AL HAYER FUND – CLASS "A"

FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED

31 DECEMBER 2018

AL HAYER FUND – CLASS "A"
FINANCIAL STATEMENTS

As at and for the year ended 31 December 2018

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INDEPENDENT AUDITOR'S REPORT

To the unit holders of Al Hayer Fund Class - "A"

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Al Hayer Fund Class –A ("the Fund"), which comprise the statement of financial position as at 31 December 2018, the statements of comprehensive income, changes in net assets attributable to the unit holders and cash flows for the year then ended, and notes, comprising 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 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the applicable provisions of Qatar Central Bank regulations ('QCB regulations').

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 *Auditor's 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.

Responsibilities of the management for the Financial Statements

The manager of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and QCB regulations, and for such internal control as the 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 management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditor's responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with ISA, we exercise professional judgement 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 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 the Fund manager.

- Conclude on the appropriateness of the 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 the 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.

- 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 provisions of the Qatar Central Bank Law No. 13 of 2012 and of the Qatar Commercial Companies Law No.11 of 2015 or the terms of the Articles of Association and the amendments thereto having occurred during the year which might have had a material adverse effect on the Fund's financial position or performance as at and for the year ended 31 December 2018.

Date: 25 February 2019
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
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AL HAYER FUND – CLASS "A"
STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Note	31 December 2018 USD	31 December 2017 USD
ASSETS			
Cash and cash equivalents	3	1,641,459	3,645,710
Investment securities at fair value through profit or loss	4	7,934,088	5,900,476
Other receivables		10,900	10,185
TOTAL ASSETS		**9,586,447**	9,556,371
LIABILITIES			
Payables and accrued expenses	5	50,189	51,271
TOTAL LIABILITIES		**50,189**	51,271
NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS		**9,536,258**	9,505,100
NUMBER OF UNITS IN ISSUE (UNITS)		**95,481**	95,571
NET ASSET VALUE PER UNIT (USD)		**99.88**	99.46

These financial statements were approved by the Founder's Board of Directors and were signed on its behalf by:

Dr. Raghavan Seetharaman
Group Chief Executive Officer
Doha Bank Q.P.S.C.

21 February 2019

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The accompanying notes 1 to 8 form an integral part of these financial statements.

AL HAYER FUND – CLASS "A"
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Note	2018	2017
		USD	USD
OPERATING INCOME			
Dividend income		200,382	441,184
Net gain on Investment securities at fair value through profit or loss	6	78,499	286,191
Interest Income		64,157	9,749
Total income		**343,038**	737,124
EXPENSES			
Management fees		(146,796)	(175,039)
Administration fees		(68,015)	(49,701)
Custodian fees		(33,198)	(24,256)
Audit fees		(8,239)	(10,397)
Brokerage fee and commission		(32,267)	(80,036)
Other expenses		(14,350)	(10,984)
Total expenses		(302,865)	(350,413)
CHANGE IN NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS		**40,173**	386,711

The accompanying notes 1 to 8 form an integral part of these financial statements.

AL HAYER FUND – CLASS "A"
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS
For the year ended 31 December 2018

	2018		2017	
	Number of units	**USD**	Number of units	USD
Balance at 1 January	95,571	9,505,100	123,491	11,903,699
Change in net assets attributable to the unit holders	-	40,173	-	386,711
Contributions and redemptions by unit holders:				
Issue of redeemable units during the year	-	-	112,632	11,200,000
Redemption of redeemable units during the year	(90)	(9,015)	(140,552)	(13,985,310)
Transactions with the unit holders	(90)	(9,015)	(20,170)	(2,785,310)
Balance at 31 December	95,481	**9,536,258**	95,571	9,505,100

The accompanying notes 1 to 8 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	31 December 2018 USD	31 December 2017 USD
OPERATING ACTIVITIES			
Change in net assets attributable to the unit holders		40,173	386,711
Adjustments for:			
Net unrealized loss on revaluation of investment securities	6	176,766	116,125
Operating profit before changes in operating assets and liabilities		216,939	502,836
Changes in:			
Investment securities		(2,210,378)	2,212,813
Other receivables		(715)	(9,326)
Payables and accrued expenses		(1,082)	(102,201)
Net cash from operating activities		**(1,995,236)**	2,604,122
FINANCING ACTIVITIES			
Proceeds from issue of redeemable units			11,200,000
Payment for redemption of redeemable units		(9,015)	(13,985,310)
Net cash used in financing activities		**(9,015)**	(2,785,310)
Net (decrease) / increase in cash and cash equivalents		(2,004,251)	(181,188)
Cash and cash equivalents at 1 January		3,645,710	3,826,898
Cash and cash equivalents at 31 December	3	**1,641,459**	3,645,710

The accompanying notes 1 to 8 form an integral part of these financial statements.

1. LEGAL STATUS AND MAIN ACTIVITIES

Al Hayer Fund – Class "A"("the Fund") was established on 14 August 2012, as an open ended fund and is registered in the Investment Funds Register at the Ministry of Economy and Commerce under registration certificate no. 57042 and is licensed by the Qatar Central Bank under license no. IF/15/2011 in accordance with Law No. (25) of 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 has, at the date of establishment, an authorised capital of US$ 1,000,000,000 divided into 10,000,000 Units at a par value of US$ 100 each.

Doha Bank Q.P.S.C., the "Founder", is a Qatari closed public shareholding company, having QCB License No. B.S.D/11/1979 and registered with the Ministry of Economy and Commerce under Commercial Registration Number 7115.

The Fund is managed by Amwal L.L.C. authorised by the Qatar Financial Centre Regulatory Authority (QFCRA) on 14 September 2011 (QFC No. 00145).

Standard Chartered Bank (Qatar branch) is the appointed Custodian of the Fund.

Objective of the Fund and nature of its activity

The principal investment objective of the Fund is medium to long-term capital appreciation, primarily:

a) To carry on the business of an investment fund in accordance with the Fund's articles of association, the Law, the Directive and any other relevant laws and regulations and in furtherance of that purpose to invest the capital and other assets of the Fund, in the listed shares and other securities of companies established or operating in GCC and MENA countries and other countries approved by the Founder and Fund Manager. In addition the assets of the Fund may be invested in initial public offerings of shares of companies in these countries, money market and fixed income instruments, bank deposit accounts, sovereign bond issues of GCC countries, other funds and unit trusts both investing predominently in securities of companies listed on qualifying exchanges;

b) To deposit money in any currency with such financial institutions approved by QCB and on such terms as may seem expedient; and

c) To accumulate any capital gains and other income, which shall be added to the value of the Fund and employed for any purpose of the Fund.

The financial statements for the year ended 31 December 2018 was authorised for issue by the Founder on 21 February 2018.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Fund for the year ended 31 December 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and the applicable provisions of Qatar Central Bank's ("QCB") regulations.

These financial statements are prepared on a historical cost basis, except for investment securities classified as fair value through profit or loss, which are carried at fair value.

The financial statements have been presented in USD, which is the presentational currency of the Fund's financial statements.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and estimates

The preparation of these financial statements in conformity with the IFRSs requires Fund Manager to make judgments, estimates and assumptions that affects the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

a) New standards, amendments and interpretations effective from 1 January 2018

The following authoritative pronouncements which introduce certain improvements to existing standards which did not have any impact on the accounting policies, financial position and performance of the Fund:

- Annual improvements to IFRS 2014-2016 Cycle.
- Disclosure Initiative (Amendments to IAS 7).

The adoption of the above amendments did not have any impact on the financial information of the Fund.

The following new and amended accounting standards became effective in 2018 and have been adopted by the Fund in preparation of these Financial Statements as applicable.

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The Fund has assessed the impact of IFRS 15 and concluded that the application of IFRS 15 had no impact on the Fund's financial statements, as the Fund's revenue is out of the scope of this standard. Consequently, there were no adjustments as at 1 January 2018. The adoption of the above did not result in any changes to the previously reported net income or net assets of the Fund.

IFRS 9 - Financial Instruments (effective 1 January 2018)

The Fund has adopted IFRS 9 on 1 January 2018, with changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except for the comparative periods, which have not been restated and differences, if any in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore, is not comparable to the information presented for 2018 under IFRS 9. The adoption of IFRS 9 has resulted in the following changes:

Classification of financial assets and financial liabilities
IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. IFRS 9 also provides an option to the Fund to irrevocably designate equity instrument to be measured at FVOCI.

There have been no changes in the classification and measurement of financial liabilities on the adoption of IFRS 9, which are relevant to the Fund.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and estimates (Continued)

Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments or other financial assets measured FVTPL. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

No expected credit losses ('ECL') have been recognised by the Fund on bank balances and interest receivable. These bank balances are placed mainly with the banks of high credit rating thereby reducing any residual counterparty settlement risk. For the interest receivable, the Fund has followed the simplified approach based on the days past due, assigned probability of default (PD) based on the historical information available using the roll rate analysis model, applied on the quarterly ageing buckets however, the charge is nil as the receivables are of highly short term nature with zero historical defaults.

The Fund has assessed the impact of IFRS 9 and has determined that the standard has no material effect on the financial statements of the Fund for current or prior periods.

The below table reconciles the original measurement categories and carrying amounts of financial assets in accordance with IAS 39 and the new measurement categories under IFRS 9 as at 1 January 2018.

2018	**31 December 2018**			
	Original classification under IAS 39	**New classification under IFRS 9**	**Original carrying amount**	**New carrying amount**
Assets				
Bank balances	Loans and receivables	Other amortised cost	1,641,459	1,641,459
Financial assets at fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss (designated)	7,934,088	7,934,088
Interest receivable	Loans and receivables	Other amortised cost	10,900	10,900
			9,586,447	**9,586,447**

Financial liabilities
There were no changes to the classification and measurement of financial liabilities.

b) New standards, amendments and interpretations issued but not yet effective

IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and estimates (Continued)

IFRS 16 Leases (Continued)

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The Fund does not expect to have a significant impact on its financial statements.

2.3 Significant accounting policies

The accounting policies set out below have been consistently applied in the preparation of these financial statements except for the effects of adopting IFRS 9 and IFRS 15 on 1 January 2018, as described in note 2.2(a).

Revenue recognition

- Profit from deposits and other financial assets are recognised on an accrual basis using the effective profit rate method.
- Dividend income is recognised when the Fund has the right to collect the dividends.

Fees and commissions
Fees and commissions expenses are recognised on an accrual basis

Financial instruments

Classification
The Fund classifies its financial assets and financial liabilities into the following category:

(i) Financial assets at fair value through profit or loss
Financial assets classified as held for trading are acquired principally for the purpose of generating a profit from short-term sale.

(ii) 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.

(iii) 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 has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund 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.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(iv) Initial measurement

Financial assets classified as held for trading 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 profit and loss.

(v) Subsequent measurement

After initial measurement, the Fund measures financial instruments that are classified as held for trading at bid closing price. Subsequent changes in the fair value of those financial instruments are recorded in 'Net gain or loss on financial assets and liabilities at fair value through profit or loss '.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the financial position date. All differences are taken to profit and loss.

Cash and cash equivalents

For the purpose of the cash flows statement, cash and cash equivalents consist of bank balances.

Fair value

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.

Other payables and accruals

Liabilities are recognised for amounts to be paid in the future for services received, whether billed by the supplier or not.

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.

Subscriptions pending allotment

The initial subscriptions made by the investors before the allotment of units will be recorded as liabilities against the cash received including the commission related to the Fund Manager.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master-netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

3. CASH AND CASH EQUIVALENTS

	31 December 2018 USD	31 December 2017 USD
Current accounts	543,031	2,547,282
Fixed deposits	1,098,428	1,098,428
	1,641,459	3,645,710

4. INVESTMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Country of Origin	Currency	31 December 2018 USD	31 December 2017 USD
Listed equity securities – State of Kuwait	State of Kuwait	KWD	2,958,582	2,127,933
Listed equity securities – State of Qatar	State of Qatar	QAR	2,569,714	2,375,554
Listed equity securities – United States of America	Kingdom of Saudi Arabia and United Arab Emirates	USD	1,231,675	1,097,522
Listed debt securities – Republic of Ireland	Kingdom of Saudi Arabia	USD	393,206	-
Listed equity securities – United Kingdom	United Arab Emirates	GBP	381,212	136,594
Listed equity securities – Sultanate of Oman	Sultanate of Oman	OMR	235,036	156,218
Unlisted debt security – State of Kuwait	State of Kuwait	KWD	164,663	-
Listed debt securities – Sultanate of Oman	Sultanate of Oman	OMR	-	6,655
			7,934,088	5,900,476

5. PAYABLES AND ACCRUED EXPENSES

	31 December 2018 USD	31 December 2017 USD
Management fees	36,699	37,607
Custodian fees	3,486	1,055
Administration fees	5,000	7,000
Other accruals	5,004	5,609
	50,189	51,271

6. NET GAIN FROM INVESTMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2018 USD	31 December 2017 USD
Net gain on sale of investment securities	255,265	402,316
Net unrealized loss on revaluation of investment securities	(176,766)	(116,125)
	78,499	286,191

7. RELATED PARTIES TRANSACTIONS

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 fees

The Fund will pay to the Fund Manager a management fee accruing monthly being the greater of $50,000 a year or 1.5% per annum of the Net Asset Value, before payment of redemptions for the Valuation Day calculated using the Net Asset Value of the Fund on the Last Business Day of each calendar month if a Valuation Day, and if not a Valuation Day, determined using the Net Asset Value of the Fund as of the immediately preceding Valuation Day and payable quarterly. This management fee, provided the Fund Manager receives not less than $50,000 per annum, will be shared 50:50 between the Fund Manager and the Fund Founder or as otherwise agreed between them.

Subscription fees

A subscription fee of up to 1% of the subscription amount is payable to the Founder of the Fund. This fee may be waived or refunded at the discretion of the Founder.

Redemption fees

A redemption fee of up to 1% of the Net Asset Value of the units being redeemed will be payable to the Fund Manager by the relevant unitholder from the redemption proceeds of units redeemed. The redemption fee will be shared 50:50 between the Founder and the Fund manager or as otherwise agreed between them.

7. RELATED PARTIES TRANSACTIONS (CONTINUED)

Performance fees

The Fund will pay performance fee, at a rate of 15% of amount by which the annual rate of return achieved by the Fund exceeds 10% per annum calculated on a pro rata basis. For these purposes, the initial Net Asset Value per unit shall be $100 for the first financial year. Subsequent periods should be 12 months each and the base price for subsequent performance fee years will be the Net Asset Value per unit at the commencement of such period. The performance fee will be paid within 14 days following the Valuation Day occurring at the end of each financial year. Any performance fee payable will be shared 50:50 between the Founder and the Fund manager or as otherwise agreed between them.

	31 December 2018 USD	31 December 2017 USD
Statement of financial position items		
Accrued management fees	**36,699**	37,607

	31 December 2018 USD	31 December 2017 USD
Statement of comprehensive income items		
Management fees	**146,796**	175,039

8. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Fund's objective in managing risks is the creation and protection of unit holder value. Risk is inherent in the Fund's activities, but it 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. The Fund is exposed to market risk (which includes currency risk, profit rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

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.

Risk measurement and reporting system

The Fund risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses that are an estimate of the ultimate actual loss based on statistical models. The models make use of the probabilities derived from experience, adjusted to reflect the economic environment.

The Fund Manager monitors and measures the overall risk in relation to the aggregate risk exposure across all risks type and activities.

8. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Excessive risk concentration

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if the Fund has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together. In order to avoid excessive concentration of risk, the Fund Manager seeks to maintain a diversified portfolio.

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 approved Islamic financial instrument equals to their fair value.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

Currency risk

Currency risk is the risk that the value of financial instrument will fluctuate due to changes in foreign exchange rates. The Fund invests in securities that are denominated in foreign currencies. Accordingly, the value of the Fund's assets may be affected favourably or unfavourably by fluctuations in currency rates and therefore the Fund will necessarily be subject to foreign exchange risks.

Concentration of foreign currency exposure

Open exchange positions in other currencies represent balances in AED, KWD, OMR and SAR. As these most currencies are pegged to the USD, there is no significant impact to profit and loss and the impact to the net asset value is insignificant.

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 unit holders' equity securities.

Concentration of equity price risk

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).

	31 December 2018 % of equity securities	31 December 2017 % of equity securities
State of Qatar	32%	40%
Kuwait	39%	36%
United States of America	16%	19%
Sultanate of Oman	3%	3%
United Kingdom	5%	2%
Republic of Ireland	5%	-
	100%	100%

8. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Concentration of equity price risk (Continued)

The following table analyses the Fund's concentration of equity price risk in the Fund's equity portfolio by industrial distribution

	31 December 2018 % of equity securities	31 December 2017 % of equity securities
Industry	39%	19%
Financial services	31%	63%
Telecommunication	8%	9%
Health	5%	2%
Others	17%	7%
	100%	100%

Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its shares earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis.

If the total aggregate redemption requests on any Dealing Day exceed 10% (ten percent) of the total number of Units outstanding on the immediately preceding Valuation Day, the Fund Manager may, in its sole discretion, defer any redemption request in whole or part so that the 10% level is not exceeded. Any deferred redemption requests will have priority over any other subsequent redemption requests and will be effected on the next Dealing Day, subject always to the 10% limit.

The Fund invests primarily in marketable securities listed on GCC stock exchanges and complying with sharia guideline which, under normal market conditions, are readily convertible to cash. In addition, the Fund's policy is to maintain sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests. It is the Fund Manager duty to monitor the Fund's liquidity position on a daily basis.

Maturity of financial assets and liabilities

The following table sets out the maturity profile of the Fund's assets and liabilities. Analysis of financial assets at fair value through profit or loss into maturity groupings is based on the expected date on which these assets will be realized. For other assets, the analysis into maturity groupings is based on the remaining period at the statement of financial position date to the contractual maturity date or if earlier, the expected date on which the assets will be realized.

8. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maturity of financial assets and liabilities (continued)

Maturity profile as at 31 December 2018

	1 – 3 Months	3 – 12 Months	1 – 5 Years	Over 5 Years	Non-Cash Items	Total
Assets						
Bank balance	1,641,459	-	-	-	-	1,641,459
Financial assets at fair value through profit or loss	7,934,088					7,934,088
Total assets	9,575,547	-	-	-	-	**9,575,547**
Liabilities						
Other liabilities	50,189	-	-	-	-	50,189
Total liabilities	**50,189**	-	-	-	-	**50,189**
Maturity gap	**9,525,358**	-	-	-	-	**9,525,358**

Fair value of financial assets and liabilities
Fair value 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. Consequently, differences can arise between book value and the fair value estimates. Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Financial assets and liabilities are carried at fair value and hence there is no difference between carrying value and fair value.

The fair value of other receivables, payables for investment transactions and other payables and accrued expenses, which are predominantly re-priced, short term in tenure and issued at market rates, are considered to reasonably approximate their book value.

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: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial investments at fair value through profit or loss – held for trading are valued as per the Level 1 valuation method.

8 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value hierarchy (Continued)

	31 December 2018			
	Fair value through profit or loss	**Other amortised cost**	**Total Carrying amount**	**Fair value**
Assets				
Bank balance	-	1,641,459	1,641,459	1,641,459
Financial assets at fair value through profit or loss	7,934,088	-	7,934,088	7,934,088
	7,934,088	**1,641,459**	**9,575,547**	**9,575,547**
Liabilities				
Other liabilities	-	50,189	50,189	50,189
	-	**50,189**	**50,189**	**50,189**

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 assets.

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 credit standards set out in the Fund's prospectus and by taking collateral.

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.

Gross maximum exposures are as follows:

Exposure to credit risk	**31 December 2018 USD**	31 December 2017 USD
Cash and Cash equivalent		
Current account	543,031	2,547,432
Term deposit - Mudarabah	1,098,428	1,098,428
	1,641,459	3,645,710
Other Receivables		
Accrued interest income	10,900	10,185
	10,900	10,185
Investment securities		
Debt instrument	**557,869**	6,655
Total credit risk exposure	**2,210,228**	3,662,550

No financial assets carried at amortized cost were past due or impaired at 31 December 2018.

The Fund has a current account with banks, having acceptable credit rating.

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Dr. R. Seetharaman
Chief Executive Officer
Doha Bank Q.P.S.C. ("Founder of the Fund")
P.O Box 3818
Doha
State of Qatar

25 February 2019

Dear Dr. Seetharaman,

Al Hayer Fund – Class "A"

Management letter for the year ended 31 December 2018

We have concluded our audit of Al Hayer Fund – Class A ("the Fund") for the year ended 31 December 2018 and confirm that during the course of our audit we did not come across any material weaknesses in the internal control systems and accordingly we did not issue a separate management letter.

As mentioned in our engagement letter, it should be appreciated that our audit procedures were designed primarily to enable us to form an opinion on the financial statements. Accordingly, our examination of the accounting records on a test basis should not be relied upon to disclose error and irregularities, which are not material in relation to the financial statements.

We would like to thank you and your team for the support and corporation extended to us during the course of our audit.

Yours faithfully,

Omar Mahmood

Partner