

AL RAYAN QATAR ETF

**INTERIM CONDENSED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE NINE-MONTH PERIOD ENDED
30 SEPTEMBER 2022**

AL RAYAN QATAR ETF

INTERIM CONDENSED FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2022

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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 statements of net assets and the interim condensed statements of portfolio of investments and receivables as at 30 September 2022, and the related interim condensed statement of operations for the three and nine-month period ended 30 September 2022, interim condensed statement of changes in net assets attributable to the unit holders, interim condensed statement of cash flows, the interim condensed statements 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

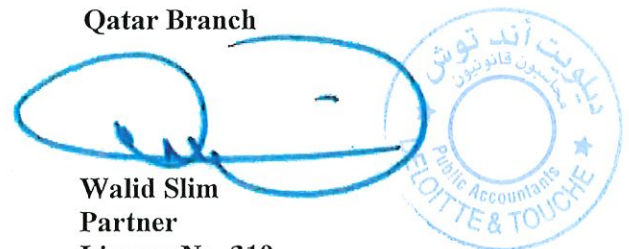
We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of the interim financial information consists of making inquiries, primarily of persons responsible for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

Doha – Qatar
17 October 2022

For Deloitte & Touche
Qatar Branch



Walid Slim
Partner

License No. 319

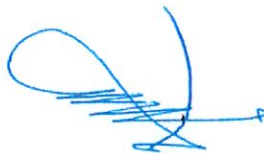
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AL RAYAN QATAR ETF

INTERIM CONDENSED STATEMENT OF NET ASSETS
As at 30 September 2022

	Notes	30 September 2022 QAR (Reviewed)	31 December 2021 QAR (Audited)
ASSETS			
Bank balances	5	2,096,366	1,511,232
Investment securities	6	594,249,888	552,714,803
Other receivables		93,883	--
Total Assets		596,440,137	554,226,035
LIABILITIES			
Trades pending settlement		1,033,922	--
Accrued expenses		593,661	575,123
Total Liabilities		1,627,583	575,123
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		594,812,554	553,650,912
		Units	Units
NUMBER OF UNITS IN ISSUE	8	219,100,000	218,300,000
NET ASSET VALUE PER UNIT (QAR)		2.7148	2.5362

These interim condensed financial statements for the nine-month period ended 30 September 2022 were authorised for issue by the Founder and the Fund Manager on 17 October 2022.

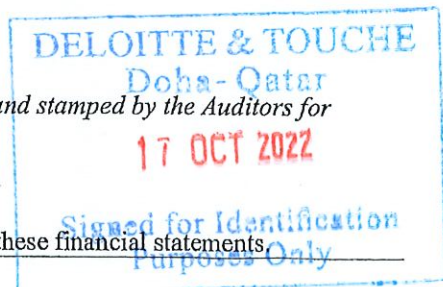


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F Fahad Bin Abdulla Al Khalifa
Group Chief Executive Officer
Masraf Al Rayan Q.P.S.C.
The Founder



.....
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 12 form an integral part of these financial statements.

Handwritten notes and signatures:
Fahad
Amr

AL RAYAN QATAR ETF

INTERIM CONDENSED STATEMENT OF PORTFOLIO INVESTMENTS AND RECEIVABLES
As at 30 September 2022

		30 September 2022	%	31 December 2021	%
	Notes	QAR (Reviewed)		QAR (Audited)	
Investments					
Bank balances	5	2,096,366	0.35	1,511,232	0.27
Equity securities	6	594,249,888	99.63	552,714,803	99.73
Receivables					
Other receivables		<u>93,883</u>	<u>0.02</u>	---	---
Total investments and receivables		<u>596,440,137</u>	<u>100.00</u>	<u>554,226,035</u>	<u>100.00</u>

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AL RAYAN QATAR ETF

INTERIM CONDENSED STATEMENT OF OPERATIONS

For the three and nine-month period ended at 30 September 2022

	Note	<u>For the three-month period</u>		<u>For the nine-month period</u>	
		<u>ended 30 September</u>		<u>ended 30 September</u>	
		<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
		<u>QAR</u>	<u>QAR</u>	<u>QAR</u>	<u>QAR</u>
INCOME FROM INVESTMENTS		(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
Dividend income		3,266,468	--	21,947,705	16,508,072
Profits on short term investment account		38,253	632	47,861	37,661
Total income from investments		3,304,721	632	21,995,566	16,545,733
EXPENSES					
Expenses	9	(1,536,287)	(685,049)	(2,315,228)	(2,051,347)
Total expenses		(1,536,287)	(685,049)	(2,315,228)	(2,051,347)
NET INCOME / (LOSS) FROM INVESTMENTS		1,768,434	(684,417)	19,680,338	14,494,386
REALIZED AND UNREALIZED GAINS FROM INVESTMENTS					
Net realized and unrealized gains from investments	7	24,426,319	31,277,614	41,046,776	45,828,140
NET GAINS FROM INVESTMENTS		24,426,319	31,277,614	41,046,776	45,828,140
INCREASE IN NET ASSETS FROM OPERATIONS		26,194,753	30,593,197	60,727,114	60,322,526

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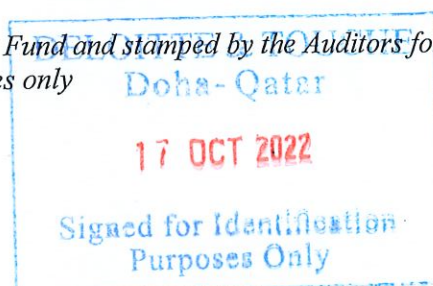
AL RAYAN QATAR ETF

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

For the nine-month period ended 30 September 2022

	Note	<i><u>For the nine-month period ended</u></i> <i><u>30 September</u></i>	
		<i>2022</i> <i>QAR</i> <i>(Reviewed)</i>	<i>2021</i> <i>QAR</i> <i>(Reviewed)</i>
Balance at 1 January (Audited)		<u>553,650,912</u>	<u>543,236,200</u>
Increase in net assets from operations		60,727,114	60,322,526
<u>Creations and redemptions by authorised participants:</u>			
Issue of redeemable units during the period		2,344,528	3,694,689
Redemption of redeemable units during the period		--	(26,329,168)
Transactions with the authorised participants		<u>2,344,528</u>	<u>(22,634,479)</u>
Dividend paid to the unit holders	10	<u>(21,910,000)</u>	<u>(17,520,000)</u>
Transactions with the unit holders		<u>(19,565,472)</u>	<u>(40,154,479)</u>
Balance at 30 September (Reviewed)		<u><u>594,812,554</u></u>	<u><u>563,404,247</u></u>

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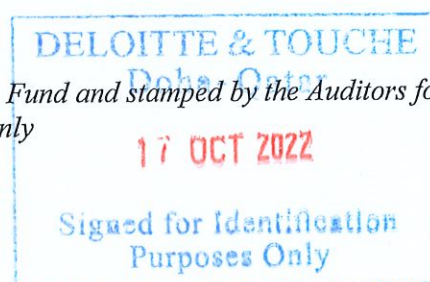
The accompanying notes 1 to 12 form an integral part of these financial statements.

AL RAYAN QATAR ETF

INTERIM CONDENSED STATEMENT OF CASH FLOWS
For the nine-month period ended 30 September 2022

	Note	<i>For the nine-month period ended</i>	
		<i>30 September</i>	
		<i>2022</i>	<i>2021</i>
		<i>QAR</i>	<i>QAR</i>
		<i>(Reviewed)</i>	<i>(Reviewed)</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Increase in net assets from operations		60,727,114	60,322,526
<i>Adjustments for:</i>			
Net gains from investments		(24,981,264)	(31,049,400)
Impairment loss on bank balances		182	870
Operating profit before changes in operating assets and liabilities		35,746,032	29,273,996
<i>Changes in :</i>			
Investment securities		(14,298,393)	(9,039,313)
Other receivables		(93,883)	(87,502)
Accrued expenses and trades pending settlement		1,052,460	(3,129,215)
Net cash from operating activities		22,406,216	17,017,966
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid to the unit holders	10	(21,910,000)	(17,520,000)
Proceeds from issue of redeemable units		89,100	37,276
Payments for redemption of redeemable units		--	(478,854)
Net cash used in financing activities		(21,820,900)	(17,961,578)
Net increase / (decrease) in cash and cash equivalents during the period		585,316	(943,612)
Balance of cash and cash equivalents at 1 January		1,513,701	1,617,285
Balance of cash and cash equivalents at 30 September		2,099,017	673,673

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AL RAYAN QATAR ETF

INTERIM CONDENSED STATEMENT OF SOURCES AND USES OF CHARITY FUNDS
For the nine-month period ended 30 September 2022

	<i><u>For the nine-month period</u></i> <i><u>ended 30 September</u></i>	
	2022 QAR <i>(Reviewed)</i>	2021 QAR <i>(Reviewed)</i>
Sources of charity fund		
Earnings prohibited by Sharia during the period	<u>226,352</u>	<u>257,065</u>
Uses of charity fund		
Purification during the period	<u>226,352</u>	<u>257,065</u>
Net earnings prohibited by Sharia during the period	<u>--</u>	<u>--</u>

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AL RAYAN QATAR ETF

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS As at and for the nine-month period ended 30 September 2022

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 (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 Masraf Al Rayan (Q.P.S.C.) (the “Founder”) which was incorporated as Qatari Public Shareholding Company under Qatar Commercial Companies’ law No. 11 of 2015, under decision No. 11 of 2006 dated 4 January 2006 of the Ministry of Economy and Commerce.

The Founder has appointed Al Rayan Investment L.L.C. as the Fund Manager (the “Fund Manager”), HSBC Bank Middle East Limited, Qatar Branch as the Custodian (the “Fund Custodian”), and The Group Securities as the Liquidity Provider of the Fund.

Authorised participants, who are approved by the Founder, are the only parties authorised to create or redeem the units against the basket. Each unit is an aggregation of 100,000 units or such number of units that may be changed by the Founder from time to time.

All persons, whether natural or corporate and whether Qatari or foreign, who are not authorised participants will purchase or sell units on the Exchange.

Objective of the Fund and nature of its activity

The objective of the Fund is to track the performance of the Index, as closely as possible, before fees and expenses. The Index is a price-return index that consists of Shari’a-compliant listed equities on the Exchange, which meet the Exchange criteria. Although the Fund Manager aims to replicate the performance of the Index as closely as possible, there is no guarantee that the Fund’s investment objective will be achieved.

2. BASIS OF PREPARATION

(a) Statement of compliance

The 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 2021. In addition, results for the nine-month period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

(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

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

(d) Use of estimates and judgments

In preparing these interim condensed 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 2022 are the same which had been applied during the year ended 31 December 2021.

(a) New standards and interpretations

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

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 is effective for the financial periods beginning on or after 1 January 2022 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:

FAS 39 – Financial Reporting for Zakah

AAOIFI has issued FAS 39 in 2021. This standard improves upon and supersedes FAS 9 “Zakah” issued previously. This standard aims at setting out the accounting treatment of Zakah in the books of an Islamic financial institution, including the presentation and disclosure in the financial statements.

This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted.

FAS 1 – General Presentation and Disclosures in the Financial Statements (Revised 2021)

AAOIFI has issued FAS 1 (Revised) in 2021. The revised FAS 1 “General Presentation and Disclosures in the Financial Statements” describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. The objective of this standard is to align the accounting treatments and the reporting requirements for the Islamic financial institutions to the maximum possible extent with the generally accepted accounting principles without compromising the Shari'a requirements and nature of Islamic financial transactions and institutions.

This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted.

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

AL RAYAN QATAR ETF

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS As at and for the nine-month period ended 30 September 2022

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 2021.

(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, 2022	<u>594,249,888</u>	<u>594,249,888</u>	<u>--</u>	<u>--</u>
December 31, 2021	<u>552,714,803</u>	<u>552,714,803</u>	<u>--</u>	<u>--</u>

During the reporting periods 30 September 2022 and 31 December 2021, there were no transfers among Levels 1, 2 and 3 fair value measurements.

AL RAYAN QATAR ETF

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS As at and for the nine-month period ended 30 September 2022

5. BANK BALANCES

	<i>30 September 2022 (Reviewed)</i>	<i>31 December 2021 (Audited)</i>
Balance with banks*	2,097,020	1,512,611
Accrued profits on short term investment account	<u>1,997</u>	<u>1,090</u>
Gross balance with banks	2,099,017	1,513,701
Allowance for expected credit loss ("ECL")	<u>(2,651)</u>	<u>(2,469)</u>
Net balance with banks	<u>2,096,366</u>	<u>1,511,232</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.

6. INVESTMENT SECURITIES

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

	<i>30 September 2022 (Reviewed) QAR</i>	<i>31 December 2021 (Audited) QAR</i>
Listed equity securities – State of Qatar	<u>594,249,888</u>	<u>552,714,803</u>

Investment securities are denominated in the following currency:

	<i>30 September 2022 (Reviewed) QAR</i>	<i>31 December 2021 (Audited) QAR</i>
Qatari Riyals	<u>594,249,888</u>	<u>552,714,803</u>

AL RAYAN QATAR ETF

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
As at and for the nine-month period ended 30 September 2022

7. NET REALIZED AND UNREALIZED GAINS FROM INVESTMENTS

	<i><u>For the nine month period ended</u></i> <i><u>30 September</u></i>	
	2022 QAR <i>(Reviewed)</i>	2021 QAR <i>(Reviewed)</i>
Net realized gains from investments ¹	16,065,512	14,778,740
Net unrealized gains from investments ²	24,981,264	31,049,400
	41,046,776	45,828,140

¹ The difference between net sales proceeds and the carrying amount of investments sold, including related unrealized gains / (losses) recognized in previous periods, which is in line with gains / (losses) required for the determination of taxable income.

² Net of unrealized gains / (losses) recognized in previous periods realized during the current period resulting from the sale of investments.

8. NUMBER OF UNITS IN ISSUE

	<i>30 September</i> <i>2022</i> <i>(Reviewed)</i>	<i>31 December</i> <i>2021</i> <i>(Audited)</i>
Units at the beginning of the period / year	218,300,000	227,700,000
Creations during the period / year	800,000	1,500,000
Redemptions during the period / year	--	(10,900,000)
	219,100,000	218,300,000

9. EXPENSES

	<i><u>For the nine-month period ended</u></i> <i><u>30 September</u></i>	
	2022 <i>(Reviewed)</i> QAR	2021 <i>(Reviewed)</i> QAR
Total expenses	(2,315,228)	(2,051,347)
Total Expense Ratio (TER) for the nine-month period based on average daily NAV	0.50%	0.50%

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. Management Fee amounts to the difference between the TER and all other expenses.

AL RAYAN QATAR ETF

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at and for the nine-month period ended 30 September 2022

10. DIVIDEND

During the nine-month period ended 30 September 2022, the Fund distributed dividend amounting to QAR 21.91 million (30 September 2021: QAR 17.52 million).

11. 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.

	<i>30 September 2022 (Reviewed) QAR</i>	<i>31 December 2021 (Audited) QAR</i>
Statement of net assets		
Bank balance	<u>1,833,308</u>	<u>1,513,701</u>
	<i>For the nine-month period ended 30 September</i>	
	<i>2022 (Reviewed) QAR</i>	<i>2021 (Reviewed) QAR</i>
Statement of operations		
Profits on short term investment account	<u>47,861</u>	<u>37,661</u>

Dividend

During the nine month period ended 30 September 2022, the Fund paid QAR 1,000,000 (30 September 2021: QAR 800,000) as dividends to the Founder.

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.