

QNB Debt Fund
Condensed Interim Financial Statements
30 September 2023

QNB Debt Fund

Condensed interim financial statements As at and for the nine-month period ended 30 September 2023

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Independent auditor's report on review of condensed interim financial statements

To the Unit Holders of QNB Debt Fund

Introduction

We have reviewed the accompanying condensed interim financial statements of QNB Debt Fund (the "Fund") for the period ended 30 September 2023, which comprise:

- the condensed statement of financial position as at 30 September 2023;
- the condensed statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2023;
- the condensed statement of changes in net assets attributable to the unit holders for the nine-month period ended 30 September 2023;
- the condensed statement of cash flows for the nine-month period ended 30 September 2023; and
- notes to the condensed interim financial statements.

Fund Manager is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements for the period ended 30 September 2023 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.



Independent auditor's report on review of condensed interim financial statements (continued)

Unit Holders of QNB Debt Fund

Other matter

The condensed interim financial statements as at and for the nine-month period ended 30 September 2022 were reviewed, and the financial statements as at and for the year ended 31 December 2022 were audited, by another auditor, whose review and audit reports dated 25 October 2022 and 7 February 2023 respectively, expressed an unmodified review conclusion and an unmodified audit opinion thereon respectively.

26 October 2023
Doha
State of Qatar

Yacoub Hobeika
KPMG
Qatar Auditor's Registry Number 289
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Auditor's License No. 120153



QNB Debt Fund

Condensed Statement of Financial Position
As at 30 September 2023

In Qatari Riyals

	Note	30 September 2023 (Reviewed)	31 December 2022 (Audited)
Assets			
Investment securities	3	32,728,670	32,658,941
Bank balances	4	3,251,887	2,980,430
Interest and other receivables	5	364,644	466,302
Total assets		36,345,201	36,105,673
Liabilities			
Due to related parties	7	22,252	22,805
Other liabilities	6	247,206	304,226
Total liabilities		269,458	327,031
Net assets attributable to the unit holders		36,075,743	35,778,642
		Units	Units
Number of units in issue		2,812,934	2,843,910
Net asset value per unit		12.82	12.58

These condensed interim financial statements were authorized for issue and approved by the Fund Manager on 26 October 2023 and signed on their behalf by:



Adel Abdulaziz Khashabi
Senior Executive Vice President
Group Asset and Wealth Management



QNB Debt Fund

Condensed statement of profit or loss and other comprehensive income For the three and nine-month periods ended 30 September 2023

In Qatari Riyals

	Note	Three months to 30 September 2023 (Reviewed)	Three months to 30 September 2022 (Reviewed)	Nine months to 30 September 2023 (Reviewed)	Nine months to 30 September 2022 (Reviewed)
Income					
Net loss from investment securities	8	(144,445)	(712,727)	(1,269,962)	(3,096,581)
Net foreign exchange gain/ (loss)		(213)	(800)	1,085,200	(1,682)
Interest income		444,004	446,145	1,309,004	1,329,003
Total income/ (loss)		299,346	(267,382)	1,124,242	(1,769,260)
Expenses					
Management fees	7	68,454	68,069	202,579	206,429
Custodian fees		19,110	19,110	57,330	57,330
Investor service fees		3,167	3,423	9,810	10,429
Administration fees		19,110	19,110	57,330	57,330
Professional fees		30,498	35,035	90,501	103,964
Other expenses		13,178	399	13,834	784
Total expenses		153,517	145,146	431,384	436,266
Profit / (loss) for the period		145,829	(412,528)	692,858	(2,205,526)
Other comprehensive income for the period		-	-	-	-
Change in net assets attributable to unit holders		145,829	(412,528)	692,858	(2,205,526)



The attached notes 1 to 9 form an integral part of these condensed interim financial statements.

QNB Debt Fund

**Condensed statement of changes in net assets attributable to the unit holders
For the nine-month period ended 30 September 2023**

In Qatari Riyals

	Number of units	Net assets attributable to the unit holders
Balance at 1 January 2022	2,931,916	38,550,623
Change in net assets attributable to unit holders	-	(2,205,526)
<i><u>Subscriptions and redemptions by unit holders:</u></i>		
Subscription of redeemable units during the period	-	-
Redemption of redeemable units during the period	(53,653)	(696,019)
Balance at 30 September 2022	<u>2,878,263</u>	<u>35,649,078</u>
Balance at 1 January 2023	2,843,910	35,778,642
Change in net assets attributable to unit holders	-	692,858
<i><u>Subscriptions and redemptions by unit holders:</u></i>		
Subscription of redeemable units during the period	4,310	55,000
Redemption of redeemable units during the period	(35,286)	(450,757)
Balance at 30 September 2023	<u>2,812,934</u>	<u>36,075,743</u>



The attached notes 1 to 9 form an integral part of these condensed interim financial statements.

QNB Debt Fund

Condensed statement of cash flows For the nine-month period ended 30 September 2023

In Qatari Riyals

	Note	Nine months to 30 September 2023 (Reviewed)	Nine months to 30 September 2022 (Reviewed)
OPERATING ACTIVITIES			
Change in net assets attributable to unit holders		692,858	(2,205,526)
<i>Adjustments for:</i>			
Realised loss from sale of financial assets	8	1,216,830	164,712
Interest income		(1,309,004)	(1,329,003)
Net foreign exchange (gain)/ loss		(1,085,200)	1,682
Unrealised loss from revaluation of investment securities	8	53,132	2,931,869
Operating cash used before working capital changes		(431,384)	(436,266)
<i>Changes in:</i>			
Investment securities		(122,861)	228,658
Other receivables		101,658	14,533
Due to related parties		(553)	(2,583)
Other liabilities		(57,020)	104,110
Net cash used in operating activities		(510,160)	(91,548)
Interest received		1,177,374	1,360,172
Net cash flows from operating activities		667,214	1,268,624
FINANCING ACTIVITIES			
Proceeds from issue of redeemable units		55,000	-
Payment for redemption of redeemable units		(450,757)	(696,019)
Net cash used in financing activities		(395,757)	(696,019)
Net increase in cash and cash equivalents		271,457	572,605
Cash and cash equivalents at 1 January		2,980,430	997,492
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	4	3,251,887	1,570,097



The attached notes 1 to 9 form an integral part of these condensed interim financial statements.

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 Commerce and Industry 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 Commerce and Industry (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 condensed interim financial statements are prepared in accordance with IAS 34 - "Interim Financial Reporting". These condensed interim financial statements should be read in conjunction with the 2022 annual financial statements of the Fund.

The condensed interim 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 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

The preparation of the condensed interim 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 2022.

The Fund has consistently applied the accounting policies as applied in the annual financial statements for the year ended 31 December 2022.

The condensed interim 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 condensed interim 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***IFRS Standards issued and effective*

The following amendments to existing standards have been applied by the Fund in preparation of these condensed interim financial statements. The adoption of the below did not result in changes to previously reported net profit or net assets of the Fund.

Standards / Amendment to Standards	Effective date
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 Statement 2)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	1 January 2023

IFRS Standards issued but not yet effective

The following amended standards are not expected to have any significant impact on the Fund's financial statements.

Standards / Amendment to Standards	Effective date
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
Non-current Liabilities with Covenants (Amendments to IAS 1)	1 January 2024

3. Investment securities

	30 September 2023 (Reviewed)	31 December 2022 (Audited)
At 1 January	32,658,941	37,301,182
Additions during the period/ year	3,890,808	3,850,244
Disposals during the period/ year	(3,767,947)	(6,077,553)
Fair value change during the period/year	8 (53,132)	(2,414,932)
	<u>32,728,670</u>	<u>32,658,941</u>

4. Bank balances

	30 September 2023 (Reviewed)	31 December 2022 (Audited)
Bank balances	<u>3,251,887</u>	<u>2,980,430</u>

The bank balances are held in a savings account carrying an average interest rate of 0.5% (2022: 0.5%). The bank balances are held with QNB and HSBC Bank which are rated as A (2022: A) and A+ (2022: A+) respectively, based on Fitch ratings.

QNB Debt Fund

Notes to the condensed interim financial statements As at and for the nine-month period ended 30 September 2023

In Qatari Riyals

5. Interest and other receivable

	30 September 2023 (Reviewed)	31 December 2022 (Audited)
Interest receivable	364,644	419,893
Other receivable	-	46,409
	<u>364,644</u>	<u>466,302</u>

6. Other liabilities

	30 September 2023 (Reviewed)	31 December 2022 (Audited)
Professional fees payable	233,501	278,000
Administration fees payable	6,370	6,370
Custodian fees payable	6,370	6,370
Investor service fees payable	965	1,037
Miscellaneous charges	-	12,376
Other payables	-	73
	<u>247,206</u>	<u>304,226</u>

7. Related party transactions

Related parties represent the Founder, the Fund Manager, directors and key management personnel of the Fund, and entities controlled, jointly controlled or significantly influenced by such parties. Transaction policies and terms are approved by the management.

Related party transactions

Transactions with related parties included in the statement of profit or loss and other comprehensive income are as follows:

	Three months to 30 September 2023 (Reviewed)	Three months to 30 September 2022 (Reviewed)	Nine months to 30 September 2023 (Reviewed)	Nine months to 30 September 2022 (Reviewed)
<i>QNB Banque Privee (Suisse)</i>				
Management fees	68,454	68,069	202,579	206,429
	<u>68,454</u>	<u>68,069</u>	<u>202,579</u>	<u>206,429</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.

Related party balances

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

	30 September 2023 (Reviewed)	31 December 2022 (Audited)
<i>Due to related parties:</i>		
QNB Banque Privee (Suisse)	22,252	22,805
	<u>22,252</u>	<u>22,805</u>

QNB Debt Fund

Notes to the condensed interim financial statements As at and for the nine-month period ended 30 September 2023

In Qatari Riyals

8. Loss from financial assets at fair value through profit or loss

	30 September 2023 (Reviewed)	30 September 2022 (Reviewed)
Loss from sale of financial assets at fair value through profit or loss	(1,216,830)	(164,712)
Unrealised loss on revaluation of financial assets at fair value through profit or loss	(53,132)	(2,931,869)
	<u>(1,269,962)</u>	<u>(3,096,581)</u>

9. 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.

	30 September 2023 (Reviewed)	31 December 2022 (Audited)
<i>Financial assets measured at fair value through profit or loss</i>		
Financial assets measured at fair value – Investment securities	32,728,670	32,658,941
<i>Financial assets measured at amortised cost</i>		
Bank balances	3,251,887	2,980,430
Other receivables	364,644	466,302
	<u>36,345,201</u>	<u>36,105,673</u>
<i>Financial liabilities measured at amortised cost</i>		
Due to related parties	22,252	22,805
Other liabilities	247,206	304,226
	<u>269,458</u>	<u>327,031</u>

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.

	30 September 2023 (Reviewed)	31 December 2022 (Audited)
Financial assets measured at fair value – Investment securities		
- Level 1	32,728,670	32,658,941
- Level 2	-	-
- Level 3	-	-
	<u>32,728,670</u>	<u>32,658,941</u>

During the period ended 30 September 2023 and year ended 31 December 2022, there were no transfers between Level 1 and Level 2 and transfers into and out of Level 3.