

AL RAYAN QATAR ETF

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
31 DECEMBER 2020

AL RAYAN QATAR ETF

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

As at and for the year ended 31 December 2020

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INDEPENDENT AUDITOR'S REPORT

To the unit holders of Al Rayan Qatar ETF

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Al Rayan Qatar ETF (the 'Fund'), which comprise the statement of financial position as at 31 December 2020, the income statement, statement of changes in net assets attributable to the unit holders, statement of cash flows and statement of sources and uses of charity funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and the applicable provisions of Qatar Central Bank regulations (QCB regulations).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the Fund's financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Fund for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified audit opinion on those statements on 20 January 2020.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of the Fund Manager and those Charged with Governance for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with FAS issued by AAOIFI and the QCB regulations, and for such internal control as Fund Manager determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Fund has maintained proper accounting records and its financial statements are in agreement therewith. We are not aware of any violations of the applicable provision of the Qatar Central Bank regulations, the Qatar Commercial Companies Law No.11 of 2015 and the Fund's Articles of Association during the year which might have had a material effect on the Fund's financial position or performance as at and for the year 31 December 2020.

Doha – Qatar
19 January 2021

For Deloitte & Touche
Qatar Branch



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

AL RAYAN QATAR ETF

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	31 December 2020 QAR	31 December 2019 QAR
ASSETS			
Bank balances	6	1,617,285	2,080,193
Investment securities	7	542,172,868	521,645,857
TOTAL ASSETS		<u>543,790,153</u>	<u>523,726,050</u>
LIABILITIES			
Accrued expenses		553,953	1,225,735
TOTAL LIABILITIES		<u>553,953</u>	<u>1,225,735</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>543,236,200</u>	<u>522,500,315</u>
NUMBER OF UNITS IN ISSUE	8	<u>227,700,000</u>	<u>225,000,000</u>
NET ASSET VALUE PER UNIT		<u>2.3858</u>	<u>2.3222</u>

These financial statements for the year ended 31 December 2020 were authorised for issue by the Founder and the Fund Manager on 19 January 2021.



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

This statement has been prepared by Management of the Fund and stamped by the Auditors for identification purposes only

DELOITTE & TOUCHE
Doha - Qatar
19 JAN 2021
Signed for Identification
Purposes Only

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



AL RAYAN QATAR ETF

INCOME STATEMENT

For the year ended 31 December 2020

	<i>Note</i>	2020 <i>QAR</i>	2019 <i>QAR</i>
OPERATING INCOME / (LOSS)			
Net gain / (loss) from investment securities	9	16,970,301	(14,280,915)
Net dividend income		20,249,211	25,464,209
Profit on bank balances		67,674	118,595
Total income		37,287,186	11,301,889
EXPENSES			
Expenses	10	(2,451,719)	(2,673,441)
Total expenses		(2,451,719)	(2,673,441)
CHANGE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS			
		34,835,467	8,628,448

This statement has been prepared by Management of the Fund and stamped by the Auditors for identification purposes only



The accompanying 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 year ended 31 December 2020

	2020 <i>QAR</i>	2019 <i>QAR</i>
	<i>Note</i>	
Balance at 1 January	<u>522,500,315</u>	<u>538,621,867</u>
Change in net assets attributable to the unit holders	34,835,467	8,628,448
<u>Creations and redemptions by authorised participants:</u>		
Issue of redeemable units during the year	8,823,991	--
Redemption of redeemable units during the year	<u>(2,637,573)</u>	<u>--</u>
Transactions with the authorised participants	<u>6,186,418</u>	<u>--</u>
Dividend paid to unit holders during the year	11 <u>(20,286,000)</u>	<u>(24,750,000)</u>
Balance at 31 December	<u>543,236,200</u>	<u>522,500,315</u>

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

AL RAYAN QATAR ETF

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 <i>QAR</i>	2019 <i>QAR</i>
Notes		
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets attributable to unit holders	34,835,467	8,628,448
<i>Adjustments for:</i>		
Net unrealized (gain) / loss on revaluation of investment securities	9 <u>(23,610,565)</u>	<u>8,273,072</u>
Operating profit before changes in operating assets and liabilities	11,224,902	16,901,520
<i>Changes in :</i>		
Investment securities	9,241,189	8,153,010
Prepayments	-	31,335
Other payables and accrued expenses	<u>(671,782)</u>	<u>1,028,957</u>
Net cash from operating activities	<u>19,794,309</u>	<u>26,114,822</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	78,237	--
Payments for redemption of redeemable units	(49,454)	--
Dividends paid to the unit holders	11 <u>(20,286,000)</u>	<u>(24,750,000)</u>
Net cash used in financing activities	<u>(20,257,217)</u>	<u>(24,750,000)</u>
Net (decrease) / increase in cash and cash equivalents during the year	(462,908)	1,364,822
Balance of cash and cash equivalents at the beginning of the year	<u>2,080,193</u>	<u>715,371</u>
Balance of cash and cash equivalents at 31 December	<u>1,617,285</u>	<u>2,080,193</u>

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

AL RAYAN QATAR ETF

STATEMENT OF SOURCES AND USES OF CHARITY FUND

For the year ended 31 December 2020

	2020 <i>QAR</i>	2019 <i>QAR</i>
Sources of charity fund		
Earnings prohibited by sharia during the year	<u>254,863</u>	<u>266,243</u>
Uses of charity fund		
Purification during the year	<u>254,863</u>	<u>266,243</u>
Net earnings prohibited by sharia during the year	<u>-</u>	<u>-</u>

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

AL RAYAN QATAR ETF

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 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 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”).

2. BASIS OF PREPARATION (CONTINUED)

(b) 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.

(c) 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.

(d) 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.

(e) Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Financial instruments (continued)

De-recognition (continued)

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.

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.

Expected Credit Loss (ECL)

The Fund applies the ECL model for the measurement and recognition of impairment losses on the financial assets and credit risk exposures, comprising bank balances. All investments of the Fund are classified as held to for trade.

Financial assets where no significant increase in credit risk has been observed are considered to be in 'stage 1' and for which a 12-month ECL is recognised. Financial assets that are considered to have significant increase in credit risk are considered to be in 'stage 2' and those which are in default or for which there is an objective evidence of impairment are considered to be in 'stage 3'. Lifetime ECL is recognised for stage 2 and stage 3 financial assets.

At initial recognition, allowance is required for ECL towards default events that are possible in the next 12 months, or less, where the remaining life is less than 12 months.

In the event of a significant increase in credit risk, allowance (or provision) is required for ECL towards all possible default events over the expected life of the financial instrument ('lifetime ECL').

Financial assets (and the related impairment loss allowances) are written off in full, when there is no realistic prospect of recovery.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 investments 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 short term investment is recognised on a time apportioned basis over the period of the contract based on the principal amounts outstanding and the expected profits.

(f) Dividend policy

The Fund will distribute dividends at the Fund Manager's sole discretion. The Fund will distribute dividends to the unit holders from the income it receives from Index Securities, net of expenses and dividend purification, at least annually.

(g) Fee and commission

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

(h) Zakat

Zakat is directly borne by the unitholders. The Fund does not deduct or pay Zakat on behalf of its unitholders.

(i) New standards and interpretations

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

FAS 33 - Investment in sukuk, shares and similar instruments

AAOIFI has issued FAS 33 'Investment in sukuk, shares and similar instruments' in 2018. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) New standards and interpretations (continued)

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

The new standard is effective for annual reporting periods beginning on or after 1 January 2020 and has no material impact on the Fund's financial statements.

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

There are no new and revised FASs that have been issued but are not yet effective that are applicable to the Fund.

4. FINANCIAL RISK MANAGEMENT

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

- a) credit risk;
- b) liquidity risk;
- c) market risk; and
- d) tracking error risk.

Introduction and overview

The Fund's objective in managing risks is the creation and protection of unit holder value while meeting the investment objective of the Fund. Risk is inherent in the Fund's activities, and 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. Control functions are established for 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 required credit standards set by the Fund Manager.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)**a) Credit risk (continued)****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.

	2020	2019
	<i>QAR</i>	<i>QAR</i>
Cash and cash equivalents		
Bank balances*	<u>1,617,285</u>	<u>2,080,193</u>

*The Fund has current and short-term investment accounts with Qatari banks and a profit bearing short-term investment account with the Founder, with acceptable credit ratings.

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the Qatar Central Bank. Accordingly, the management of the Fund estimates the loss allowance on balances with banks at an amount equal to 12 month ECL, which was QAR 229 as at the end of the reporting period (31 December 2019: QAR nil).

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, and/or the risk of a severe downward/ upward price revision as a result of attempting to sell/ buy a particular security in the event of rebalancing, creation or redemption. Liquidity risk arises when the fund rebalances twice a year in line with the changes in Index composition, if any. Liquidity risk may also arise when any of the securities of the Index is suspended or delisted by the Exchange or by the regulators. .

The Fund seeks to replicate, before fees and expenses, the performance results of the Index by investing in Index components in line with the weights of such securities in the Index, which under normal market conditions, are readily convertible to cash.

As at the report date, the Fund has 0.30% (2019: 0.40%) of its net assets invested in cash and cash equivalents.

AL RAYAN QATAR ETF

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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.

2020	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	1,617,285	-	-	-	-	1,617,285
Investment securities	542,172,868	-	-	-	-	542,172,868
Total financial assets	543,790,153	-	-	-	-	543,790,153
Financial liabilities						
Other payables and accrued expenses	553,953	-	-	-	-	553,953
Total financial liabilities	553,953	-	-	-	-	553,953
Liquidity gap	543,236,200	-	-	-	-	543,236,200

AL RAYAN QATAR ETF

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Liquidity risk (continued)

Maturity analysis (continued)

2019	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	2,080,193	--	--	--	--	2,080,193
Investment securities	521,645,857	--	--	--	--	521,645,857
Total financial assets	523,726,050	--	--	--	--	523,726,050
Financial liabilities						
Other payables and accrued expenses	1,225,735	--	--	--	--	1,225,735
Total financial liabilities	1,225,735	--	--	--	--	1,225,735
Liquidity gap	522,500,315	--	--	--	--	522,500,315

AL RAYAN QATAR ETF

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2020

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. However, since the objective of the Fund is to track the Index, such risk is minimal

Currency risk

Currency risk is the risk that the value of financial instrument will fluctuate due to changes in foreign exchange rates. Fund is not exposed to any currency risk as the Fund currency is Qatari Riyals and 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.

2020	0 to 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 years	More than 5 years	Non-profit bearing	Total
Assets							
Bank balances	1,617,285	-	-	-	-	-	1,617,285
Investment securities	-	-	-	-	-	542,172,868	542,172,868
Total assets	1,617,285	-	-	-	-	542,172,868	543,790,153
Liabilities							
Other payables and accrued expenses	-	-	-	-	-	553,953	553,953
Total liabilities	-	-	-	-	-	553,953	553,953
Total profit sensitivity gap	1,617,285	-	-	-	-	541,618,915	543,236,200
2019	0 to 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 years	More than 5 years	Non-profit bearing	Total
Assets							
Bank balances	2,080,193	-	-	-	-	-	2,080,193
Investment securities	-	-	-	-	-	521,645,857	521,645,857
Total assets	2,080,193	-	-	-	-	521,645,857	523,726,050
Liabilities							
Other payables and accrued expenses	-	-	-	-	-	1,225,735	1,225,735
Total liabilities	-	-	-	-	-	1,225,735	1,225,735
Total profit sensitivity gap	2,080,193	-	-	-	-	520,420,122	522,500,315

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 2020, the Fund has equity securities amounting to QAR 542,172,868 (2019: QAR 521,645,857). 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 5,421,729 (2019: QAR 5,216,458).

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).

	2020 % of equity securities	2019 % of equity securities
State of Qatar	<u>100%</u>	<u>100%</u>
	<u>100%</u>	<u>100%</u>

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

	2020 % of equity securities	2019 % of equity securities
Banks & Financial Services	35.89%	24.21%
Industrials	28.98%	35.86%
Consumer Goods & Services	17.52%	20.51%
Real Estate	11.68%	11.50%
Telecom	5.16%	4.69%
Insurance	0.40%	0.47%
Transport	0.37%	2.76%
	<u>100.00%</u>	<u>100.00%</u>

d) Tracking error risk

Changes in the investments of the Fund, including based on changes in the weightings of Index Securities and the rebalancing of the Fund may result in a tracking error.. Also, the Fund TER will reduce its returns and will result in a tracking error against the performance of the Index.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Tracking error risk (continued)

In addition, in the event of the temporary suspension or interruption of trading in Index Securities, or delisting of any of the Index securities or of market disruptions, trading on behalf of the Fund may not be possible and may result in tracking error. Tracking error may also occur because the Fund maintains cash to pay expenses and dividends while the Index does not include any cash

e) 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.

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 2020 is QAR 542,172,868 (2019: QAR 521,645,857) under level 1 of fair value hierarchy.

During the reporting period 31 December 2020, there were no transfers made between Level 1, level 2 and Level 3 fair value measurements.

AL RAYAN QATAR ETF

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. CARRYING AMOUNTS VERSUS FAIR VALUES

	2020			
	Fair value through income statement	Amortised cost	Total Carrying amount	Fair value
Assets				
Bank balances	-	1,617,285	1,617,285	1,617,285
Investment securities	542,172,868	-	542,172,868	542,172,868
Total assets	542,172,868	1,617,285	543,790,153	543,790,153
Liabilities				
Other payables	-	553,953	553,953	553,953
Total Liabilities	-	553,953	553,953	553,953
	2019			
	Fair value through income statement	Amortised cost	Total Carrying amount	Fair value
Assets				
Bank balances	-	2,080,193	2,080,193	2,080,193
Investment securities	521,645,857	-	521,645,857	521,645,857
Total assets	521,645,857	2,080,193	523,726,050	523,726,050
Liabilities				
Other payables	-	1,225,735	1,225,735	1,225,735
Total Liabilities	-	1,225,735	1,225,735	1,225,735

6. BANK BALANCES

	2020 QAR	2019 QAR
Balance with banks	1,616,221	2,076,309
Accrued profit on short-term investments	1,064	3,884
	1,617,285	2,080,193

For ECL on bank balances, refer to Note 4(a).

AL RAYAN QATAR ETF

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

7. INVESTMENT SECURITIES

Investment securities carried as fair value through income statement:

	2020 <i>QAR</i>	2019 <i>QAR</i>
Listed equity securities – State of Qatar	<u>542,172,868</u>	<u>521,645,857</u>

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

	2020 <i>QAR</i>	2019 <i>QAR</i>
Cost of investments securities held at year end	496,444,639	499,528,193
Unrealized gain on revaluation of investment securities	<u>45,728,229</u>	<u>22,117,664</u>
Fair value	<u>542,172,868</u>	<u>521,645,857</u>

Investment securities are denominated in the following currencies:

	2020 <i>QAR</i>	2019 <i>QAR</i>
Qatari Riyals	<u>542,172,868</u>	<u>521,645,857</u>

8. NUMBER OF UNITS IN ISSUE

	2020 <i>QAR</i>	2019 <i>QAR</i>
Units at the beginning of the year	225,000,000	225,000,000
Subscriptions during the year	4,000,000	--
Redemptions during the year	<u>(1,300,000)</u>	<u>--</u>
	<u>227,700,000</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.

9. NET GAIN / (LOSS) FROM INVESTMENT SECURITIES

	2020 <i>QAR</i>	2019 <i>QAR</i>
Net realized (loss) on sale of investment securities	(6,640,264)	(6,007,843)
Unrealized gains / (loss) on revaluation of investment securities	<u>23,610,565</u>	<u>(8,273,072)</u>
	<u>16,970,301</u>	<u>(14,280,915)</u>

AL RAYAN QATAR ETF

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

10. EXPENSES

	2020	2019
	<i>QAR</i>	<i>QAR</i>
Total expenses	2,451,719	2,673,441
Total Expense Ratio (TER) for the year based on average daily NAV	<u>0.50%</u>	<u>0.50%</u>

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, regulator's fee and other miscellaneous fees. TER is set at 0.50% of the total net asset value of the Fund and calculated on daily basis.

11. DIVIDEND

During the year ended 31 December 2020, the Fund distributed dividends amounting to QR 20.29 million (31 December 2019: QR 24.75 million).

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.

	2020	2019
	<i>QAR</i>	<i>QAR</i>
Statement of financial position items		
Bank Balance	<u>1,617,285</u>	<u>2,080,193</u>
Income statement items		
Profit on short-term investments	<u>67,674</u>	<u>118,595</u>

13. 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 financial statements of the Fund, which are prepared by the management, has reflected the impact of COVID-19 on the financial assets of the Fund, particularly on the assets 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.