjusted.

5. NET (LOSS) / GAIN FROM INVESTMENT SECURITIES

| | For the three month period ended 30 September 2019 | For the three month period ended 30 September 2018 | For the nine month period ended 30 September 2019 | For the period from 21 March 2018 to 30 September 2018 |
|--|---|---|--|---|
| | ----- <i>Reviewed</i> ----- | | | |
| Net realized losses on sale of investment securities | (858,355) | (3,661,871) | (5,490,156) | (6,505,479) |
| Net unrealized (loss) / gain on revaluation of investment securities | (7,321,025) | 35,989,480 | (3,756,843) | 17,073,140 |
| | <u>(8,179,380)</u> | <u>32,327,609</u> | <u>(9,246,999)</u> | <u>10,567,661</u> |

6. EXPENSES

Total expense of the Fund is defined in the articles of association under total expense ratio (TER). TER includes amongst others management fee, custody fee, index fee, auditor's fee, etc. TER is set at 0.50% of the total net asset value of the Fund and calculated on daily basis

7. 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 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.

| | 30 September 2019 (Reviewed) | 31 December 2018 (Audited) |
|--|---|---|
| Statement of financial position items | | |
| Bank balance | <u>2,622,167</u> | <u>715,371</u> |
| | <u>2,622,167</u> | <u>715,371</u> |

8. 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.

8. Fair value hierarchy (continued)

The fair value of investment securities as at 30 September 2019 is QAR 525,214,510 under level 1 of fair value hierarchy.

During the reporting period 30 September 2019, there were no transfers made between Level 1, level 2 and Level 3 fair value measurements.

9. DIVIDENDS

During the nine month period ended 30 September 2019, the Fund distributed dividends amounting to QR 24.75 million (30 September 2018: QR 22.90 million). However for the three months period ended 30 September 2019 (30 September 2018: QR Nil), the Fund did not distribute any dividends.

10. COMPARATIVE INFORMATION

Certain comparative figures have been reclassified to conform to the presentation in the current period's condensed interim financial statements. However, such reclassification does not have effect on the net income and net assets of previous period.