

**AL RAYAN QATAR ETF**

**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2021**

**AL RAYAN QATAR ETF**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**  
**As at and for the year ended 31 December 2021**

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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 2021, 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 2021, 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").

### **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.

## **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 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 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 2021.

Doha – Qatar  
18 January 2022

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 2021

	Notes	31 December 2021 QAR	31 December 2020 QAR
<b>ASSETS</b>			
Bank balances	6	1,511,232	1,617,056
Investment securities	7	552,714,803	542,172,868
<b>TOTAL ASSETS</b>		<b>554,226,035</b>	<b>543,789,924</b>
<b>LIABILITIES</b>			
Accrued expenses		575,123	553,724
<b>TOTAL LIABILITIES</b>		<b>575,123</b>	<b>553,724</b>
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<b>553,650,912</b>	<b>543,236,200</b>
<b>NUMBER OF UNITS IN ISSUE</b>	8	<b>218,300,000</b>	<b>227,700,000</b>
<b>NET ASSET VALUE PER UNIT</b>		<b>2.5362</b>	<b>2.3858</b>

These financial statements for the year ended 31 December 2021 were authorised for issue by the Founder and the Fund Manager on 18 January 2022.



.....  
Fahad Al Khalifa  
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*



The accompanying notes 1 to 14 form an integral part of these financial statements.

**AL RAYAN QATAR ETF****INCOME STATEMENT**

For the year ended 31 December 2021

		2021 <i>QAR</i>	2020 <i>QAR</i>
	<i>Notes</i>		
<b>OPERATING INCOME</b>			
Net gain from investment securities	9	36,786,934	16,970,301
Net dividend income		16,508,072	20,249,211
Profit on short term investment account		40,740	67,674
<b>Total income</b>		<u>53,335,746</u>	<u>37,287,186</u>
<b>EXPENSES</b>			
Expenses	10	<u>(2,766,555)</u>	<u>(2,451,719)</u>
<b>Total expenses</b>		<u>(2,766,555)</u>	<u>(2,451,719)</u>
<b>CHANGE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>			
		<u>50,569,191</u>	<u>34,835,467</u>

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The accompanying notes 1 to 14 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 2021

	2021 <i>QAR</i>	2020 <i>QAR</i>
<i>Note</i>		
<b>Balance at 1 January</b>	<u>543,236,200</u>	<u>522,500,315</u>
Change in net assets attributable to the unit holders	50,569,191	34,835,467
<u>Creations and redemptions by authorised participants:</u>		
Redemption of redeemable units during the year	(26,329,168)	(2,637,573)
Issue of redeemable units during the year	3,694,689	8,823,991
Transactions with the authorised participants	(22,634,479)	6,186,418
Dividend paid to unit holders during the year	11 (17,520,000)	(20,286,000)
<b>Transactions with the unit holders</b>	<u>(40,154,479)</u>	<u>(14,099,582)</u>
<b>Balance at 31 December</b>	<u>553,650,912</u>	<u>543,236,200</u>



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AL RAYAN QATAR ETF

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

		2021	2020
		QAR	QAR
	Notes		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Change in net assets attributable to unit holders		50,569,191	34,835,467
<i>Adjustments for:</i>			
Net unrealized gain on revaluation of investment securities	9	(20,667,668)	(23,610,565)
Allowance for expected credit loss on bank balances		2,240	229
<b>Operating profit before changes in operating assets and liabilities</b>		<b>29,903,763</b>	<b>11,225,131</b>
<i>Changes in :</i>			
Investment securities		(12,067,168)	9,241,189
Accrued expenses		21,399	(672,011)
<b>Net cash from operating activities</b>		<b>17,857,994</b>	<b>19,794,309</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid to the unit holders	11	(17,520,000)	(20,286,000)
Payments for redemption of redeemable units		(478,854)	(49,454)
Proceeds from issue of redeemable units		37,276	78,237
<b>Net cash used in financing activities</b>		<b>(17,961,578)</b>	<b>(20,257,217)</b>
Net decrease in cash and cash equivalents during the year		(103,584)	(462,908)
Balance of cash and cash equivalents at 1 January		1,617,285	2,080,193
<b>Balance of cash and cash equivalents at 31 December</b>		<b>1,513,701</b>	<b>1,617,285</b>



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## AL RAYAN QATAR ETF

### STATEMENT OF SOURCES AND USES OF CHARITY FUND

For the year ended 31 December 2021

	2021 QAR	2020 QAR
<b>Sources of charity fund</b>		
Earnings prohibited by sharia during the year	<u>257,065</u>	<u>254,863</u>
<b>Uses of charity fund</b>		
Purification during the year	<u>257,065</u>	<u>254,863</u>
<b>Net earnings prohibited by sharia during the year</b>	<u>-</u>	<u>-</u>



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## AL RAYAN QATAR ETF

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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#### 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 ("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 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 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").

## 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 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 set out below have been applied consistently throughout the period presented in financial statements.

### (a) New standards and interpretations

#### (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).

The new standard is effective for annual reporting periods beginning on or after 1 January 2021 and has no material impact on the Fund's 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

#### (a) New standards and interpretations (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

#### (b) 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.

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.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) Financial instruments (continued)**

**Financial Investments (continued)**

*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.

**(c) Cash and cash equivalents**

For the purpose of the statement of cash flows, 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 allowance for expected credit loss, if any.

**(d) 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.

**(e) 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.

**(f) 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (g) 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.

#### (h) Fee and commission

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

#### (i) Zakat

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

### 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.

# AL RAYAN QATAR ETF

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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### 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.

	2021	2020
	<i>QAR</i>	<i>QAR</i>
<b>Cash and cash equivalents</b>		
Bank balances*	<u>1,513,701</u>	<u>1,617,285</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.

Refer to Note 6 for the ECL amount on bank balances.

#### 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 0.27% (2020: 0.30%) 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 2021

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.

2021	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
<b>Financial assets</b>						
Bank balances	1,511,232	-	-	-	-	1,511,232
Investment securities	552,714,803	-	-	-	-	552,714,803
<b>Total financial assets</b>	<b>554,226,035</b>	-	-	-	-	<b>554,226,035</b>
<b>Financial liabilities</b>						
Accrued expenses	575,123	-	-	-	-	575,123
<b>Total financial liabilities</b>	<b>575,123</b>	-	-	-	-	<b>575,123</b>
<b>Liquidity gap</b>	<b>553,650,912</b>	-	-	-	-	<b>553,650,912</b>

AL RAYAN QATAR ETF

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Liquidity risk (continued)

Maturity analysis (continued)

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	1,617,056	-	-	-	-	1,617,056
Investment securities	542,172,868	-	-	-	-	542,172,868
Total financial assets	543,789,924	-	-	-	-	543,789,924
Financial liabilities						
Accrued expenses	553,724	-	-	-	-	553,724
Total financial liabilities	553,724	-	-	-	-	553,724
Liquidity gap	543,236,200	-	-	-	-	543,236,200

## 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.

2021	0 to 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 years	More than 5 years	Non-profit bearing	Total
<b>Assets</b>							
Bank balances	1,511,232	-	-	-	-	-	1,511,232
Investment securities	-	-	-	-	-	552,714,803	552,714,803
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>552,714,803</b>	<b>554,226,035</b>
<b>Liabilities</b>							
Accrued expenses	-	-	-	-	-	575,123	575,123
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>575,123</b>	<b>575,123</b>
<b>Total profit sensitivity gap</b>	<b>1,511,232</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>552,139,680</b>	<b>553,650,912</b>
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
<b>Assets</b>							
Bank balances	1,617,056	-	-	-	-	-	1,617,056
Investment securities	-	-	-	-	-	542,172,868	542,172,868
<b>Total assets</b>	<b>1,617,056</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>542,172,868</b>	<b>543,789,924</b>
<b>Liabilities</b>							
Accrued expenses	-	-	-	-	-	553,724	553,724
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>553,724</b>	<b>553,724</b>
<b>Total profit sensitivity gap</b>	<b>1,617,056</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>541,619,144</b>	<b>543,236,200</b>

**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 2021, the Fund has equity securities amounting to QAR 552,714,803 (2020: QAR 542,172,868). 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 5,527,148 (2020: QAR 5,421,729).

*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).

	2021 % of equity securities	2020 % of equity securities
State of Qatar	100%	100%
	<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:

	2021 % of equity securities	2020 % of equity securities
Banks & Financial Services	32.86%	35.89%
Industrials	26.48%	28.98%
Real Estate	14.36%	11.68%
Consumer Goods & Services	12.92%	17.52%
Telecom	12.47%	5.16%
Insurance	0.61%	0.40%
Transport	0.30%	0.37%
	<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 2021 is QAR 552,714,803 (2020: QAR 542,172,868) under level 1 of fair value hierarchy.

During the reporting period 31 December 2021, 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 2021

## 5. CARRYING AMOUNTS VERSUS FAIR VALUES

	2021			Fair value
	Fair value through income statement	Amortised cost	Total Carrying amount	
<b>Assets</b>				
Bank balances	-	1,511,232	1,511,232	1,511,232
Investment securities	552,714,803	-	552,714,803	552,714,803
<b>Total assets</b>	<b>552,714,803</b>	<b>1,511,232</b>	<b>554,226,035</b>	<b>554,226,035</b>
<b>Liabilities</b>				
Accrued expenses	-	575,123	575,123	575,123
<b>Total Liabilities</b>	<b>-</b>	<b>575,123</b>	<b>575,123</b>	<b>575,123</b>

	2020			Fair value
	Fair value through income statement	Amortised cost	Total Carrying amount	
<b>Assets</b>				
Bank balances	-	1,617,056	1,617,056	1,617,056
Investment securities	542,172,868	-	542,172,868	542,172,868
<b>Total assets</b>	<b>542,172,868</b>	<b>1,617,056</b>	<b>543,789,924</b>	<b>543,789,924</b>
<b>Liabilities</b>				
Other payables	-	553,724	553,724	553,724
<b>Total Liabilities</b>	<b>-</b>	<b>553,724</b>	<b>553,724</b>	<b>553,724</b>

## 6. BANK BALANCES

	2021 QAR	2020 QAR
Balance with banks*	1,512,611	1,616,221
Accrued profits on short term investment account	1,090	1,064
Gross balance with banks	1,513,701	1,617,285
Allowance for expected credit loss ("ECL")	(2,469)	(229)
<b>Net balance with banks</b>	<b>1,511,232</b>	<b>1,617,056</b>

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.

## AL RAYAN QATAR ETF

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2021

### 7. INVESTMENT SECURITIES

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

	2021 QAR	2020 QAR
Listed equity securities – State of Qatar	<u>552,714,803</u>	<u>542,172,868</u>

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

	2021 QAR	2020 QAR
Cost of investments securities held at year end	486,318,906	496,444,639
Unrealized gain on revaluation of investment securities	<u>66,395,897</u>	<u>45,728,229</u>
Fair value	<u>552,714,803</u>	<u>542,172,868</u>

Investment securities are denominated in the following currency:

	2021 QAR	2020 QAR
Qatari Riyals	<u>552,714,803</u>	<u>542,172,868</u>

### 8. NUMBER OF UNITS IN ISSUE

	2021 QAR	2020 QAR
Units at the beginning of the year	227,700,000	225,000,000
Creations during the year	1,500,000	4,000,000
Redemptions during the year	<u>(10,900,000)</u>	<u>(1,300,000)</u>
	<u>218,300,000</u>	<u>227,700,000</u>

### 9. NET GAIN FROM INVESTMENT SECURITIES

	2021 QAR	2020 QAR
Net realized gains / (loss) on sale of investment securities	16,119,266	(6,640,264)
Net unrealized gains on revaluation of investment securities	<u>20,667,668</u>	<u>23,610,565</u>
	<u>36,786,934</u>	<u>16,970,301</u>

### 10. EXPENSES

	2021 QAR	2020 QAR
Total expenses	2,766,555	2,451,719
Total Expense Ratio (TER) for the year based on average daily NAV	<u>0.50%</u>	<u>0.50%</u>

## AL RAYAN QATAR ETF

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2021

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#### 10. EXPENSES (CONTINUED)

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 2021, the Fund distributed dividends amounting to QR 17.52 million (31 December 2020: QR 20.29 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 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 0.50% of Total Net Asset Value, the Founder has the right to change the Total Expense Ratio, subject to the approval of the QCB.

	2021 <i>QAR</i>	2020 <i>QAR</i>
<b>Statement of financial position items</b>		
Bank balance	<u>1,513,701</u>	<u>1,617,285</u>
	2021 <i>QAR</i>	2020 <i>QAR</i>
<b>Income statement items</b>		
Profit on short term investment account	<u>40,740</u>	<u>67,674</u>

##### Dividend

During the year ended 31 December 2021, the Fund had paid QAR 800,000 as dividends to the Founder in relation to their holdings in the Fund (31 December 2020: QAR 900,000).

#### 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.



**14. 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 materially 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.