

**QNB DEBT FUND
DOHA – QATAR**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2024**

QNB DEBT FUND

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2024

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RN: 427/AT/FY2025

INDEPENDENT AUDITOR'S REPORT

**To the unit holders of QNB Debt Fund
Doha - Qatar**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **QNB Debt Fund** (“the Fund”), which comprise the statement of financial position as at December 31, 2024, and the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to the unit holders and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the other 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.

Other Matter

The financial statements of the Fund for the year ended December 31, 2023, were audited by another auditor who expressed an unmodified opinion on those statements on February 27, 2024.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of the Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB and their preparation in compliance with the applicable provisions of Qatar Commercial Companies' Law and the Fund's Articles of Association, and for such internal control as the management 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, management 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.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

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 a guarantee that an audit conducted in accordance with ISAs 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.

As part of an audit in accordance with ISAs, 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 management.
- 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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.

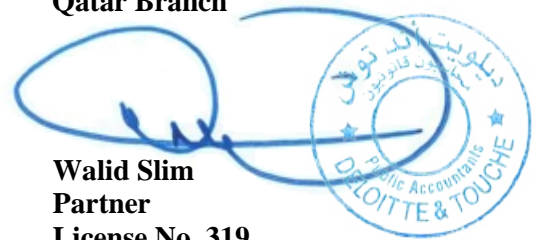
Report on Other Legal and Regulatory Requirements

Further, as required by the Qatar Commercial Companies' Law, we report the following:

- We are of the opinion that proper books of account were maintained by the Fund.
- We obtained all the information and explanations which we considered necessary for the purpose of our audit.
- To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Commercial Companies' Law and the Fund's Articles of Associations were committed during the year which would materially affect the Fund's financial position or its financial performance.

Doha – Qatar
January 23, 2025

For Deloitte & Touche
Qatar Branch



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

QNB DEBT FUND**STATEMENT OF FINANCIAL POSITION**

As at December 31, 2024

	<u>Notes</u>	<u>December 31, 2024 QR.</u>	<u>December 31, 2023 QR.</u>
ASSETS			
Investment securities	5	37,570,528	36,531,337
Interest and brokerage receivable	6	491,370	511,929
Bank balances	7	111,660	210,574
TOTAL ASSETS		<u>38,173,558</u>	<u>37,253,840</u>
LIABILITIES			
Due to a related party	8	24,203	23,674
Payables and accrued expenses	9	73,094	88,705
		<u>97,297</u>	<u>112,379</u>
NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS		<u>38,076,261</u>	<u>37,141,461</u>
NUMBER OF UNITS IN ISSUE (UNITS)		<u>2,744,986</u>	<u>2,812,934</u>
NET ASSET VALUE PER UNIT (QR)		<u>13.87</u>	<u>13.20</u>

These financial statements were approved by the Fund Manager on 23 January 2025 and were signed on its behalf by:

Mr. Abdulla Hashim Al-Sada
Senior Executive Vice President
Group Asset and Wealth Management



This statement has been prepared by the Fund and stamped by the Auditors for identification purposes only.

THE ACCOMPANYING NOTES ARE INTEGRAL PARTS OF THESE FINANCIAL STATEMENTS

QNB DEBT FUND**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended December 31, 2024

	<u>Notes</u>	<u>2024</u> <u>QR.</u>	<u>2023</u> <u>QR.</u>
INCOME			
Net gain/ (loss) from investment securities	10	639,571	(652,314)
Net foreign exchange (loss) / gain		(1,593)	1,085,361
Interest income		1,823,207	1,753,925
Total income		<u>2,461,185</u>	<u>2,186,972</u>
EXPENSES			
Management fees	8	283,815	271,582
Custodian fees		76,440	76,440
Investor service fees		12,704	12,704
Administration fees		76,440	76,440
Professional fees		140,000	(23,000)
Other expenses		12,076	14,230
Total expenses		<u>601,475</u>	<u>428,396</u>
Profit for the year		<u>1,859,710</u>	<u>1,758,576</u>
Other comprehensive income for the year		--	--
CHANGE IN NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS		<u>1,859,710</u>	<u>1,758,576</u>



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QNB DEBT FUND**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS**

For the year ended December 31, 2024

	<u>2024</u>		<u>2023</u>	
	<u>Number of units</u>	<u>QR.</u>	<u>Number of units</u>	<u>QR.</u>
Balance at January 1	2,812,934	37,141,461	2,843,910	35,778,642
Change in net assets attributable to the unit holders	--	1,859,710	--	1,758,576
<u>Subscription and redemptions by unit holders:</u>				
Subscription of redeemable units during the year	--	--	4,310	55,000
Redemption of redeemable units during the year	(67,948)	(924,910)	(35,286)	(450,757)
Transactions with the unit holders	(67,948)	(924,910)	(30,976)	(395,757)
Balance at December 31	<u>2,744,986</u>	<u>38,076,261</u>	<u>2,812,934</u>	<u>37,141,461</u>



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THE ACCOMPANYING NOTES ARE INTEGRAL PARTS OF THESE FINANCIAL STATEMENTS

QNB DEBT FUND

STATEMENT OF CASH FLOWS

For the year ended December 31, 2024

	Notes	December 31, 2024 QR.	December 31, 2023 QR.
OPERATING ACTIVITIES			
Change in net assets attributable to the unit holders		1,859,710	1,758,576
Adjustments for:			
Realized loss from sale of investment securities	10	101,499	1,216,830
Interest income		(1,823,207)	(1,753,925)
Net foreign exchange loss /(gain)		1,593	(1,085,361)
Net unrealized gain on revaluation of investment securities	10	(741,070)	(564,516)
		(601,475)	(428,396)
<i>Changes in:</i>			
Investment securities		(401,213)	(3,307,880)
Brokerage receivable		19,656	(45,627)
Due to a related party		529	869
Payables and accrued expenses		(15,611)	(215,521)
Cash used in operating activities		(998,114)	(3,996,555)
Interest received		1,824,110	1,622,456
Net cash generated by/(used in) operating activities		825,996	(2,374,099)
FINANCING ACTIVITIES			
Proceeds from subscription of redeemable units		--	55,000
Payments for redemption of redeemable units		(924,910)	(450,757)
Net cash used in financing activities		(924,910)	(395,757)
Net increase in cash and cash equivalents		(98,914)	(2,769,856)
Cash and cash equivalents at the beginning of the year		210,574	2,980,430
Cash and cash equivalents at the end of the year	7	111,660	210,574



This statement has been prepared by the Fund and stamped by the Auditors for identification purposes only.

THE ACCOMPANYING NOTES ARE INTEGRAL PARTS OF THESE FINANCIAL STATEMENTS

QNB DEBT FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

1. LEGAL STATUS AND MAIN ACTIVITIES

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. APPLICATION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS Accounting Standards recently issued by the IASB and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations effective as of January 1, 2024:

2.1 New and amended IFRS Accounting Standards and interpretations that are effective for the current year

The following new and revised IFRS Accounting Standards, which became effective for annual periods beginning on or after January 1, 2024, have been adopted in these financial statements. The application of these revised IFRS Accounting Standards has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

<u>New and revised IFRS Accounting Standards</u>	<u>Effective for annual periods beginning on or after</u>
<i>Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current</i>	January 1, 2024
The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.	

2. APPLICATION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS (CONTINUED)

2.1 New and amended IFRS Accounting Standards and interpretations that are effective for the current year (continued)

<u>New and revised IFRS Accounting Standards</u>	<u>Effective for annual periods beginning on or after</u>
<p><i>Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current (continued)</i></p> <p>The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.</p> <p>In November 2022, IAS 1 has been amended to specify that only covenants an entity must comply with on or before the reporting period should affect classification of the corresponding liability as current or noncurrent.</p> <p>An entity is required to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.</p> <p>The 2022 amendments deferred the effective date of the amendments to <i>IAS 1 Classification of Liabilities as Current or Non-current</i> published in January 2020 by one year to annual reporting periods beginning on or after January 1, 2024. The amendments are applied retrospectively.</p>	<p>January 1, 2024</p>
<p><i>Amendments to IFRS 16 Leases: Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions</i></p> <p>The amendments requires a seller-lessee to subsequently measure lease liabilities by determining “lease payments” and “revised lease payments” arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.</p> <p>Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.</p> <p>A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.</p>	<p>January 1, 2024</p>

For the year ended December 31, 2024

2. APPLICATION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS (CONTINUED)

2.1 New and amended IFRS Accounting Standards and interpretations that are effective for the current year (continued)

<u>New and revised IFRS Accounting Standards</u>	<u>Effective for annual periods beginning on or after</u>
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<i>Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements</i>	January 1, 2024.
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The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- *The terms and conditions of the arrangements;*
- *The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements;*
- *The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers;*
- *Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement; and*
- *Liquidity risk information.*

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024.

QNB DEBT FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

2. APPLICATION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS (CONTINUED)

2.1 New and amended IFRS Accounting Standards and interpretations that are effective for the current year (continued)

New and revised IFRS Accounting Standards

**Effective for
annual periods
beginning on or after**

Amendments to IAS 1 Presentation of Financial Statements – Non-Current Liabilities with Covenants

January 1, 2024

In January 2020, the IASB issued amendments to IAS 1 – Classification of Liabilities as Current or Non-current (the 2020 Amendments). One of the requirements prescribed by the 2020 Amendments related to the classification of liabilities subject to covenants (e.g. a bank loan where the lender may demand accelerated repayment if financial covenants are not met). The 2020 Amendments provided that if an entity's right to defer settlement is subject to the entity complying with specified conditions, the right exists at the end of the reporting period only if the entity complies with those conditions at the end of the reporting period. Several concerns were raised about the outcome of these requirements, therefore, the mandatory effective date was deferred. In order to address these concerns, the IASB has now issued the 2022 Amendments.

The 2022 Amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. An entity is required to disclose information about these covenants in the notes to the financial statements.

The Amendments address the concerns raised by stakeholders on the effects of the amendments to IAS 1 Classification of Liabilities as Current or Non-current related to classification of liabilities with covenants. Under the 2022 Amendments, a covenant affects whether right to defer settlement exists at the end of the reporting period if compliance with the covenant is required on or before the end of the reporting period.

2.2 New and amended IFRS Accounting Standards in issue but not yet effective and not early adopted

The Fund has not early adopted the following new and amended standards and interpretations that have been issued but are not yet effective.

New and revised IFRS Accounting Standards

**Effective for
annual periods
beginning on or after**

Amendments to IAS 21 - Lack of Exchangeability

January 1, 2025. Earlier application is permitted

The IASB has published amendments to IAS 21 that specify how to assess whether a currency is exchangeable and how to determine the exchange rate when it is not.

For the year ended December 31, 2024

2. APPLICATION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS (CONTINUED)

2.2 New and amended IFRS Accounting Standards in issue but not yet effective and not early adopted (continued)

New and revised IFRS Accounting Standards

**Effective for
annual periods
beginning on or after**

Amendments to IAS 21 - Lack of Exchangeability (continued)

January 1, 2025. Earlier application is permitted

Applying the amendments, a currency is exchangeable when an entity is able to exchange that currency for the other currency through market or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose. However, a currency is not exchangeable into the other currency if an entity can only obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose.

When a currency is not exchangeable at the measurement date, an entity is required to estimate the spot exchange rate as the rate that would have applied to an orderly exchange transaction at the measurement date between market participants under prevailing economic conditions. In that case, an entity is required to disclose information that enables users of its financial statements to evaluate how the currency's lack of exchangeability affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

Entities are required to apply the amendments for annual reporting periods beginning on or after 1 January 2025 with earlier application permitted. An entity is not permitted to apply the amendments retrospectively. Instead, an entity is required to apply the specific transition provisions included in the amendments.

Amendments to IFRS 9 and IFRS 7 - Amendments to the Classification and Measurement of Financial Instruments

January 1, 2026. Earlier application is permitted

In May 2024, the IASB published amendments to the classification and measurement of financial instruments, which amend IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures that address the following topics:

- derecognition of a financial liability settled through electronic transfer
- classification of financial assets - contractual terms that are consistent with a basic lending arrangement
- classification of financial assets - financial assets with non-recourse features
- classification of financial assets - contractually linked instruments
- disclosures - investments in equity instruments designated at FVTOCI
- disclosures - contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event.

2. APPLICATION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS (CONTINUED)

2.2 New and amended IFRS Accounting Standards in issue but not yet effective and not early adopted (continued)

New and revised IFRS Accounting Standards

Effective for annual periods beginning on or after

Amendments to IFRS 9 and IFRS 7 - Amendments to the Classification and Measurement of Financial Instruments (continued)

January 1, 2026. Earlier application is permitted

The need for these amendments was identified as a result of the IASB's post-implementation review of the classification and measurement requirements of IFRS 9. An entity is required to apply the amendments retrospectively, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, unless specified otherwise. An entity is not required to restate prior periods.

IFRS 18 Presentation and Disclosures in Financial Statement

January 1, 2027. Earlier application is permitted

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1.

The new standard carries forward many of the requirements in IAS 1 unchanged and complements them with new requirements to:

- present specified categories (operating, investing, financing, income taxes and discontinued operations) and defined subtotals in the statement of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- improve aggregation and disaggregation.

Some of the requirements in IAS 1 are moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 7 Financial Instruments: Disclosures. The IASB also made minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share. IFRS 18 requires retrospective application with specific transition provisions.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19 Subsidiaries without Public Accountability: Disclosures which permits an eligible subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements.

A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

IFRS 19 is optional for subsidiaries that are eligible, and such subsidiaries can apply IFRS 19 in their consolidated, separate or individual financial statements.

2. APPLICATION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS (CONTINUED)

2.2 New and amended IFRS Accounting Standards in issue but not yet effective and not early adopted (continued)

Management anticipates that these new standards, interpretations and amendments will be adopted in the Fund's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments as highlighted in previous paragraphs, may have no material impact on the financial statements of the Fund in the period of initial application.

3. MATERIAL ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and the applicable provisions of Qatar Commercial Companies' Law and Fund's Articles of Association.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for Investment securities, which are measured at fair value.

Functional and presentational currency

These financial statements are presented in Qatari Riyal ("QR"), which is the Fund's functional and presentational currency.

The material accounting policies which have been applied in the preparation of the financial statements are set out below:

Revenue recognition

- Net gain/(loss) from investment securities at fair value through profit or loss includes all realised and unrealised fair value; and
Realized gains or losses on the sale of investment securities are recognized in profit or loss as the difference between fair value of the consideration received and carrying amount of the investment securities; and
Unrealized gains or losses on investment securities are recognized in profit or loss as the difference between the fair value and the carrying amount of the investment securities that have not been sold.
- Interest income presented in the statement of profit or loss and other comprehensive income comprise of interest on financial assets measured at amortised cost calculated on an effective interest basis; and
The 'effective interest rate' is calculated on initial recognition of a financial instrument as the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument.

Fees and commissions

Fee and commission expenses are recognised in profit or loss as the related services are performed.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised in the Fund's statement of financial position when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss and other comprehensive income.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

(i) Debt instruments designated at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instrument designated at other comprehensive income

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Fund may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Fund may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (ii) below)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Classification of financial assets (continued)

- The Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iii) below)

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Fund recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the " interest income" line item.

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the Fund may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Amortised cost and effective interest method (continued)

(ii) Equity instruments designated as at FVTOCI (continued)

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

The Fund designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition.

A financial asset is held for trading if either:

- It has been acquired principally for the purpose of selling it in the near term
- On initial recognition it is part of a portfolio of identified financial instruments that the Fund manages together and has evidence of a recent actual pattern of short-term profit-taking
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Fund designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Fund has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit and loss is included in the 'Net gain/(loss) from investment securities' line item.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Net foreign exchange (loss) / gain' line item.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Foreign exchange gains and losses (continued)

- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the ‘Net foreign exchange (loss) / gain’ line item as part of the fair value gain or loss.

Impairment of financial assets

The Fund recognises a loss allowance for expected credit losses on the applicable financial instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments.

The Fund always recognises lifetime ECL for Brokerage receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Fund’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Fund recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Fund measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Fund compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Forward-looking information considered includes the future prospects of the industries in which the Fund’s debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Fund’s core operations.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations
- An actual or expected significant deterioration in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations

Irrespective of the outcome of the above assessment, the Fund presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Fund has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, The Fund assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if:

- (1) The financial instrument has a low risk of default,
- (2) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Fund considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Fund regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

The Fund considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Fund, in full (without taking into account any collateral held by the Fund) Irrespective of the above analysis, the Fund considers that default has occurred when a financial asset is more than 90 days past due unless the Fund has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event (see (ii) above);
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Fund fully provide for or writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings,. Financial assets written off may still be subject to enforcement activities under the Fund's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in separate profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Fund's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of expected credit losses (continued)

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Fund in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at the original effective interest rate.

If the Fund has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Fund measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Fund recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In contrast, on derecognition of an investment in equity instrument which the Fund has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Fund are recognised at the proceeds received, net of direct issue costs. Repurchase of the Fund's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Fund's own equity instruments.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**Financial liabilities**

All financial liabilities are measured subsequently at amortised cost using the effective interest method

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Fund derecognises financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Fund exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Fund accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default insolvency or bankruptcy of the Fund or counter party.

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 the statement of profit or loss and other comprehensive income.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

Payables and accrued expenses

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

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 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.

Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that the Fund will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Redeemable units

Redeemable units are issued and redeemed at the holder's option at prices based on the Fund's net asset value per unit at the time of issue or redemption.

Net asset value per unit

The net asset value of the Fund on any valuation day is determined by dividing the total assets less liabilities of the Fund by the total number of units outstanding at that time.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Events after the reporting date

The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Any post year-end events that are non-adjusting are discussed on the financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements in compliance with IFRS Accounting Standards requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements

In the process of applying the Fund's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Fund determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Fund monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Fund's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Management decided that all of its investments in equity securities to be measured at fair value through profit or loss based on its business model.

Going concern

The Fund's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue the business for foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements is continued to be prepared on the going concern basis.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements (continued)

Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Fund takes into account qualitative and quantitative reasonable and supportable forward looking information.

Estimates

The key assumption concerning the future and other sources of estimation uncertainty at the financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is discussed below.

Calculation of loss allowance

When measuring ECL the Fund uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The Fund uses estimates for the computation of loss rates.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

5. INVESTMENT SECURITIES

Investment securities carried at fair value through profit or loss:

	December 31, 2024	December 31, 2023
	QR.	QR.
Investment in bonds	<u>37,570,528</u>	<u>36,531,337</u>
	<u>37,570,528</u>	<u>36,531,337</u>

The movement of the investment securities are as follows:

	December 31, 2024	December 31, 2023
	QR.	QR.
At 1 January	36,531,337	32,658,941
Additions during the year	10,952,269	7,075,826
Disposals during the year	(10,654,148)	(3,767,946)
Fair value changes during the year	741,070	564,516
At 31 December	<u>37,570,528</u>	<u>36,531,337</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

5. INVESTMENT SECURITIES (CONTINUED)

Cost and fair value of the investment securities at the end of the year are as follows:

	December 31, 2024	December 31, 2023
	QR.	QR.
Cost of investment securities	36,749,071	34,968,810
Unrealized gain on revaluation of investment securities at fair value through profit or loss since inception At 31 December	821,457	1,562,527
	<u>37,570,528</u>	<u>36,531,337</u>

The Investment securities have been revalued based on the basis of the closing market price of the bonds at the reporting date.

6. INTEREST AND BROKERAGE RECEIVABLE

	December 31, 2024	December 31, 2023
	QR.	QR.
Interest receivable	491,370	492,273
Brokerage receivable	--	19,656
	<u>491,370</u>	<u>511,929</u>

7. BANK BALANCES

	December 31, 2024	December 31, 2023
	QR.	QR.
Balances with banks	<u>111,660</u>	<u>210,574</u>

Balances with banks are assessed to have low credit risk of default since these banks are mainly highly regulated by the central banks of respective countries. Accordingly, management of the Fund estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 month ECL. None of the balances with banks at the end of the reporting period are past due and taking into account the historical default experience and the current credit ratings of the bank, the management of the Fund have assessed that there is no impairment, and hence have not recorded any loss allowance on these balances.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

8. RELATED PARTIES DISCLOSURES

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.

Transactions with related parties includes the management fees.

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.

The following is the balance arising on transactions with a related party:

Due to a related party

	<u>Relationship</u>	<u>December 31, 2024</u> QR.	<u>December 31, 2023</u> QR.
QNB Banque Privee (Suisse)	Fund manager	<u>24,203</u>	23,674
		<u>24,203</u>	<u>23,674</u>

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

	<u>Related party</u>	<u>Relationship</u>	<u>December 31, 2024</u> QR.	<u>December 31, 2023</u> QR.
Management fees	QNB Banque Privee (Suisse)	Fund manager	<u>283,815</u>	<u>271,582</u>

9. PAYABLES AND ACCRUED EXPENSES

	<u>December 31, 2024</u> QR.	<u>December 31, 2023</u> QR.
Professional fee payables	<u>59,499</u>	75,000
Administration fee payable	<u>6,370</u>	6,370
Custodian fee payable	<u>6,370</u>	6,370
Miscellaneous charges payable	<u>855</u>	965
	<u>73,094</u>	<u>88,705</u>

QNB DEBT FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

10. NET GAIN/(LOSS) FROM INVESTMENT SECURITIES

Net gain/(loss) from investment securities at fair value through profit or loss are as follows:

	December 31, 2024	December 31, 2023
	QR.	QR.
Net realized loss on sale of investment securities	(101,499)	(1,216,830)
Net unrealized gain on revaluation of investment securities	741,070	564,516
Net gain/(loss) from Investment Securities	<u>639,571</u>	<u>(652,314)</u>

11. FINANCIAL RISK MANAGEMENT

The Fund has exposure to the following risks from the financial instruments:

- a) Credit risk;
- b) Liquidity risk; and
- c) Market risk

Introduction and overview

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.

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.

Excessive risk concentration

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentration 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. Concentration 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.

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

Excessive risk concentration (continued)

Concentration 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.

a) 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 interest receivable.

The Fund manages this risk by placing its bank balance with high credit rated institutions. The Fund considers the credit quality of amounts that are neither past due nor impaired to be good.

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.

In order to minimise credit risk, the Fund has developed and maintained the Fund's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the management uses other publicly available financial information and the Fund's own trading records to rate its major debtors.

The Fund's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Fund has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Fund's financial assets as well as the Fund's maximum exposure to credit risk by credit risk rating grades:

December 31, 2024	Note	External credit ratings	Internal credit ratings	12 month or lifetime ECL	Gross carrying amount QR.	Loss allowance QR.	Net carrying amount QR.
Interest receivable	6	N/A	Doubtful	Lifetime ECL	491,370	--	491,370
Bank balances	7	A+	N/A	12-month ECL	111,660	--	111,660

QNB DEBT FUND

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For the year ended December 31, 2024

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk (continued)

December 31, 2023	Note	External credit ratings	Internal credit ratings	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
					QR.	QR.	QR.
Interest and brokerage receivable	6	N/A	Doubtful	Lifetime ECL	511,929	--	511,929
Bank balance	7	A	N/A	12-month ECL	210,574	--	210,574

b) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund invests primarily in bonds issued by governments, central banks and reputable companies located either in Qatar or other member countries of the Gulf Cooperation Council and 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.

The following tables detail the Fund's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At December 31, 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	QR.	QR.	QR.	QR.	QR.
Due to a related party Payables and accrued expenses	24,203	--	--	--	24,203
	73,094	--	--	--	73,094
	<u>97,297</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>97,297</u>
At December 31, 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	QR.	QR.	QR.	QR.	QR.
Due to a related party Payables and accrued expenses	23,674	--	--	--	23,674
	88,705	--	--	--	88,705
	<u>112,379</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>112,379</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity analysis

Maturity analysis of the Fund's financial assets is prepared on the basis of their expected maturity, whereas maturity analysis of the Fund's financial liabilities is prepared on the basis of their remaining contractual maturity.

2024	0 to 3 Months QR.	3 to 6 Months QR.	6 to 12 Months QR.	1 to 5 Years QR.	More than 5 years QR.	Total QR.
Financial assets						
Bank balances	111,660	--	--	--	--	111,660
Interest receivable	491,370	--	--	--	--	491,370
Investment securities	37,570,528	--	--	--	--	37,570,528
Total financial assets	38,173,558	--	--	--	--	38,173,558
Financial liabilities						
Due to a related party	24,203	--	--	--	--	24,203
Payables and accrued expenses	73,094	--	--	--	--	73,094
Total financial liabilities	97,297	--	--	--	--	97,297
Liquidity gap	38,076,261	--	--	--	--	38,076,261
2024	0 to 3 Months QR.	3 to 6 Months QR.	6 to 12 Months QR.	1 to 5 Years QR.	More than 5 years QR.	Total QR.
Financial assets						
Bank balance	210,574	--	--	--	--	210,574
Interest and Brokerage receivable	511,929	--	--	--	--	511,929
Investment securities	36,531,337	--	--	--	--	36,531,337
Total financial assets	37,253,840	--	--	--	--	37,253,840
Financial liabilities						
Due to a related party	23,674	--	--	--	--	23,674
Payables and accrued expenses	88,705	--	--	--	--	88,705
Total financial liabilities	112,379	--	--	--	--	112,379
Liquidity gap	37,141,461	--	--	--	--	37,141,461

c. Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Fund's income or fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

c. Market risk (continued)

Currency risk

Currency risk is the risk that the value of a security will fluctuate due to changes in foreign exchange rates. The Fund does not hedge its currency exposure. The majority of the Fund's transactions are denominated in Qatari Riyals and US Dollars. Since the Qatari Riyal is pegged to the US Dollar, the Fund's exposure to foreign currency risk is minimal and would pertain solely to conversion rates processed by bank for transactions denominated in USD.

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.

The Fund's management is of the opinion that the Fund's exposure to interest rate risk is minimal since the Fund do not have any financial assets and liabilities with floating interest rates.

The following table analyses the Fund's interest rate risk exposure. The Fund's assets and liabilities are included at fair value and categorized by the earlier of contractual re-pricing or maturity dates.

	<u>0 to 3 Months</u>	<u>3 to 6 Months</u>	<u>6 to 12 Months</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>	<u>Non- interest sensitive</u>	<u>Total</u>
2024	QR.	QR.	QR.	QR.	QR.	QR.	QR.
Financial assets							
Bank balances	--	--	--	--	--	111,660	111,660
Interest receivable	491,370	--	--	--	--	--	491,370
Investment securities	--	--	--	--	--	37,570,528	37,570,528
Total financial assets	<u>491,370</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>37,682,188</u>	<u>38,173,558</u>
Financial Liabilities							
Due to a related party	--	--	--	--	--	24,203	24,203
Payables and accrued expenses	--	--	--	--	--	73,094	73,094
Total financial liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>97,297</u>	<u>97,297</u>
Total interest sensitivity gap	<u>491,370</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>37,584,891</u>	<u>38,076,261</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

	0 to 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 years	More than 5 years	Non- interest sensitive	Total
2023	QR.	QR.	QR.	QR.	QR.	QR.	QR.
Financial assets							
Bank balances	--	--	--	--	--	210,574	210,574
Interest and brokerage receivable	492,273	--	--	--	--	19,656	511,929
Investment securities	--	--	--	--	--	36,531,337	36,531,337
Total financial assets	<u>492,273</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>36,761,567</u>	<u>37,253,840</u>
Financial liabilities							
Due to a related party	--	--	--	--	--	23,674	23,674
Payables and accrued expenses	--	--	--	--	--	88,705	88,705
Total financial liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>112,379</u>	<u>112,379</u>
Total interest sensitivity gap	<u>492,273</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>36,649,188</u>	<u>37,141,461</u>

12. 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.

Investment securities are carried at fair value and hence there is no difference between carrying value and fair value.

The fair value of interest and brokerage receivable, bank balances, due to related parties and 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).

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

12. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Fair value hierarchy (continued)

Investment securities at fair value through profit or loss are valued as per the Level 1 valuation method.

The fair value of investment securities as at 31 December 2024 is QR. 37,570,528 under level 1 of fair value hierarchy (2023: QR. 36,531,337). During the year ended 31 December 2024, there were no transfers between Level 1 and Level 2 fair value measurements (31 December 2023: Nil) and no transfers into and out of Level 3 fair value measurements (31 December 2023: Nil). Apart from investment securities, the management considers that the carrying amount of financial assets and financial liabilities recognized in the financial statements at amortized cost approximate their fair value.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

December 31, 2024

	<u>Financial assets</u>		<u>Financial liabilities</u>	<u>Hierarchy level</u>
	<u>FVTPL</u>	<u>Amortized cost</u>	<u>Amortized cost</u>	<u>1</u>
	<u>QR.</u>	<u>QR.</u>	<u>QR.</u>	<u>QR.</u>
Bank balances (note 7)	--	111,660	--	--
Interest and brokerage receivable (note 6)	--	491,370	--	--
Investment securities (note 5)	37,570,528	--	--	37,570,528
Due to a related party (note 8)	--	--	24,203	--
Payables and accrued expenses (note 9)	--	--	73,094	--

December 31, 2023

	<u>Financial assets</u>		<u>Financial liabilities</u>	<u>Hierarchy level</u>
	<u>FVTPL</u>	<u>Amortized cost</u>	<u>Amortized cost</u>	<u>1</u>
	<u>QR.</u>	<u>QR.</u>	<u>QR.</u>	<u>QR.</u>
Bank balances (note 7)	--	210,574	--	--
Interest and brokerage receivable (note 6)	--	511,929	--	--
Investment securities (note 5)	36,531,337	--	--	36,531,337
Due to related party (note 8)	--	--	23,674	--
Payables and accrued expenses (note 9)	--	--	88,705	--

13. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2024 was authorised for issue by the Fund Manager on January 23, 2025.