

AL RAYAN QATAR ETF
INTERIM CONDENSED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE NINE-MONTH PERIOD ENDED
30 SEPTEMBER 2020

AL RAYAN QATAR ETF

INTERIM CONDENSED FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Unit Holders of Al Rayan Qatar ETF
Doha – Qatar

Introduction

We have reviewed the accompanying interim condensed financial statements of Al Rayan Qatar ETF (“the Fund”) which comprise the interim condensed statement of financial position as at September 30, 2020, and the related interim condensed statements of income for the three month and nine month periods ended 30 September 2020 interim condensed statement of changes in net assets attributable to unit holders and cash flows 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”) and the applicable provisions of Qatar Central Bank regulations (“QCB”). 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.

Other matter

The financial statements and interim condensed financial statements of the Fund for the year ended December 31, 2019 and for the nine-month period ended September 30, 2019, respectively, were audited / reviewed by another auditor who expressed an unmodified audit report and review conclusion on those statements on January 20, 2020 and October 16, 2019, respectively.

INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not presented fairly, in all material respects, in accordance with the Financial Accounting Standards issued by the AAOIFI and applicable provisions of the Qatar Central Bank regulations.

Doha – Qatar
15 October 2020

For Deloitte & Touche
Qatar Branch

A circular blue stamp is partially visible behind the signature. The stamp contains the text "Public Accountants" in Arabic and English, and "DELOITTE & TOUCHE" at the bottom. There are also two stars and some smaller text within the stamp.

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

AL RAYAN QATAR ETF**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**

As at 30 September 2020

	<i>Note</i>	30 September 2020 QAR (Reviewed)	31 December 2019 QAR (Audited)
ASSETS			
Bank balances	6	704,614	2,080,193
Investment securities	7	525,354,639	521,645,857
Other receivables		82,940	--
TOTAL ASSETS		526,142,193	523,726,050
LIABILITIES			
Outstanding purchases settlements		866,926	--
Accrued expenses		557,811	1,225,735
TOTAL LIABILITIES		1,424,737	1,225,735
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		524,717,456	522,500,315
NUMBER OF UNITS IN ISSUE	8	225,700,000	225,000,000
NET ASSET VALUE PER UNIT		2.3248	2.3222

These interim condensed financial statements for the nine-month period ended 30 September 2020 were authorised for issue by the Founder and the Fund Manager on 15 October 2020.



Adel Mustafawi
Group Chief Executive Officer
Masraf Al Rayan Q.P.S.C.
The Founder



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

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS

AL RAYAN QATAR ETF

INTERIM CONDENSED INCOME STATEMENT

For the three and nine-month periods ended 30 September 2020

	<i>Note</i>	<u><i>For the three-month period ended 30 September</i></u>		<u><i>For the nine-month period ended 30 September</i></u>	
		<i>2020 QAR (Reviewed)</i>	<i>2019 QAR (Reviewed)</i>	<i>2020 QAR (Reviewed)</i>	<i>2019 QAR (Reviewed)</i>
OPERATING (LOSS) / INCOME					
Net gain / (loss) from investment securities	9	68,127,165	(8,179,380)	2,574,782	(9,246,999)
Net dividend income		--	--	20,249,211	25,464,209
Profit on bank balances		2,177	13,886	64,878	107,356
Total income / (loss)		<u>68,129,342</u>	<u>(8,165,494)</u>	<u>22,888,871</u>	<u>16,324,566</u>
EXPENSES					
Expenses	10	<u>(623,254)</u>	<u>(660,438)</u>	<u>(1,785,761)</u>	<u>(2,015,845)</u>
Total expenses		<u>(623,254)</u>	<u>(660,438)</u>	<u>(1,785,761)</u>	<u>(2,015,845)</u>
CHANGE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS					
		<u>67,506,088</u>	<u>(8,825,932)</u>	<u>21,103,110</u>	<u>14,308,721</u>

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS

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 2020

	<i><u>For the nine-month period ended 30</u></i>	
	<i><u>September</u></i>	
	<i>2020</i>	<i>2019</i>
	<i>QAR</i>	<i>QAR</i>
<i>Note</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Balance at 1 January (Audited)	<u>522,500,315</u>	<u>538,621,867</u>
Change in net assets attributable to the unit holders	21,103,110	14,308,721
<u>Creations and redemptions by authorised participants:</u>		
Issue of redeemable units during the period	4,037,604	--
Payment for redemption of redeemable units	<u>(2,637,573)</u>	--
Dividend paid to the unit holders	11 <u>(20,286,000)</u>	<u>(24,750,000)</u>
Balance at 30 September (Reviewed)	<u>524,717,456</u>	<u>528,180,588</u>

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS

AL RAYAN QATAR ETF

INTERIM CONDENSED STATEMENT OF CASH FLOWS
For the nine-month period ended 30 September 2020

	Note	<i>For the nine-month period ended 30</i>	
		<i>September</i>	
		<i>2020</i>	<i>2019</i>
		<i>QAR</i>	<i>QAR</i>
		<i>(Reviewed)</i>	<i>(Reviewed)</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets attributable to unit holders		21,103,110	14,308,721
<i>Adjustments for:</i>			
Net unrealized (gain) / loss on revaluation of investment securities	9	(8,873,439)	3,756,843
Operating profit before changes in operating assets and liabilities		12,229,671	18,065,564
<i>Changes in :</i>			
Investment securities		6,547,089	9,100,586
Other receivables		(82,940)	(14,094)
Accrued expenses and other payables		199,002	130,476
Net cash from operating activities		18,892,822	27,282,532
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid to the unit holders		(20,286,000)	(24,750,000)
Proceeds from issue of redeemable units		67,053	--
Payments for redemption of redeemable units		(49,454)	--
Net cash used in financing activities		(20,268,401)	(24,750,000)
Net (decrease) / increase in cash and cash equivalents during the period		(1,375,579)	2,532,532
Balance of cash and cash equivalents at the beginning of the period		2,080,193	715,371
Balance of cash and cash equivalents at 30 September		704,614	3,247,903

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS

AL RAYAN QATAR ETF

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
As at and for the nine-month period ended 30 September 2020

1. LEGAL STATUS AND MAIN ACTIVITIES

Al Rayan Qatar ETF (the “Fund”) is an open-ended Shari’a compliant fund incorporated under Law No. 25 of the year 2002 and the Ministry of Economy and Commerce Decision No. (69) of the year 2004 for issuing by-laws for investment funds of the State of Qatar. The Fund was licensed by Qatar Central Bank (“QCB”) with license No. MF/27/2016 and registered with the Ministry of Economy and Commerce (the “Ministry”) with a registration No. 91075.

The Fund was launched on 21 March 2018 (“Launch Date”), the date on which the Fund was listed on Qatar Stock Exchange (“QSE” or the “Exchange”). The term of the Fund shall be 25 years, starting from 26 December 2016 the date of registration of the Fund in the Investment Funds Register of the Ministry, renewable by the Founder upon approval by the Qatar Central Bank.

The nominal value of the Unit is 1/100th of the QE Al Rayan Islamic Index – Price (the “Index”) value as of the close of trading on the Exchange on the last business day before the Launch Date, with the Fund's capital ranging from QR 50,000,000 (Qatari Riyals Fifty Million) as minimum limit to QAR 2,000,000,000 (Qatari Riyals Two Billion) as a maximum limit.

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

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

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

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

Objective of the Fund and nature of its activity

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

2. BASIS OF PREPARATION

(a) Statement of compliance

The interim condensed financial statements have been prepared in accordance with Financial Accounting Standards (“FAS”) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”) and applicable provisions of the Qatar Central Bank (“QCB”) regulations. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Fund uses the guidance from the relevant International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”). 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 2019. In addition, results for the nine-month period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

(b) Basis of measurement

These interim condensed financial statements have been prepared under the historical cost convention, except for investment securities classified as fair value through income statement which are carried at fair value.

(c) Functional and presentational currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

FAS 31 - Investment Agency (Al-Wakala Bi Al-Istithmar)
AAOIFI has issued FAS 31 in 2019. The objective of this standard is to establish the principles of accounting and financial reporting for the investment agency (Al-Wakala Bi Al-Istithmar) instruments and the related assets and obligations from both the principal (investor) and the agent perspectives.

FAS 33 - Investment in sukuk, shares and similar instruments
AAOIFI has issued FAS 33 'Investment in sukuk, shares and similar instruments' in 2018. FAS 33 supersedes the earlier FAS 25 - Investment in sukuks, shares and similar instruments. The objective of this standard is to set out improved principles for classification, recognition, measurement, presentation and disclosure of investments in sukuk, shares and other similar instruments of investment made by Islamic Financial Institutions in line with Shari'ah principles.

FAS 34 - Financial reporting for Sukuk-holders
AAOIFI has issued FAS 34 in 2018. The objective of this standard is to establish the principles of accounting and financial reporting for assets and business underlying the Sukuk to ensure transparent and fair reporting for all stakeholders particularly Sukukholders.
The new standards are effective for annual reporting periods beginning on or after 1 January 2020 and have no material impact on the Fund's interim condensed financial statements.

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 2019.

(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;

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

- 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 profit or loss are valued as per Level 1 valuation method.

(i) 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> <i>QAR</i>	<u>Level 1</u> <i>QAR</i>	<u>Level 2</u> <i>QAR</i>	<u>Level 3</u> <i>QAR</i>
September 30, 2020	<u>525,354,639</u>	<u>525,354,639</u>	--	--
December 31, 2019	<u>521,645,857</u>	<u>521,645,857</u>	--	--

Investment securities totalling QAR nil are carried at cost (31 December 2019: QAR nil).

During the reporting periods 30 September 2020 and 31 December 2019, there were no transfers among Levels 1, 2 and 3 fair value measurements.

5. USE OF ESTIMATES AND JUDGMENTS**Key sources of estimation uncertainty**

The preparation of the interim condensed financial statements in conformity with FAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in significant accounting policies (financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument).

AL RAYAN QATAR ETF

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at and for the nine-month period ended 30 September 2020

6. BANK BALANCES

	<i>30 September 2020 (Reviewed)</i>	<i>31 December 2019 (Audited)</i>
Balance with banks	704,006	2,076,309
Accrued profit on short-term investments	608	3,884
	<u>704,614</u>	<u>2,080,193</u>

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

7. INVESTMENT SECURITIES

Investment securities classified as fair value through income statement

	<i>30 September 2020 (Reviewed)</i>	<i>31 December 2019 (Audited)</i>
Listed equity securities – State of Qatar	<u>525,354,639</u>	<u>521,645,857</u>

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

	<i>30 September 2020 (Reviewed)</i>	<i>31 December 2019 (Audited)</i>
Cost of investments securities held at period /year end	494,363,536	499,528,193
Unrealized (loss) / gain on revaluation of investment securities	30,991,103	22,117,664
Fair value	<u>525,354,639</u>	<u>521,645,857</u>

Investment securities are denominated in the following currencies:

	<i>30 September 2020 (Reviewed)</i>	<i>31 December 2019 (Audited)</i>
Qatari Riyals	<u>525,354,639</u>	<u>521,645,857</u>

AL RAYAN QATAR ETF

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at and for the nine-month period ended 30 September 2020

8. NUMBER OF UNITS IN ISSUE

	<i>30 September 2020 (Reviewed)</i>	<i>31 December 2019 (Audited)</i>
Units at the beginning of the period / year	225,000,000	225,000,000
Subscriptions during the period / year	2,000,000	--
Redemptions during the period / year	<u>(1,300,000)</u>	<u>--</u>
	<u>225,700,000</u>	<u>225,000,000</u>

9. NET GAIN / (LOSS) FROM INVESTMENT SECURITIES

	<i><u>For the nine-month period ended 30 September</u></i>	
	<i>2020 (Reviewed)</i>	<i>2019 (Reviewed)</i>
Net realized losses on sale of investment securities	<u>(6,298,656)</u>	<u>(5,490,156)</u>
Unrealized gain on revaluation of investment securities	<u>8,873,439</u>	<u>(3,756,843)</u>
	<u>2,574,782</u>	<u>(9,246,999)</u>

10. EXPENSES

	<i><u>For the nine-month period ended 30 September</u></i>	
	<i>2020 (Reviewed)</i>	<i>2019 (Reviewed)</i>
Total expenses	<u>(1,785,761)</u>	<u>(2,015,845)</u>
Total Expense Ratio (TER) for the nine-month period based on average daily NAV	<u>0.50%</u>	<u>0.50%</u>

The total expenses of the Fund include management fee, custody fee, index fee, auditor's fee, regulator's fee, exchange fee and other miscellaneous fees. The Total Expenses Ratio (TER) is set at 0.50% of the total net asset value of the Fund and calculated on daily basis.

11. DIVIDEND

During the nine-month period ended 30 September 2020, the Fund distributed dividends amounting to QAR 20.29 million (30 September 2019: QAR 24.75million). There were no dividends distributed for the three-month period ended 30 September 2020 (30 September 2019: QAR Nil).

12. RELATED PARTIES

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 0.5% 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</i> <i>September</i> <i>2020</i> <i>(Reviewed)</i>	<i>31</i> <i>December</i> <i>2019</i> <i>(Audited)</i>
Statement of financial position items		
Bank Balance	<u>704,614</u>	<u>2,080,193</u>
	<i>For the nine-month period</i>	
	<i>ended 30 September</i>	
	<i>2020</i>	<i>2019</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Income statement items		
Profit on short-term investments	<u>64,878</u>	<u>107,356</u>

13. IMPACT OF COVID-19

The rapid spread of the coronavirus (“COVID-19”) pandemic across the globe is causing disruptions to businesses and economic activities. The 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.