

AL RAYAN QATAR ETF
INTERIM CONDENSED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE NINE-MONTH PERIOD ENDED
30 SEPTEMBER 2021

AL RAYAN QATAR ETF

INTERIM CONDENSED FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2021

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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 30 September, 2021, and the related interim condensed income statements for the three month and nine months period ended 30 September 2021, interim condensed statement of changes in net assets attributable to the unit holders, interim condensed statement of cash flows and statement of sources and uses of charity funds for the nine-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”). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

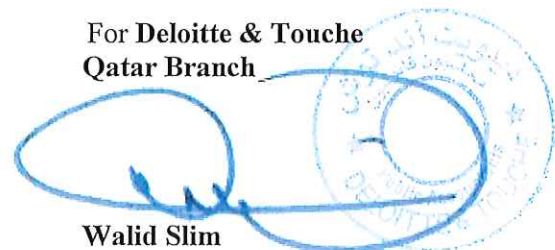
We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of the interim financial information consists of making inquiries, primarily of persons responsible for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

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 the AAOIFI.

Doha – Qatar
14 October 2021

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 30 September 2021

	Notes	30 September 2021 QAR (Reviewed)	31 December 2020 QAR (Audited)
ASSETS			
Bank balances	5	672,574	1,617,056
Investment securities	6	560,068,680	542,172,868
Net trades pending settlement		3,305,760	--
Other receivables		87,502	--
TOTAL ASSETS		<u>564,134,516</u>	<u>543,789,924</u>
LIABILITY			
Accrued expenses		730,269	553,724
TOTAL LIABILITY		<u>730,269</u>	<u>553,724</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>563,404,247</u>	<u>543,236,200</u>
NUMBER OF UNITS IN ISSUE	7	<u>218,300,000</u>	<u>227,700,000</u>
NET ASSET VALUE PER UNIT		<u>2.5809</u>	<u>2.3858</u>

These interim condensed financial statements for the nine-month period ended 30 September 2021 were authorised for issue by the Founder and the Fund Manager on 14 October 2021.



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Ahmed Abdisheikh
Acting Group Chief Executive Officer
Masraf Al Rayan Q.P.S.C.
The Founder

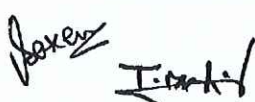


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Haithem Katerji
Chief Executive Officer
Al Rayan Investment L.L.C.
The Fund Manager

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



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



AL RAYAN QATAR ETF

INTERIM CONDENSED INCOME STATEMENT

For the three and nine-month period ended 30 September 2021

	Notes	<u>For the three-month period ended 30 September</u>		<u>For the nine-month period ended 30 September</u>	
		<u>2021 QAR (Reviewed)</u>	<u>2020 QAR (Reviewed)</u>	<u>2021 QAR (Reviewed)</u>	<u>2020 QAR (Reviewed)</u>
OPERATING INCOME					
Net gain from investment securities	8	31,277,614	68,127,165	45,828,140	2,574,782
Net dividend income		--	--	16,508,072	20,249,211
Profit on short term investment account		632	2,177	37,661	64,878
Total income		<u>31,278,246</u>	<u>68,129,342</u>	<u>62,373,873</u>	<u>22,888,871</u>
EXPENSES					
Expenses	9	(685,049)	(623,254)	(2,051,347)	(1,785,761)
Total expenses		<u>(685,049)</u>	<u>(623,254)</u>	<u>(2,051,347)</u>	<u>(1,785,761)</u>
CHANGE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS					
		<u>30,593,197</u>	<u>67,506,088</u>	<u>60,322,526</u>	<u>21,103,110</u>

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AL RAYAN QATAR ETF

INTERIM CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS

For the nine-month period ended 30 September 2021

	<i>For the nine-month period ended</i>	
	<i>30 September</i>	
Note	<i>2021</i> <i>QAR</i> <i>(Reviewed)</i>	<i>2020</i> <i>QAR</i> <i>(Reviewed)</i>
Balance at 1 January (Audited)	<u>543,236,200</u>	<u>522,500,315</u>
Change in net assets attributable to the unit holders	60,322,526	21,103,110
<u>Issuances to and redemptions by authorised participants:</u>		
Issue of redeemable units during the period	3,694,689	4,037,604
Redemption of redeemable units during the period	<u>(26,329,168)</u>	<u>(2,637,573)</u>
Transactions with the authorised participants	(22,634,479)	1,400,031
Dividend paid to the unit holders	10 (17,520,000)	(20,286,000)
Transactions with the unit holders	<u>(40,154,479)</u>	<u>(18,885,969)</u>
Balance at 30 September (Reviewed)	<u><u>563,404,247</u></u>	<u><u>524,717,456</u></u>

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AL RAYAN QATAR ETF

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2021

	Notes	<i>For the nine-month period ended</i>	
		<i>2021</i>	<i>2020</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		60,322,526	21,103,110
<i>Adjustments for:</i>			
Net unrealized gain on revaluation of investment securities	8	(31,049,400)	(8,873,439)
Allowance for expected credit loss on bank balances		870	--
Operating profit before changes in operating assets and liabilities		29,273,996	12,229,671
<i>Changes in :</i>			
Investment securities		(9,039,313)	6,547,089
Other receivables		(87,502)	(82,940)
Accrued expenses and net trades pending settlement		(3,129,215)	199,002
Net cash from operating activities		17,017,966	18,892,822
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid to the unit holders	10	(17,520,000)	(20,286,000)
Proceeds from issue of redeemable units		37,276	67,053
Payments for redemption of redeemable units		(478,854)	(49,454)
Net cash used in financing activities		(17,961,578)	(20,268,401)
Net decrease in cash and cash equivalents during the period		(943,612)	(1,375,579)
Balance of cash and cash equivalents at 1 January	5	1,617,285	2,080,193
Balance of cash and cash equivalents at 30 September	5	673,673	704,614

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AL RAYAN QATAR ETF

STATEMENT OF SOURCES AND USES OF CHARITY FUNDS

As at and for the nine-month period ended 30 September 2021

	<i><u>For the nine-month period ended 30 September</u></i>	
	2021	2020
	QAR	QAR
	(Reviewed)	(Reviewed)
Sources of charity fund		
Earnings prohibited by Sharia during the period	<u>257,065</u>	<u>254,863</u>
Uses of charity fund		
Purification during the period	<u>257,065</u>	<u>254,863</u>
Net earnings prohibited by Sharia during the period	<u>--</u>	<u>--</u>

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

AL RAYAN QATAR ETF

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at and for the nine-month period ended 30 September 2021

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”). 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 2020. In addition, results for the nine-month period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

(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.

(d) Use of estimates and judgments

In preparing these 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 prospectively.

(e) Going concern

The Fund's management has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund 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 Fund'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 applied during the nine month period ended 30 September 2021 are the same which had been applied during the year ended 31 December 2020.

(i) New standards, amendments and interpretations effective from 1 January 2021

FAS 35 - Risk Reserves

AAOIFI has issued FAS 35 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).

(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 38 Wa'ad, Khiyar and Tahawwut*

AAOIFI has issued FAS 38 in 2020. The objective of this standard is to prescribe the accounting and reporting principles for recognition, measurement and disclosure in relation to Shari'ah compliant Wa'ad (promise), Khiyar (option) and Tahawwut (hedging) arrangements for Islamic financial institutions.

This standard shall be effective for the financial periods beginning on or after 1 January 2022 with early adoption permitted.

The Fund is currently evaluating the impact of the above standards

4. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2020.

(i) Valuation of financial instruments

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: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.; and
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Financial assets at fair value through income statement are valued as per Level 1 valuation method.

(ii) Financial instruments classification

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>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>QAR</u>	<u>QAR</u>	<u>QAR</u>	<u>QAR</u>
September 30, 2021	<u>560,068,680</u>	<u>560,068,680</u>	--	--
December 31, 2020	<u>542,172,868</u>	<u>542,172,868</u>	--	--

The fair values of financial assets and financial liabilities carried at amortized cost are equal to the carrying value, hence, not included in the fair value hierarchy table. Investment securities totalling QAR nil are carried at cost (31 December 2020: QAR nil).

AL RAYAN QATAR ETF

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at and for the nine-month period ended 30 September 2021

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Financial instruments classification (continued)

During the reporting periods 30 September 2021 and 31 December 2020, there were no transfers among Levels 1, 2 and 3 fair value measurements.

5. BANK BALANCES

	<i>30 September 2021 (Reviewed) QAR</i>	<i>31 December 2020 (Audited) QAR</i>
Balance with banks*	673,546	1,616,221
Accrued profits on short term investment account	127	1,064
Gross balance with banks	673,673	1,617,285
Allowance for expected credit loss ("ECL")	(1,099)	(229)
Net balance with banks	672,574	1,617,056

*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.

6. INVESTMENT SECURITIES

Investment securities classified as fair value through income statement as follows:

	<i>30 September 2021 (Reviewed) QAR</i>	<i>31 December 2020 (Audited) QAR</i>
Listed equity securities – State of Qatar	560,068,680	542,172,868

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

	<i>30 September 2021 (Reviewed) QAR</i>	<i>31 December 2020 (Audited) QAR</i>
Cost of investments securities held at period /year end	483,291,051	496,444,639
Unrealized gain on revaluation of investment securities	76,777,629	45,728,229
Fair value	560,068,680	542,172,868

AL RAYAN QATAR ETF

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at and for the nine-month period ended 30 September 2021

6. INVESTMENT SECURITIES (CONTINUED)

Investment securities are denominated in the following currency:

	<i>30 September 2021 (Reviewed)</i>	<i>31 December 2020 (Audited)</i>
Qatari Riyals	<u>560,068,680</u>	<u>542,172,868</u>

7. NUMBER OF UNITS IN ISSUE

	<i>30 September 2021 (Reviewed) QAR</i>	<i>31 December 2020 (Audited) QAR</i>
Units at the beginning of the period / year	227,700,000	225,000,000
Creations during the period / year	1,500,000	4,000,000
Redemptions during the period / year	<u>(10,900,000)</u>	<u>(1,300,000)</u>
	<u>218,300,000</u>	<u>227,700,000</u>

8. NET GAIN FROM INVESTMENT SECURITIES

	<i><u>For the nine-month period ended</u> <u>30 September</u></i>	
	<i>2021 (Reviewed) QAR</i>	<i>2020 (Reviewed) QAR</i>
Net realized gains / (losses) on sale of investment securities	14,778,740	(6,298,657)
Net unrealized gains on revaluation of investment securities	<u>31,049,400</u>	<u>8,873,439</u>
	<u>45,828,140</u>	<u>2,574,782</u>

9. EXPENSES

	<i><u>For the nine-month period ended</u> <u>30 September</u></i>	
	<i>2021 (Reviewed) QAR</i>	<i>2020 (Reviewed) QAR</i>
Total expenses	(2,051,347)	(1,785,761)
Total Expense Ratio (TER) for the nine-month period 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.

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 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.

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified wherever necessary to conform to the presentation adopted in the current year. The reclassification of the comparative figures due to the reclassification of the expected credit loss from accrued expenses to balances with banks is not considered material and does not impact the financial statements as at the beginning of the earliest comparative period and have no impact on the previously reported profit or equity position of the Fund.