

AL RAYAN QATAR ETF
INTERIM CONDENSED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2020

AL RAYAN QATAR ETF

INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

**To the Unit Holders of Al Rayan Qatar ETF
Doha – Qatar**

Introduction

We have reviewed the accompanying interim condensed financial statements of Al Rayan Qatar ETF (“the Fund”) which comprise the interim condensed statement of financial position as at March 31, 2020, and the related interim condensed statements of income, changes in net assets attributable to unit holders and cash flows for the three-month period then ended, and certain explanatory notes. The Manager of the Fund is responsible for the preparation and presentation of these interim condensed financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”) and the applicable provisions of Qatar Central Bank regulations (“QCB”). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of the interim financial information 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.

Other matter

The financial statements and interim condensed financial statements of the Fund for the year ended 31 December 2019 and for the three-month period ended 31 March 2019, respectively, were audited / reviewed by another auditor who expressed an unmodified audit report and review conclusion on those statements on 20 January 2020 and 17 April 2019, respectively.

INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)

Conclusion

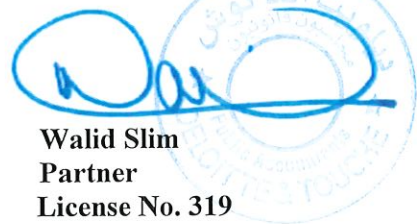
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not presented fairly, in all material respects, in accordance with the Financial Accounting Standards issued by AAOIFI and applicable provisions of Qatar Central Bank regulations.

Emphasis of matter

We draw attention to disclosure in note 12 to the interim condensed financial statements, which describe the effects of the coronavirus (COVID-19) pandemic and their detrimental effect on the financial position and performance of the Fund. Our conclusion is not modified in respect of this matter.

Doha – Qatar
April 19, 2020

For Deloitte & Touche
Qatar Branch



Walid Slim
Partner
License No. 319
QFMA Auditor
License No. 120156

AL RAYAN QATAR ETF**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**

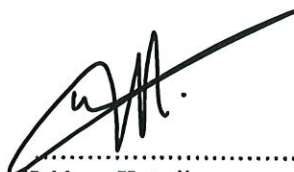
As at 31 March 2020

	Note	31 March 2020 QAR (Reviewed)	31 December 2019 QAR (Audited)
ASSETS			
Bank balances	4	17,851,689	2,080,193
Investment securities	5	396,846,424	521,645,857
Trade settlements		25,551,788	--
Other receivables		242,301	--
TOTAL ASSETS		<u>440,492,202</u>	<u>523,726,050</u>
LIABILITIES			
Trade settlements		26,117,117	--
Accrued expenses		644,216	1,225,735
TOTAL LIABILITIES		<u>26,761,333</u>	<u>1,225,735</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>413,730,869</u>	<u>522,500,315</u>
NUMBER OF UNITS IN ISSUE	6	<u>225,200,000</u>	<u>225,000,000</u>
NET ASSET VALUE PER UNIT		<u>1.8372</u>	<u>2.3222</u>

These interim condensed financial statements for the three-month period ended 31 March 2020 were authorised for issue by the Founder and the Fund Manager on 19 April 2020.



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



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



THE ACCOMPANYING NOTES FORM AN INTEGRAL PARTS OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS



AL RAYAN QATAR ETF**INTERIM CONDENSED INCOME STATEMENT**
For the three-month period ended 31 March 2020

		<i>For the three-month period ended</i>	
		<u>31 March</u>	
		2020	2019
		QAR	QAR
	<i>Note</i>	(Reviewed)	(Reviewed)
OPERATING (LOSS) / INCOME			
Net loss from investment securities	7	(125,793,916)	(4,169,864)
Net dividend income		17,166,334	23,368,345
Profit on bank balances		22,923	25,444
Total (loss) / income		<u>(108,604,659)</u>	<u>19,223,925</u>
EXPENSES			
Expenses	8	<u>(594,846)</u>	<u>(679,762)</u>
Total expenses		<u>(594,846)</u>	<u>(679,762)</u>
CHANGE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS			
		<u>(109,199,505)</u>	<u>18,544,163</u>

THE ACCOMPANYING NOTES FORM AN INTEGRAL PARTS OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS

AL RAYAN QATAR ETF**INTERIM CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS**

For the three-month period ended 31 March 2020

	<i>For the three-month period ended 31 March</i>	
	2020 QAR (Reviewed)	2019 QAR (Reviewed)
Balance at 1 January (Audited)	522,500,315	538,621,867
Change in net assets attributable to the unit holders	(109,199,505)	18,544,163
<u>Creations and redemptions by authorised participants:</u>		
Issue of redeemable units during the period	430,059	--
Transactions with the unit holders	430,059	--
Balance at 31 March (Reviewed)	413,730,869	557,166,030

THE ACCOMPANYING NOTES FORM AN INTEGRAL PARTS OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS

AL RAYAN QATAR ETF

INTERIM CONDENSED STATEMENT OF CASH FLOWS
For the three-month period ended 31 March 2020

	Note	<i><u>For the three-month period ended</u></i>	
		<i><u>31 March</u></i>	
		<i>2020</i>	<i>2019</i>
		<i>QAR</i>	<i>QAR</i>
		<i>(Reviewed)</i>	<i>(Reviewed)</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets attributable to unit holders		(109,199,505)	18,544,163
<i>Adjustments for:</i>			
Net unrealized loss / (gain) on revaluation of investment securities	7	<u>122,199,018</u>	<u>(347,570)</u>
Operating profit before changes in operating assets and liabilities		12,999,513	18,196,593
<i>Changes in :</i>			
Investment securities		3,029,570	6,908,476
Other receivables		(242,301)	(113,128)
Trade settlements		565,329	(2,573,485)
Accrued expenses		<u>(581,519)</u>	<u>579,605</u>
Net cash from operating activities		<u>15,770,592</u>	<u>22,998,061</u>
CASH FLOWS FROM FINANCING ACTIVITY			
Value of the units issued		<u>904</u>	<u>--</u>
Net cash from financing activity		<u>904</u>	<u>--</u>
Net increase in cash and cash equivalents during the period		15,771,496	22,998,061
Balance of cash and cash equivalents at the beginning of the period		2,080,193	715,371
Balance of cash and cash equivalents at 31 March		<u>17,851,689</u>	<u>23,713,432</u>

THE ACCOMPANYING NOTES FORM AN INTEGRAL PARTS OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS

AL RAYAN QATAR ETF

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
As at and for the three-month period ended 31 March 2020

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 (the "Ministry") 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 ("QSE" or 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 upon approval by 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 interim condensed financial statements have been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and applicable provisions of the Qatar Central Bank ("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 interim condensed financial statements have been prepared in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting'.

2. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

The interim condensed financial statements do not contain all information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund's annual financial statements as at 31 December 2019. In addition, results for the three-month period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

(b) Basis of measurement

These interim condensed 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.

(c) Functional and presentational currency

The interim condensed financial statements are presented in Qatari Riyal ("QAR"), which is the Fund's functional and presentational currency.

3. SIGNIFICANT ACCOUNTING POLICIES

(i) New standards, amendments and interpretations effective from 1 January 2020

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

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.

FAS 33 - Investment 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 sukuku, 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.

FAS 34 - Financial reporting for Sukuk-holders

AAOIFI has issued FAS 34 'Financial reporting for Sukuk-holders' in 2019. 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.

The new standards are effective for annual reporting periods beginning on or after 1 January 2020 and have no material impact on the Fund's interim condensed financial statements.

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

The Fund has not yet applied the following new and revised FASs that have been issued but are not yet effective:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(ii) New standards, amendments and interpretations issued but not yet effective (continued)***FAS 32 - Ijarah*

AAOIFI has issued FAS 32 'Ijarah' in 2019. FAS 32 improves upon and supersedes FAS 8 – 'Ijarah and Ijarah Muntahia Bittamleek' originally issued in 1997. This standard aims at setting out principles for the classification, recognition, measurement, presentation and disclosure of Ijarah type transactions including their different forms entered into by an institution, in both the capacities of lessor and lessee. This standard shall be effective for financial periods beginning on or after 1 January 2021 with early adoption permitted.

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 profit and loss taking investors, of Islamic financial institutions (IFIs/ the institutions).

This standard shall be effective for financial periods beginning on or after 1 January 2021 with early adoption permitted, only if the Fund early adopts FAS 30 - Impairment, credit losses and onerous commitments.

The Fund is currently evaluating the impact of the above standards.

4. BANK BALANCES

	<i>31 March 2020 (Reviewed)</i>	<i>31 December 2019 (Audited)</i>
Balance with banks	17,835,158	2,076,309
Accrued profit	<u>16,531</u>	<u>3,884</u>
	<u>17,851,689</u>	<u>2,080,193</u>

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries. Accordingly, management of the Fund estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 month ECL. None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the bank, the management of the Fund have assessed that there is no material impairment, and hence have not recorded any loss allowances on these balances.

5. INVESTMENT SECURITIES

Investment securities classified as fair value through income statement

	<i>31 March 2020 (Reviewed)</i>	<i>31 December 2019 (Audited)</i>
Listed equity securities – State of Qatar	<u>396,846,424</u>	<u>521,645,857</u>

AL RAYAN QATAR ETF

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS As at and for the three-month period ended 31 March 2020

5. INVESTMENT SECURITIES (CONTINUED)

The cost and fair value of the investment securities are as follows:

	<i>31 March 2020 (Reviewed)</i>	<i>31 December 2019 (Audited)</i>
Cost of investments securities held at period /year end	496,927,778	499,528,193
Unrealized (loss) / gain on revaluation of investment securities	<u>(100,081,354)</u>	<u>22,117,664</u>
Fair value	<u>396,846,424</u>	<u>521,645,857</u>

Investment securities are denominated in the following currencies:

	<i>31 March 2020 (Reviewed)</i>	<i>31 December 2019 (Audited)</i>
Qatari Riyals	<u>396,846,424</u>	<u>521,645,857</u>

6. NUMBER OF UNITS IN ISSUE

	<i>31 March 2020 (Reviewed)</i>	<i>31 December 2019 (Audited)</i>
Units at the beginning of the period / year	225,000,000	225,000,000
Subscriptions during the period / year	<u>200,000</u>	<u>--</u>
	<u>225,200,000</u>	<u>225,000,000</u>

7. NET LOSS FROM INVESTMENT SECURITIES

	<i><u>For the three-month period ended 31 March</u></i>	
	<i>2020 (Reviewed)</i>	<i>2019 (Reviewed)</i>
Net realized losses on sale of investment securities	(3,594,898)	(4,517,434)
Net unrealized (losses) / gain on revaluation of investment securities	<u>(122,199,018)</u>	<u>347,570</u>
	<u>(125,793,916)</u>	<u>(4,169,864)</u>

8. EXPENSES

	<i><u>For the three-month period ended 31 March</u></i>	
	<i>2020 (Reviewed)</i>	<i>2019 (Reviewed)</i>
Total expenses	594,846	679,762
Total Expense Ratio (TER) for the three-month period based on average daily NAV	<u>0.50%</u>	<u>0.50%</u>

AL RAYAN QATAR ETF

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS As at and for the three-month period ended 31 March 2020

8. EXPENSES (CONTINUED)

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

9. DIVIDENDS

During the three-month period ended 31 March 2020, the Fund did not distribute any dividends (31 March 2019 – nil).

10. RELATED PARTIES

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.

	<i>31 March 2020 (Reviewed)</i>	<i>31 December 2019 (Audited)</i>
Statement of financial position items		
Bank Balance	<u>17,851,689</u>	<u>2,080,193</u>
	<i><u>For the three-month period ended</u></i>	
	<i><u>31 March</u></i>	
	<i>2020</i>	<i>2019</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Income statement items		
Profit on bank balance	<u>22,923</u>	<u>25,444</u>

11. FAIR VALUE HIERARCHY

The carrying amounts of the financial instruments, other than financial investments classified as fair value through income statement which is carried at fair value, are a reasonable approximation of their fair values.

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;

11. FAIR VALUE HIERARCHY (CONTINUED)

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.

For financial instruments that are recognised at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Fund held the following financial assets at fair value through income statement as at the end of the reporting periods:

<u>Date of valuation</u>	<u>Fair value</u> <i>QAR</i>	<u>Level 1</u> <i>QAR</i>	<u>Level 2</u> <i>QAR</i>	<u>Level 3</u> <i>QAR</i>
March 31, 2020	<u>396,846,424</u>	<u>396,846,424</u>	--	--
December 31, 2019	<u>521,645,857</u>	<u>521,645,857</u>	--	--

During the reporting periods March 31, 2020 and December 31, 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. The fair values of other financial instruments approximate their carrying values.

12. IMPACT OF COVID-19

The rapid spread of the coronavirus (“COVID-19”) pandemic across the globe is causing disruptions to businesses and economic activities. The interim condensed financial statements of the Fund, which are prepared based on management best estimates, has reflected the impact of COVID-19 on the financial assets of the Fund, particularly on those carried at fair value through income statement, which comprise a significant portion of the Fund’s total asset portfolio. However, the economic conditions remain volatile and the recorded amounts remain sensitive to market fluctuations.