

QNB Debt Fund

INTERIM CONDENSED FINANCIAL STATEMENTS

30 SEPTEMBER 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 30 September 2022, comprising of the interim statement of financial position as at 30 September 2022 and the related interim statements of comprehensive income, interim statements of changes in net assets attributable to the unit holders and the interim statement of cash flows for the three and nine 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: 25 October 2022
Doha



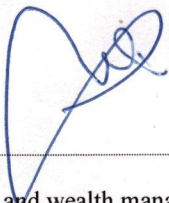
QNB Debt Fund

INTERIM STATEMENT OF FINANCIAL POSITION

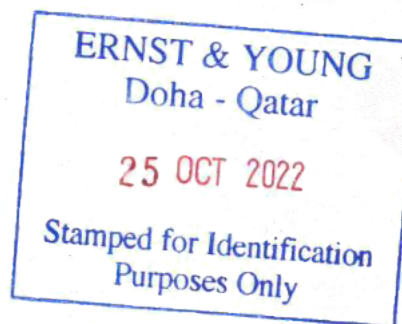
At 30 September 2022

		<i>30 September 2022 (Reviewed) QR</i>	<i>31 December 2021 (Audited) QR</i>
	<i>Notes</i>		
ASSETS			
Financial assets at fair value through profit or loss	3	33,974,261	37,301,182
Interest and other receivables	4	383,687	429,389
Bank balances	5	1,570,097	997,492
TOTAL ASSETS		<u>35,928,045</u>	<u>38,728,063</u>
LIABILITIES			
Due to related parties	9	21,989	24,572
Other liabilities	6	256,978	152,868
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>278,967</u>	<u>177,440</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	7	<u>35,649,078</u>	<u>38,550,623</u>

The interim condensed financial statements were authorised for issue and approved by the Fund Manager on 25 October 2022 and signed on their behalf by:



 Adel Abdulaziz Khashabi
 General Manager – Asset and wealth management



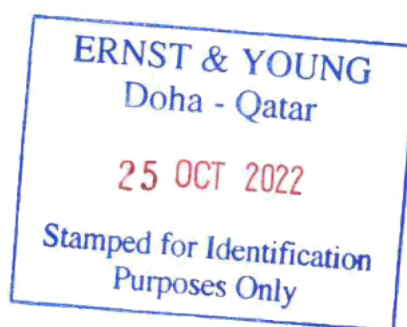
The attached notes 1 to 10 form part of these interim condensed financial statements.

QNB Debt Fund

INTERIM STATEMENT OF COMPREHENSIVE INCOME

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

	Notes	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
		<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
		<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>
Income					
Net (loss) gain from financial assets at fair value through profit or loss	8	(712,727)	(70,011)	(3,096,581)	693,654
Interest income		446,145	398,903	1,329,003	1,312,160
Net foreign exchange loss		(800)	1,651	(1,682)	(1,522)
		(267,382)	330,543	(1,769,260)	2,004,292
Expenses					
Management fees	9	(68,069)	(72,740)	(206,429)	(213,626)
Custodian fees		(19,110)	(19,110)	(57,330)	(57,330)
Investor service fees		(3,423)	(3,495)	(10,429)	(10,265)
Administration fees		(19,110)	(19,110)	(57,330)	(57,330)
Legal and professional fees		(35,035)	(35,035)	(103,964)	(113,979)
Other expenses		(399)	(437)	(784)	(2,063)
		(145,146)	(149,927)	(436,266)	(454,593)
(LOSS) PROFIT FOR THE PERIOD BEFORE INCOME TAX		(412,528)	180,616	(2,205,526)	1,549,699
Income tax		-	-	-	(26,448)
(LOSS) PROFIT FOR THE PERIOD AFTER INCOME TAX		(412,528)	180,616	(2,205,526)	1,523,251
Other comprehensive income for the period		-	-	-	-
(DECREASE) INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		(412,528)	180,616	(2,205,526)	1,523,251



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 nine-month period ended 30 September 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)
Increase in net assets attributable to unit holders	<u>-</u>	<u>1,523,251</u>
Net assets attributable to the unit holders at 30 September 2021 (Reviewed)	<u>2,932,090</u>	<u>38,518,635</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	(53,653)	(696,019)
Decrease in net assets attributable to unit holders	<u>-</u>	<u>(2,205,526)</u>
Net assets attributable to the unit holders at 30 September 2022 (Reviewed)	<u>2,878,263</u>	<u>35,649,078</u>



QNB Debt Fund

INTERIM STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2022

	Notes	<i>Nine-months ended 30 September</i>	
		2022 <i>(Reviewed)</i> QR	2021 <i>(Reviewed)</i> QR
Operating activities			
(Loss) profit for the period before income tax		(2,205,526)	1,549,699
<i>Adjustments for:</i>			
Interest income		(1,329,003)	(1,312,160)
Net foreign exchange loss		1,682	1,522
Realised loss from sale of financial assets	8	164,712	1,516,372
Unrealised loss (gain) on revaluation of financial assets	8	2,931,869	(2,210,026)
Operating cash flows before changes in working capital		(436,266)	(454,593)
<i>Working capital changes:</i>			
Financial assets at fair value through profit or loss		228,658	(861,723)
Interest and other receivables		14,533	-
Due to related parties		(2,583)	190
Other liabilities		104,110	58,036
Cash flows from operations		(91,548)	(1,258,090)
Interest received		1,360,172	1,335,706
Income tax paid		-	(26,448)
Net cash flows from operating activities		1,268,624	51,168
Financing activity			
Payments towards units redeemed		(696,019)	(85,306)
Cash flows used in a financing activity		(696,019)	(85,306)
Net increase (decrease) in bank balances		572,605	(34,138)
Bank balances at 1 January		997,492	1,672,154
Bank balances at 30 September	5	1,570,097	1,638,016



QNB Debt Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2022

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

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>30 September 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	3,850,245	22,243,667
Disposals during the period/year	(4,245,297)	(21,994,337)
Fair value changes during the period/year	(2,931,869)	1,974,625
	<u>33,974,261</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 INTEREST AND OTHER RECEIVABLES

	<i>30 September 2022 (Reviewed) QR</i>	<i>31 December 2021 (Audited) QR</i>
Interest receivables	383,687	429,389
	<u>383,687</u>	<u>429,389</u>

QNB Debt Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2022

5 BANK BALANCES

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

	<i>30 September 2022 (Reviewed) QR</i>	<i>31 December 2021 (Audited) QR</i>	<i>30 September 2021 (Reviewed) QR</i>
Current account	1,563,866	992,358	1,632,943
Call deposits	<u>6,231</u>	<u>5,134</u>	<u>5,073</u>
	<u>1,570,097</u>	<u>997,492</u>	<u>1,638,016</u>

6 OTHER LIABILITIES

	<i>30 September 2022 (Reviewed) QR</i>	<i>31 December 2021 (Audited) QR</i>
Professional fee payable	242,964	139,000
Administration fee payables	6,370	6,370
Custodian fee payables	6,370	6,370
Investor service fee payables	1,056	1,128
Other payables	<u>218</u>	<u>-</u>
	<u>256,978</u>	<u>152,868</u>

7 NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS

	<i>30 September 2022 (Reviewed)</i>	<i>31 December 2021 (Audited)</i>
Number of units at 1 January	2,931,916	2,938,851
Number of units redeemed during the period/year	<u>(53,653)</u>	<u>(6,761)</u>
Number of units at the end of the period/year	<u>2,878,263</u>	<u>2,932,090</u>
Net asset value (“NAV”) of the Fund - (QR)	<u>35,649,078</u>	<u>38,550,623</u>
Offer price per unit - (QR)	<u>12.386</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 28,782,630 at 30 September 2022 (31 December 2021: QR 29,319,160).

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

	<i>Nine months ended 30 September</i>	
	<i>2022</i>	<i>2021</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
	<i>QR</i>	<i>QR</i>
Loss from sale of financial assets at fair value through profit or loss	(164,712)	(1,516,372)
Unrealised (loss) gain on revaluation of financial assets at fair value through profit or loss	(2,931,869)	2,210,026
	<u>(3,096,581)</u>	<u>693,654</u>

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>Nine months ended 30 September</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	<u>206,429</u>	<u>213,626</u>

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>30 September</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)	<u>21,989</u>	<u>24,572</u>

QNB Debt Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 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>30 September 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	33,974,261	33,974,261
Other receivables	Amortised cost	383,687	383,687
Bank balances	Amortised cost	1,570,097	1,570,097
		<u>35,928,045</u>	<u>35,928,045</u>
Liabilities			
Due to related parties	Amortised cost	21,989	21,989
Other liabilities	Amortised cost	256,978	256,978
		<u>278,967</u>	<u>278,967</u>
<i>31 December 2021 (Audited)</i>		<i>Carrying amount QR</i>	<i>Fair value QR</i>
Assets			
Financial assets at fair value through profit or loss	FVTPL	37,301,182	37,301,182
Interest and 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 party	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>30 September 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>33,974,261</u>	<u>33,974,261</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 30 September 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).