

AL RAYAN QATAR ETF

INTERIM CONDENSED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2023

AL RAYAN QATAR ETF
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

INDEX	PAGES
Independent auditor's review report	1
Interim statement of net assets	2
Interim statement of portfolio investments and receivables	3
Interim statement of operations	4
Interim statement of changes in net assets attributable to the unit holders	5
Interim statement of cash flows	6
Interim statement of sources and uses of charity funds	7
Notes to the interim condensed financial statements	8 – 12



Review report on the interim condensed financial statements to the Unit Holders of Al Rayan Qatar ETF

Introduction

We have reviewed the accompanying interim statement of net assets and interim statement of portfolio investments and receivables of Al Rayan Qatar ETF (the “Fund”) as at 30 June 2023 and the related interim statement of operations for the three-month and six-month periods then ended, and interim statement of changes in net assets attributable to the unit holders, interim statement of cash flows, and interim statement of sources and uses of charity fund for the six-month period then ended, and certain explanatory notes. Management is responsible for the preparation and presentation of this interim condensed financial statements in accordance with Financial Accounting Standard (“FAS”) 41 “Interim financial reporting” issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”). Our responsibility is to express a conclusion on this 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 interim financial statements 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 is not prepared, in all material respects, in accordance with FAS 41.

For and on behalf of PricewaterhouseCoopers - Qatar Branch
Qatar Financial Market Authority registration number 120155

Waleed Tahtamouni
Auditor’s registration number 370
Doha, State of Qatar
19 July 2023



Al Rayan Qatar ETF

Interim condensed financial statements

(All amounts are expressed in Qatari Riyals unless otherwise stated)

INTERIM STATEMENT OF NET ASSETS

AS AT 30 JUNE 2023

	Notes	30 June 2023 (Reviewed)	31 December 2022 (Audited)
Assets			
Bank balances	5	1,985,171	2,031,771
Investment securities	6	470,814,092	519,699,050
Other receivables		177,619	-
Total assets		472,976,882	521,730,821
Liabilities			
Accrued expenses		246,221	529,010
Total liabilities		246,221	529,010
Net assets attributable to unit holders		472,730,661	521,201,811
Number of units in issue	8	213,100,000	219,100,000
Net asset value per unit		2.2184	2.3788

These interim condensed financial statements for the six-month period ended 30 June 2023 were authorised for issue by the Founder and the Fund Manager on 18 July 2023.



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



Akber Khan
Acting Chief Executive Officer
Al Rayan Investment L.L.C.
The Fund Manager



Independent auditor's report is set out on page 1.

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.



Al Rayan Qatar ETF

Interim condensed financial statements

(All amounts are expressed in Qatari Riyals unless otherwise stated)

INTERIM STATEMENT OF PORTFOLIO INVESTMENTS AND RECEIVABLES AS AT 30 JUNE 2023

	Notes	30 June 2023 (Reviewed)	%	31 December 2022 (Audited)	%
Investments					
Bank balances	5	1,985,171	0.42	2,031,771	0.39
Equity securities	6	470,814,092	99.54	519,699,050	99.61
Receivables					
Other receivables		177,619	0.04	-	-
Total investments and receivables		472,976,882	100.00	521,730,821	100.00



Independent auditor's report is set out on page 1.

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

Al Rayan Qatar ETF

Interim condensed financial statements

(All amounts are expressed in Qatari Riyals unless otherwise stated)

INTERIM STATEMENT OF OPERATIONS

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2023

	Notes	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2023 (Reviewed)	2022 (Reviewed)	2023 (Reviewed)	2022 (Reviewed)
Income from investment securities					
Dividend income		70,529	3,266,468	23,499,646	21,947,705
Profits on short term investment account		135,406	31,467	196,081	41,075
Total income from investment securities		205,935	3,297,935	23,695,727	21,988,780
Expenses					
Expenses	9	(575,850)	(761,965)	(1,231,773)	(1,540,906)
Total expenses		(575,850)	(761,965)	(1,231,773)	(1,540,906)
Net income / (loss) from investment securities		(369,915)	2,535,970	22,463,954	20,447,874
Realized and unrealized (loss) / gain from investment securities					
Net realized and unrealized (loss) / gain from investment securities	7	(6,111,853)	(59,618,095)	(33,364,455)	16,620,457
Net (loss) / gain from investment securities		(6,111,853)	(59,618,095)	(33,364,455)	16,620,457
(Decrease) / Increase in net assets from operations		(6,481,768)	(57,082,125)	(10,900,501)	37,068,331



Independent auditor's report is set out on page 1.

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

Al Rayan Qatar ETF

Interim condensed financial statements

(All amounts are expressed in Qatari Riyals unless otherwise stated)

INTERIM STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

	For the six-month period ended 30 June	
	2023 (Reviewed)	2022 (Reviewed)
	Note	
Net assets attributable to unit holders at 1 January (Audited)	521,201,811	553,650,912
(Decrease) / Increase in net assets from operations	(10,900,501)	37,068,331
<u>Creations and redemptions by authorised participants:</u>		
Redemption of redeemable units during the period	(13,909,649)	-
Issue of redeemable units during the period	-	2,344,528
Transactions with the authorised participants	(13,909,649)	2,344,528
Dividend paid to the unit holders	10 (23,661,000)	(21,910,000)
Transactions with the unit holders	(37,570,649)	(19,565,472)
Net assets attributable to unit holders at 30 June (Reviewed)	472,730,661	571,153,771



Independent auditor's report is set out on page 1.

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

Al Rayan Qatar ETF

Interim condensed financial statements

(All amounts are expressed in Qatari Riyals unless otherwise stated)

INTERIM STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

	Notes	For the six-month period ended 30 June	
		2023 (Reviewed)	2022 (Reviewed)
Cash flows from operating activities			
(Decrease) / Increase in net assets from operations		(10,900,501)	37,068,331
<i>Adjustments for:</i>			
Net unrealized loss / (gain) from investment securities	7	31,833,741	(6,038,622)
Allowance for expected credit loss on bank balances		(53)	423
Operating profit before changes in operating assets and liabilities		20,933,187	31,030,132
<i>Changes in:</i>			
Investment securities		3,183,093	(8,047,511)
Other receivables		(177,619)	(187,766)
Accrued expenses		(282,789)	(197,819)
Net cash generated from operating activities		23,655,872	22,597,036
Cash flows from financing activities			
Dividend paid to the unit holders	10	(23,661,000)	(21,910,000)
Payments for redemption of redeemable units *		(41,525)	-
Proceeds from issue of redeemable units *		-	89,100
Net cash used in financing activities		(23,702,525)	(21,820,900)
Net (decrease) / increase in cash and cash equivalents during the period		(46,653)	776,136
Balance of cash and cash equivalents at 1 January		2,034,336	1,513,701
Balance of cash and cash equivalents at 30 June		1,987,683	2,289,837

* Significant non-cash transactions:

- Redemption totaling to QAR 13,909,649 includes the cash component of QAR 41,525 and the balance amount pertains to the basket of shares transferred (2022: nil).
- During 2022, creations totaling to QAR 2,344,528 includes the cash component of QAR 89,100 and the balance amount pertains to the basket of shares received.



Independent auditor's report is set out on page 1.

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

Al Rayan Qatar ETF

Interim condensed financial statements

(All amounts are expressed in Qatari Riyals unless otherwise stated)

INTERIM STATEMENT OF SOURCES AND USES OF CHARITY FUNDS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

	For the six-month period ended 30 June	
	2023 (Reviewed)	2022 (Reviewed)
Sources of charity fund		
Earnings prohibited by Sharia during the period	408,643	226,352
Uses of charity fund		
Purification during the period	408,643	226,352
Net earnings prohibited by Sharia during the period	-	-



Independent auditor's report is set out on page 1.

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

Al Rayan Qatar ETF

For the six-month period ended 30 June 2023

Notes to the interim condensed financial statements

(All amounts are expressed in Qatari Riyals unless otherwise stated)

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 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.

These interim condensed financial statements for the six-month period ended 30 June 2023 were authorized for issuance by the Founder and the Fund Manager on 18 July 2023.

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

2.1 STATEMENT OF COMPLIANCE

The interim condensed financial statements have been prepared in accordance with Financial Accounting Standard (“FAS”) 41 “Interim financial reporting” 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”).

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 2022. In addition, results for the six-month period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

The significant judgments made by management in applying the Fund’s accounting policies, the key sources of estimation uncertainty, and Fund’s financial risk management objectives and policies were the same as those that applied to the financial statements for the year ended 31 December 2022.

Al Rayan Qatar ETF

For the six-month period ended 30 June 2023

Notes to the interim condensed financial statements

(All amounts are expressed in Qatari Riyals unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.2 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.

2.3 FUNCTIONAL AND PRESENTATIONAL CURRENCY

These interim condensed financial statements are presented in Qatari Riyals (“QAR”), which is the Fund’s functional and presentational currency. All amounts are expressed in Qatari riyals.

2.4 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 interim condensed financial statements continue to be prepared on the going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed financial statement are consistent with those followed in the preparation of the Fund’s annual financial statements for the year ended 31 December 2022 except for adoption of new and amended standards as set out below.

3.1 New standards and interpretations

a) New standards, amendments and interpretations effective from 1 January 2023

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 is effective for financial statements for the period beginning on or after 1 January 2023.

The Fund adopted this standard for the basis of preparation of its interim condensed financial statements. The adoption of this standard did not have any significant impact on the Fund’s interim condensed financial statements.

FAS 41 Interim Financial Reporting

This standard prescribes the principles for the preparation of condensed interim financial information and the relevant presentation and disclosure requirements, emphasizing the minimum disclosures specific to Islamic financial institution in line with various financial accounting standards issued by AAOIFI. This standard also provides an option for the institution to prepare a complete set of financial statements at interim reporting dates in line with the respective FAS's.

This standard is effective for financial statements for the period beginning on or after 1 January 2023.

The Fund adopted this standard for the basis of preparation of its interim condensed financial statements. The adoption of this standard did not have any significant impact on the Fund’s interim condensed financial statements.

b) New standards, amendments and interpretations issued but not yet effective from 1 January 2023

The Fund has not yet applied the following new and revised FASs that has been issued but is not yet effective. These standards are currently in process of being assessed by the management of the Fund to consider any implication in the current or future reporting periods and on foreseeable future transactions.

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. The revision of FAS 1 is in line with the modifications made to the AAOIFI conceptual framework for financial reporting. This standard’s effective date has been deferred from 1 January 2023 to 1 January 2024 with early adoption permitted.

Al Rayan Qatar ETF

For the six-month period ended 30 June 2023

Notes to the interim condensed financial statements

(All amounts are expressed in Qatari Riyals unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 New standards and interpretations (continued)

b) New standards, amendments and interpretations issued but not yet effective from 1 January 2023 (continued)

FAS 40 - Financial Reporting for Islamic Finance Windows

AAOIFI has issued FAS 40 in 2021. The objective of this revised standard is to establish financial reporting requirements for Islamic finance windows and applicable to all conventional financial institutions providing Islamic financial services through an Islamic finance window. This standard improves upon and supersedes FAS 18 “Islamic Financial Services Offered by Conventional Financial Institutions”. This standard shall be effective for the financial periods beginning on or after 1 January 2024 with early adoption permitted.

FAS 42 – Presentation and disclosures in the Financial Statements of Takaful Institutions

AAOIFI has issued FAS 42 in 2022. This standard supersedes the earlier *FAS 12 – General Presentation and Disclosures in the Financial Statements of Islamic Insurance Companies*. The objective of this standard is to set out the overall requirements for the presentation of financial statements, the minimum requirement for the contents of and disclosures in the financial statements and recommended structure of financial statements that facilitates fair presentation in line with Shari’a principles and rules for Takaful institutions. This standard shall be effective for the financial periods beginning on or after 1 January 2025 with early adoption permitted if adopted alongside *FAS 43 – Accounting for Takaful: Recognition and Measurement*.

FAS 43 – Accounting for Takaful: Recognition and Measurement

AAOIFI has issued FAS 43 in 2022. The objective of this standard is to set out the principles for the recognition and measurement of Takaful arrangements and ancillary transactions with the objective of faithfully representing the information related to these arrangements to the relevant stakeholders. The standard should be read in conjunction with *FAS 42 – Presentation and disclosures in the Financial Statements of Takaful Institutions*. This standard shall be effective for the financial periods beginning on or after 1 January 2025 with early adoption permitted if adopted alongside *FAS 42 – Presentation and disclosures in the Financial Statements of Takaful Institutions*.

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 2022.

a) 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.

b) Financial instruments classification

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

Date of valuation	Fair value	Level 1	Level 2	Level 3
30 June 2023	470,814,092	470,814,092	-	-
31 December 2022	519,699,050	519,699,050	-	-

During the reporting periods ended 30 June 2023 and 31 December 2022, there were no transfers among Levels 1, 2 and 3 fair value measurements.

Al Rayan Qatar ETF

For the six-month period ended 30 June 2023

Notes to the interim condensed financial statements

(All amounts are expressed in Qatari Riyals unless otherwise stated)

5. BANK BALANCES

	30 June 2023 (Reviewed)	31 December 2022 (Audited)
Balance with banks*	1,982,275	2,028,490
Accrued profits on short term investment account	5,408	5,846
Gross balance with banks	1,987,683	2,034,336
Allowance for expected credit loss ("ECL")	(2,512)	(2,565)
Net balance with banks	1,985,171	2,031,771

*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:

	30 June 2023 (Reviewed)	31 December 2022 (Audited)
Listed equity securities – State of Qatar	470,814,092	519,699,050

Investment securities are denominated in the following currency:

	30 June 2023 (Reviewed)	31 December 2022 (Audited)
Qatari Riyals	470,814,092	519,699,050

7. NET REALIZED AND UNREALIZED (LOSS) / GAIN FROM INVESTMENT SECURITIES

	For the six-month period ended 30 June	
	2023 (Reviewed)	2022 (Reviewed)
Net realized (loss) / gain from investment securities ¹	(1,530,714)	10,581,835
Net unrealized (loss) / gain from investment securities ²	(31,833,741)	6,038,622
	(33,364,455)	16,620,457

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

² Net of unrealized (loss) / gain recognized in previous periods which are realized during the current period resulting from the sale of investment securities.

Al Rayan Qatar ETF

For the six-month period ended 30 June 2023

Notes to the interim condensed financial statements

(All amounts are expressed in Qatari Riyals unless otherwise stated)

8. NUMBER OF UNITS IN ISSUE

	30 June 2023 (Reviewed)	31 December 2022 (Audited)
Units at the beginning of the period / year	219,100,000	218,300,000
Creations during the period / year	-	800,000
Redemptions during the period / year	(6,000,000)	-
	213,100,000	219,100,000

9. EXPENSES

	For the six-month period ended 30 June	
	2023 (Reviewed)	2022 (Reviewed)
Total expenses	1,231,773	1,540,906
Total Expense Ratio (TER) for the six-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.

10. DIVIDEND

During the six-month period ended 30 June 2023, the Fund distributed dividend amounting to QAR 23.66 million (30 June 2022: QAR 21.91 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.

Transactions and balances

	30 June 2023 (Reviewed)	31 December 2022 (Audited)
Interim statement of net assets		
Bank balance	1,985,171	2,031,771

	For the six-month period ended 30 June	
	2023 (Reviewed)	2022 (Reviewed)
Interim statement of operations		
Profits on short term investment account	196,081	41,075

Dividend

During the six-month period ended 30 June 2023, the Fund paid QAR 1,100,000 (30 June 2022: QAR 1,000,000) as dividends to the Founder.