

QNB Debt Fund

INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2022

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE UNIT HOLDERS OF QNB DEBT FUND

Introduction

We have reviewed the accompanying interim condensed financial statements of QNB Debt Fund (the “Fund”) as at 31 March 2022, comprising of the interim statement of financial position as at 31 March 2022 and the related interim statements of comprehensive income, changes in net assets attributable to the unit holders and the interim statement of cash flows for the three-month period then ended and the related explanatory notes. The Fund Manager (the “Management”) is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 - *Interim Financial Reporting* (“IAS 34”). 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 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 of the Fund are not prepared, in all material respects, in accordance with IAS 34.



Ahmed Sayed
of Ernst & Young
Auditor's Registration No. 326

Date: 29 May 2022
Doha



QNB Debt Fund

INTERIM STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	<i>Notes</i>	31 March 2022 (Reviewed) QR	<i>31 December 2021 (Audited) QR</i>
ASSETS			
Financial assets at fair value through profit or loss	3	36,291,265	37,301,182
Other receivables	4	384,305	429,389
Bank balances	5	782,107	997,492
TOTAL ASSETS		<u>37,457,677</u>	<u>38,728,063</u>
LIABILITIES			
Due to related parties	9	23,741	24,572
Other liabilities	6	187,270	152,868
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>211,011</u>	<u>177,440</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	7	<u>37,246,666</u>	<u>38,550,623</u>
		<u>37,457,677</u>	<u>38,728,063</u>

The interim condensed financial statements were authorised for issue and approved by the Fund Manager on 24 May 2022 and signed on their behalf by:

Adel Abdulaziz Khashabi
General Manager – Asset and wealth management



The attached notes 1 to 10 form part of these interim condensed financial statements.

QNB Debt Fund

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three-month period ended 31 March 2022

	<i>Notes</i>	<i>Three months ended 31 March</i>	
		2022 (Reviewed) QR	2021 (Reviewed) QR
Income			
Interest income		440,704	480,486
Net foreign exchange loss		(761)	(470)
Net (loss) /gain from financial assets at fair value through profit or loss	8	(1,054,711)	265,887
		(614,768)	745,903
Expenses			
Management fees	9	(69,899)	(69,347)
Custodian fees		(19,110)	(19,110)
Investor service fees		(3,567)	(3,385)
Administration fees		(19,110)	(19,110)
Legal and professional fees		(34,272)	(34,274)
Other expenses		(237)	(435)
		(146,195)	(145,661)
(LOSS)/ PROFIT FOR THE PERIOD		(760,963)	600,242
Other comprehensive income for the period		-	-
(DECREASE)/ INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		(760,963)	600,242

The attached notes 1 to 10 form part of these interim condensed financial statements.



QNB Debt Fund

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

For the three-month period ended 31 March 2022

	<i>Number of units</i>	<i>Net assets attributable to the unit holders QR</i>
Net assets attributable to the unit holders at 1 January 2021 (Audited)	2,938,851	37,080,690
Payments for units redeemed during the period	(6,761)	(85,306)
Decrease in net assets attributable to unit holders	<u>-</u>	<u>600,242</u>
Net assets attributable to the unit holders at 31 March 2021 (Reviewed)	<u>2,932,090</u>	<u>37,595,626</u>
Net assets attributable to the unit holders at 1 January 2022 (Audited)	2,931,916	38,550,623
Payments for units redeemed during the period	(41,427)	(542,994)
Increase in net assets attributable to unit holders	<u>-</u>	<u>(760,963)</u>
Net assets attributable to the unit holders at 31 March 2022 (Reviewed)	<u>2,890,489</u>	<u>37,246,666</u>

ERNST & YOUNG
Doha - Qatar

29 MAY 2022

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The attached notes 1 to 10 form part of these interim condensed financial statements.

QNB Debt Fund

INTERIM STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2022

	Notes	<i>Three months ended 31 March</i>	
		2022 <i>(Reviewed)</i> QR	2021 <i>(Reviewed)</i> QR
Operating activities			
Profit/(loss) for the period		(760,963)	600,242
<i>Adjustment for:</i>			
Realized (gain)/ loss from sale of financial assets	8	(166)	1,345,594
Interest income		(440,704)	(480,486)
Net foreign exchange loss		761	470
Unrealised loss / (gain) on revaluation of financial assets	8	1,054,877	(1,611,481)
Operating cash flows before changes in working capital		(146,195)	(145,661)
<i>Working capital changes:</i>			
Financial assets at fair value through profit or loss		(45,555)	415,725
Other receivables		(768,610)	-
Due to related parties		(831)	394
Other liabilities		34,402	(11,690)
Cash flows from operations		(926,789)	258,768
Interest received		1,254,398	390,244
Net cash flows from operating activities		327,609	649,012
Financing activity			
Payments towards units redeemed		(542,994)	(85,306)
Cash flows used in a financing activity		(542,994)	(85,306)
Net (decrease)/ increase in cash and cash equivalents		(215,385)	563,706
Bank balances at 1 January		997,492	1,672,154
Bank balances at 31 March	5	782,107	2,235,860

The attached notes 1 to 10 form part of these interim condensed financial statements.

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Doha - Qatar

29 MAY 2022

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1 CORPORATE INFORMATION

QNB Debt Fund (the "Fund") is an open-ended 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. S.A/20/2012 and registered with the Ministry of Economy and Commerce (the 'Ministry') with a registration No. 58029. The Fund commenced its operations on 1 February 2013.

The term of the Fund shall be 10 years, starting with the date of registration of the Fund in the Investment Funds Register of the Ministry, renewable by the Founder on approval of the Qatar Central Bank.

The unit nominal value is QR 10 with the Fund's capital ranging from QR 20,000 as a minimum limit to QR 5,000,000,000 as a maximum limit.

The founder of the Fund is Qatar National Bank (Q.P.S.C.), ("QNB"), a Qatari Joint Stock Company established under the laws of Qatar and having its principal office in Doha, State of Qatar, P.O. Box 1000 (the "Founder") The Fund is managed by QNB Banque Privée (Suisse), a Company established under the laws of Switzerland (Company Registration Number CH-170-3-031-263-3) and having its registered office in Geneva, Switzerland.

HSBC Bank Middle East Limited, Qatar Branch ("HBME") has been appointed as the custodian and administrator of the Fund.

The principal activities of the Fund is to provide its investors with competitive investment returns by investing in fixed income instruments issued by governments, central banks and reputable companies located either in Qatar or other member countries of the Gulf Cooperation Council.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The accompanying interim condensed financial statements are prepared in accordance with IAS 34 - "Interim Financial Reporting". These interim condensed financial statements should be read in conjunction with the 2021 annual financial statements of the Fund.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the three-month period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

The preparation of the interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2021.

The interim condensed financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss, which have been measured at fair value.

The interim condensed financial statements have been presented in Qatari Riyals ("QR"), which is the functional and presentational currency of the Fund.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.2 Accounting policies and disclosures****New standards, interpretations and amendments**

<i>Description</i>	<i>Effective from</i>
Annual improvements to IFRS standards 2018- 2020	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (amendments to IAS 16)	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022

These amendments had no impact on the interim condensed consolidated financial statements of the Fund.

Standard issued but not yet effective

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023
Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS practice Statements 2)	1 January 2023

3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Cost and fair market value of the financial assets at fair value through profit or loss as follows:

	<i>31 March 2022 (Reviewed) QR</i>	<i>31 December 2021 (Audited) QR</i>
At 1 January	37,301,182	35,077,227
Additions during the period/year	843,976	22,243,667
Disposals during the period/year	(799,016)	(21,994,337)
Fair value changes during the period/year	(1,054,877)	1,974,625
	<u>36,291,265</u>	<u>37,301,182</u>

The investment securities have been revalued on the basis of the last trade price of the investments at the reporting date.

4 OTHER RECEIVABLES

	<i>31 March 2022 (Reviewed) QR</i>	<i>31 December 2021 (Audited) QR</i>
Interest receivables	384,305	429,389
Other receivables	-	-
	<u>384,305</u>	<u>429,389</u>

QNB Debt Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2022

5 BANK BALANCES

For the purpose of interim statement of cash flows, bank balances comprise as follows:

	<i>31 March 2022 (Reviewed) QR</i>	<i>31 December 2021 (Audited) QR</i>	<i>31 March 2021 (Reviewed) QR</i>
Current account	777,296	992,358	2,229,742
Call deposits	<u>4,811</u>	<u>5,134</u>	<u>6,118</u>
	<u>782,107</u>	<u>997,492</u>	<u>2,235,860</u>

6 OTHER LIABILITIES

	<i>31 March 2022 (Reviewed) QR</i>	<i>31 December 2021 (Audited) QR</i>
Professional fee payables	173,274	139,000
Administration fee payables	6,370	6,370
Custodian fee payables	6,370	6,370
Investor service fee payables	1,110	1,128
Other payables	<u>146</u>	<u>-</u>
	<u>187,270</u>	<u>152,868</u>

7 NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS

	<i>31 March 2022 (Reviewed)</i>	<i>31 December 2021 (Audited)</i>
Number of units at 1 January	2,931,916	2,938,851
Number of units subscribed during the period/year	-	-
Number of units redeemed during the period/year	<u>(41,427)</u>	<u>(6,935)</u>
Number of units at the end of the period/year	<u>2,890,489</u>	<u>2,931,916</u>
Net asset value ("NAV") of the Fund - (QR)	<u>37,246,666</u>	<u>38,550,623</u>
Offer price per unit - (QR)	<u>12.886</u>	<u>13.149</u>

The authorised number of units of the fund is 500 million of QR 10 per value each. The Fund's net assets are represented by the redeemable units with a par value of QR 29,319,160 at 31 March 2022 (31 December 2021: QR 29,388,510).

8 NET GAIN/(LOSS) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Three months ended 31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
	<i>QR</i>	<i>QR</i>
Gain/ (loss) from sale of financial assets at fair value through profit or loss	166	(1,517,246)
Unrealised (loss)/ gain on revaluation of financial assets at fair value through profit or loss	(1,054,877)	1,974,625
	(1,054,711)	457,379

9 RELATED PARTY 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.

Related party transactions

Transactions with related parties included in the interim statement of comprehensive income are as follows:

	<i>Three months ended 31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
	<i>QR</i>	<i>QR</i>
<i>QNB Banque Privee (Suisse)</i>		
Management fees	69,899	69,347

Management fees

The management fee is calculated and payable to the Fund Manager on a monthly basis at an annual rate of 0.75% of the net asset value of the Fund calculated on a daily basis.

Related party balances

Due to related parties at the end of the reporting period arise in the normal course of business.

	<i>31 March</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>(Reviewed)</i>	<i>(Audited)</i>
	<i>QR</i>	<i>QR</i>
<i>Due to related parties:</i>		
QNB Banque Privee (Suisse)	23,741	24,572

QNB Debt Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2022

10 FAIR VALUES OF FINANCIAL INSTRUMENTS

Set out below is a comparison by category of carrying amounts and fair values of all of the Fund's financial instruments, that are carried in the interim statement of financial position.

<i>31 March 2022 (Reviewed)</i>		<i>Carrying amount QR (Reviewed)</i>	<i>Fair value QR (Reviewed)</i>
Assets			
Financial assets at fair value through profit or loss	FVTPL	36,291,265	36,291,265
Other receivables	Amortised cost	384,305	384,305
Bank balances	Amortised cost	782,107	782,107
		<u>37,457,677</u>	<u>37,457,677</u>
Liabilities			
Due to related parties	Amortised cost	23,741	23,741
Other liabilities	Amortised cost	187,270	187,270
		<u>211,011</u>	<u>211,011</u>
<i>31 December 2021 (Audited)</i>		<i>Carrying amount QR (Audited)</i>	<i>Fair value QR (Audited)</i>
Assets			
Financial assets at fair value through profit or loss	FVTPL	37,301,182	37,301,182
Other receivables	Amortised cost	429,389	429,389
Bank balances	Amortised cost	997,492	997,492
		<u>38,728,063</u>	<u>38,728,063</u>
Liabilities			
Due to related parties	Amortised cost	24,572	24,572
Other liabilities	Amortised cost	152,868	152,868
		<u>177,440</u>	<u>177,440</u>

Legend:

“FVTPL”- Fair Value through Profit or Loss

Fair value hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 : Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2 : Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3 : Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	<i>31 March 2022 (Reviewed) QR</i>	<i>Level 1 QR</i>	<i>Level 2 QR</i>	<i>Level 3 QR</i>
Financial assets at fair value through profit or loss				
- Debt securities	<u>36,291,265</u>	<u>36,291,265</u>	<u>-</u>	<u>-</u>

10 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)**Fair value hierarchy (continued)**

	<i>31 December 2021 (Audited) QR</i>	<i>Level 1 QR</i>	<i>Level 2 QR</i>	<i>Level 3 QR</i>
Financial assets at fair value through profit or loss				
- Debt securities	<u>37,301,182</u>	<u>37,301,182</u>	<u>-</u>	<u>-</u>

During the period ended 31 March 2022, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements (31 December 2021: Nil).