QATAR FINANCIAL CENTRE
REGULATORY AUTHORITY
DOHA – QATAR

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2021

QATAR FINANCIAL CENTRE REGULATORY AUHORITY

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Qatar Financial Centre Regulatory Authority
Doha, Qatar

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Qatar Financial Centre Regulatory Authority ("the Regulatory Authority"), which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Regulatory Authority as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Regulatory Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Regulatory Authority's financial statements in State of Qatar**,** and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other information (continued)

When we read the information of the annual report of the Regulatory Authority, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of 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, and for such internal control as management determines is necessary to enable the preparation of 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 Regulatory Authority'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 management either intends to liquidate the Regulatory Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Regulatory Authority'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 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 based on these financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional scepticism 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 risk, and obtain audit evidence that is enough and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the 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 internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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 Regulatory Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Regulatory Authority 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, we are also of the opinion that proper books of account were maintained by the Regulatory Authority. We have 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 Financial Centre Law No. 7 of 2005 were committed during the year which would materially affect the Regulatory Authority's financial position or financial performance.

Doha, Qatar
23 March 2022

For **Deloitte & Touche**
Qatar Branch

Walid Slim
Partner
License No. 319

QATAR FINANCIAL CENTRE REGULATORY AUHORITY

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	**Dec 31, 2021 USD'000**	Dec 31, 2020 USD'000 (Restated)	Jan 1, 2020 USD'000 (Restated)
ASSETS				
Non-current assets				
Furniture and equipment	4	**71**	21	41
Intangible assets	5	**504**	206	96
Right-of-use of assets	6	**1,104**	2,523	233
Amount due from related parties	7	**6,114**	4,840	3,803
Total non-current assets		**7,793**	7,590	4,173
Current assets				
Accounts receivable and prepayments	7	**2,750**	1,577	4,057
Cash and cash equivalents	8	**36,116**	31,381	29,863
Total current assets		**38,866**	32,958	33,920
TOTAL ASSETS		**46,659**	40,548	38,093
EQUITY AND LIABILITIES				
Equity				
General reserve	9	**22,043**	22,043	20,043
Retained surplus	9	**9,394**	3,957	4,379
Total equity		**31,437**	26,000	24,422
LIABILITIES				
Non-current liabilities				
Lease liabilities	6	**100**	827	91
Employees' end of service benefits	10	**6,114**	4,840	3,803
Total non-current liabilities		**6,214**	5,667	3,894
Current liabilities				
Lease liabilities	6	**1,044**	1,726	148
Accounts payable and accruals	11	**7,964**	7,155	9,629
Total current liabilities		**9,008**	8,881	9,777
Total liabilities		**15,222**	14,548	13,671
TOTAL EQUITY AND LIABILITIES		**46,659**	40,548	38,093

The financial statements of the Qatar Financial Centre Regulatory Authority for the year ended 31 December 2021 were approved by the following on behalf of the Board of Directors on 23 March 2022.

Michael G. Ryan
Chief Executive Officer

Fatma Al Meer
Chief Financial Officer

DELOITTE & TOUCHE
Doha - Qatar
23 MAR 2022
Signed for Identification
Purposes Only

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

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 USD'000	2020 USD'000 (Restated)
INCOME			
Financial penalties	12	**241**	846
Fee income		**1,480**	1,561
Interest income		**434**	573
Other income		**32**	121
Total income		**2,187**	3,101
EXPENSES			
Salaries and other related costs		**(31,568)**	(34,026)
General and administration expenses	13	**(4,008)**	(4,381)
Board of Directors expenses		**(559)**	(687)
Loss allowance on financial assets	16	**(3)**	(10)
Finance cost on lease liabilities		**(93)**	(66)
Total Expenses		**(36,231)**	(39,170)
SHORTAGE OF INCOME OVER EXPENSES FOR THE YEAR BEFORE APPROPRIATIONS		**(34,044)**	(36,069)
Appropriations from the Government	2	**39,481**	37,647
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,437**	1,578

DELOITTE & TOUCHE
Doha-Qatar
23 MAR 2022
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QATAR FINANCIAL CENTRE REGULATORY AUHORITY

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 USD'000	2020 USD'000 (Restated)
OPERATING ACTIVITIES			
Shortage of income over expenses for the year before appropriations		**(34,044)**	(36,069)
Adjustments for:			
Depreciation of furniture and equipment	4	**20**	25
Depreciation of right-of-use asset	6	**1,665**	792
Amortisation of intangible assets	5	**60**	(33)
Loss allowance on financial assets	16	**3**	10
Provision for employees' end of service benefits		**1,535**	1,574
Loss on disposal of right-of-use of assets		--	3
Gain on disposal of furniture and equipment		**(18)**	--
Interest income		**(434)**	(573)
Finance cost		**93**	66
		(31,120)	(34,205)
Working capital changes:			
Accounts receivable and prepayments		**(1,083)**	2022
Accounts payable and accruals		**354**	(854)
Cash flows used in operating activities		**(31,849)**	(33,037)
Interest received		**576**	862
End of service benefit paid	10	**(259)**	(704)
Finance cost paid		**(93)**	(66)
Net cash flows used in operating activities		**(31,625)**	(32,945)
INVESTING ACTIVITIES			
Acquisition of furniture and equipment	4	**(70)**	(5)
Proceeds from the sale of furniture and equipment	4	**18**	--
Acquisition of intangible assets	5	**(358)**	(77)
Net cash flows (used in) investing activities		**(410)**	(82)
FINANCING ACTIVITIES			
Appropriations received from the Government	2	**38,427**	35,327
Repayment of finance lease	6	**(1,654)**	(772)
Net cash flows from financing activities		**36,773**	34,555
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4,738**	1,528
Cash and cash equivalents at the beginning of the year		**31,454**	29,926
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	8	**36,192**	31,454

DELOITTE & TOUCHE
Doha-Qatar
23 MAR 2022
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QATAR FINANCIAL CENTRE REGULATORY AUHORITY

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	General reserve USD'000	Retained surplus USD'000	Total equity USD'000
Balance at 1 January 2020 as reported previously	20,043	59,366	79,409
Net effect of restatement due to correction in application of IFRS 15	--	(54,987)	(54,987)
Balance at January 1, 2020 – restated	20,043	4,379	24,422
Total comprehensive income for the year	-	1,578	1,578
Transfer to general reserve	2,000	(2,000)	--
Balance at 31 December 2020 - restated	22,043	3,957	26,000
Total comprehensive income for the year	--	5,437	5,437
Balance at 31 December 2021	**22,043**	**9,394**	**31,437**

DELOITTE & TOUCHE
Doha - Qatar

2 3 MAR 2022

Signed for Identification
Purposes Only

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1. ACTIVITIES

The Qatar Financial Centre (QFC) was established by the State of Qatar pursuant to Law No. 7 of 2005 to attract international financial institutions and multinational corporations to establish business in international banking, financial services, insurance, corporate head office functions and related activities within Qatar.

The Qatar Financial Centre is organised into four authorities: the QFC Authority (QFCA), the QFC Regulatory Authority (QFC Regulatory Authority), QFC Civil and Commercial Court (Court) and QFC Regulatory Tribunal (Tribunal). The QFCA, the QFC Regulatory Authority, the Court and Tribunal are independent of each other and the Government of Qatar.

The QFC Regulatory Authority, the independent regulatory body, regulates licenses and supervises financial services and other firms that conduct activities in, or from, the Qatar Financial Centre. The registered office of the QFC Regulatory Authority is located at P.O. Box 22989, Doha, State of Qatar.

These financial statements only relate to the income, expenses, assets and liabilities of the QFC Regulatory Authority and do not extend to include any other bodies of the QFC.

The financial statements of the QFC Regulatory Authority as of 31 December 2021 were authorised for issue by the Board of Directors on 23 March 2022.

2. ECONOMIC DEPENDENCY

The QFC Regulatory Authority is dependent on appropriations from the Government of the State of Qatar to fund its operating and capital expenditure.

During the year, the Government provided the QFC Regulatory Authority with appropriations amounting to USD 38,427 thousand (2020: USD 35,327 thousand), including appropriations received in advance USD 1,591 thousand (2020: USD 1,137 thousand). After adjusting for the movement in appropriations received in advance and appropriations receivable of USD 6,313 thousand (2020: USD 4,805), USD 39,481 thousand was recognised in the statement of comprehensive income for the year ended 31 December 2021 (2020: USD 37,647 thousand).

As per Article 14 of Qatar Financial Centre Law No. 7 of 2005, the QFC Regulatory Authority has the right to retain any excess appropriations provided by the Government; these appropriations have been treated as part of retained surplus.

There was a no transfer to general reserve from retained surplus during the year (2020: USD 2,000), noting that any transfer of amounts to and from the general reserve requires the approval of the Board of Directors.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and the applicable provisions of Qatar Financial Centre Law No. 7 of 2005.

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

3.1 Basis of preparation (continued)

Statement of compliance (continued)

The financial statements have been prepared on the historical cost basis.

The functional currency of the QFC Regulatory Authority is Qatari Riyals (“QAR”). However, these financial statements have been presented in United States Dollars (“USD”), which is the QFC Regulatory Authority’s presentation currency as QFC Regulatory Authority was established to authorise and regulate firms and individuals conducting financial services in or from the Qatar Financial Centre.

As the Qatari Riyal is pegged to the USD, the balances and transactions in Qatari Riyals have been translated to USD at the fixed exchange rate of 3.645 Qatari Riyals to USD and all financial information presented in USD has been rounded to the nearest thousand USD.

3.2 Changes in accounting policies and disclosures

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

3.2.1 New and amended IFRS Standards that are effective for the current year

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2021, have been adopted in these financial statements.

New and revised IFRSs	**Effective for annual periods beginning on or after**
Impact of the initial application of COVID-19-Related Rent Concessions beyond June 30, 2021—Amendment to IFRS 16 On May 28, 2020, the IASB issued Covid 19 – related rent concessions – amendments to IFRS 16 Leases, which provides relief to lessees from applying IFRS 16 on lease modification accounting for rent concessions arising as a direct consequence of the Covid 19 pandemic by introducing a practical expedient to IFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before June 30, 2021. On March 31, 2021, the Board published Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16) that extends, by one year until June 30, 2022, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after April 1, 2021, with an early application permitted.	Beginning on or after June 1, 2020

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

3.2 Changes in accounting policies and disclosures (continued)

3.2.1 New and amended IFRS Standards that are effective for the current year (continued)

New and revised IFRSs	**Effective for annual periods beginning on or after**
Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to: – changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and – hedge accounting.

The application of these revised IFRSs 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.

3.2.2 New and amended IFRSs in issue but not yet effective and not early adopted

The QFC Regulatory Authority has not applied the following new and revised IFRSs that have been issued but are not yet effective.

New and revised IFRSs	**Effective for annual periods beginning on or after**
Amendments to IFRS 3 – Reference to the Conceptual Framework	January 1, 2022

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

3.2 Changes in accounting policies and disclosures (continued)

3.2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.	January 1, 2022 with early application permitted
Annual Improvements to IFRS Standards 2018–2020 The Annual Improvements include amendments to four Standards. *IFRS 1 First-time Adoption of International Financial Reporting Standards* The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a). *IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition on financial liabilities* The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.	January 1, 2022. Early application permitted.

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

3.2 Changes in accounting policies and disclosures (continued)

3.2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 16 Leases The amendment removes the illustration of the reimbursement of leasehold improvements.	
IAS 41 Agriculture The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement. The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.	
Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.	January 1, 2022. Early application permitted.

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

3.2 Changes in accounting policies and disclosures (continued)

3.2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

The QFC Regulatory Authority has not applied the following new and revised IFRSs that have been issued but are not yet effective.

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 Insurance Contracts	January 1, 2023

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after January 1, 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after January 1, 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

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

3.2 Changes in accounting policies and disclosures (continued)

3.2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	**Effective for annual periods beginning on or after**
The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications: • A change in accounting estimate that results from new information or new developments is not the correction of an error. • The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors	January 1, 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.	January 1, 2023

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

3.2 Changes in accounting policies and disclosures (continued)

3.2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

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

3.2 Changes in accounting policies and disclosures (continued)

3.2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current The amendments to IAS 1 affect only the presentation of liabilities as current or non-current 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. 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.	January 1, 2023. Early application is permitted.
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.	Available for optional adoption/ effective date deferred indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the QFC Regulatory Authority financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the QFC Regulatory Authority in the period of initial application.

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

3.3 Summary of significant accounting policies (continued)

Revenue recognition

Fee income earned from services that are provided over a certain period of time

Fee income earned for the provision of services over a period of time is accrued over that period. This includes annual license fees earned from regulated entities.

Fee income arising on application processing is non-refundable and, accordingly, is recognised as income when received.

Financial penalties

Under the Financial Services Regulations (FSR), the QFC Regulatory Authority has the power to impose financial penalties where it considers that a Person (as defined in the FSR) has contravened a relevant requirement set out in Article 84 (1) of the FSR. The principles to be followed by the QFC Regulatory Authority in determining the amount of any financial penalty to be imposed in respect of such contraventions are set out in the QFC Regulatory Authority's “Enforcement Policy Statement 2012”. The financial penalties are accounted for when levied subject to the assessment related to the constraints attached to the variable consideration.

Correction in application of IFRS 15

As a result of a number of significant penalties that the QFC Regulatory Authority has imposed (see note 12), the QFC Regulatory Authority is due a receivable in respect of financial penalties (and related income). The QFC Regulatory Authority is taking the necessary steps to collect the amounts due, including through the filing of legal proceedings in an international court. While the QFC Regulatory Authority, remains confident in the outcome of its legal proceedings, the resolution of those legal proceedings, in terms of timing and outcome, involve constraints that are difficult to quantify.

In light of the constraints noted above and taking account of the matters also noted in note 19 (under “Variable Consideration”), the QFC Regulatory Authority reassessed the accounting policy for recognition of penalty income during the year and, in accordance with IFRS 15, will defer recognition of financial penalties (and related income) until the constraints have been resolved. In that connection, the QFC Regulatory Authority will recognise the financial penalties (and related income) when the constraints are resolved. Accordingly, the QFC Regulatory Authority is amending its treatment of IFRS 15 and retrospectively accounted for correction of IFRS 15 in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. The related changes in statement of financial position for the prior periods has been presented as follows:

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

3.3 Summary of significant accounting policies (continued)

Statement of financial position (Extract)

January 1, 2020	As previously reported	Effect of restatement	**As restated**
	USD’000	USD’000	**USD’000**
Accounts receivable and prepayments	59,044	(54,987)	**4,057**
Net assets	59,044	(54,987)	**4,057**
Retained surplus	59,366	(54,987)	**4,379**
Net equity	59,366	(54,987)	**4,379**

December 31, 2020	As previously reported	Effect of restatement	**As restated**
	USD’000	USD’000	**USD’000**
Accounts receivable and prepayments	58,406	(56,829)	**1,577**
Accounts payable and accruals	7,573	(418)	**7,155**
Net assets	50,833	(56,411)	**(5,578)**
Retained surplus	60,368	(56,411)	**3,957**
Net equity	60,368	(56,411)	**3,957**

Statement of Comprehensive Income (Extract)

December 31, 2020	As previously reported	Effect of restatement	**As restated**
	USD’000	USD’000	**USD’000**
Financial penalties	8,430	(7,584)	**846**
Fee income	2,186	(625)	**1,561**
Interest income	689	(116)	**573**
Loss allowance on financial assets	(6,911)	6,901	**(10)**
Net income	(34,645)	(1,424)	**(36,069)**

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

3.3 Summary of significant accounting policies (continued)

Statement of Cash flow (Extract)

December 31, 2020	As previously reported	Effect of restatement	**As restated**
	USD'000	USD'000	**USD'000**
(Reversal) / allowance for expected credit losses of short-term deposits	6,911	(6,901)	10
Interest income	(689)	116	(573)
Accounts receivable and prepayments	(6,723)	8,745	2,022
Accounts payable and accruals	(434)	(420)	(854)
Interest received	978	(116)	862

Interest income

Interest income is recognised on an accrual basis, using the effective interest rate method (EIR).

Appropriations from the Government

Appropriations from the Government are recognised at their fair value when there is a reasonable assurance that the appropriations will be received by the QFC Regulatory Authority and are recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. The excess appropriations provided by the Government are treated as appropriations received in advance under accounts payable and accrual and are carried forward to next year.

Furniture and equipment

Furniture and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fixtures	3 years
Office equipment	3 years
Leasehold improvements	Lower of 3 years or lease period

Expenditure incurred to replace a component of an item of furniture and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written-off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of furniture and equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

An item of furniture and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is de-recognised.

The residual values, useful lives and methods of depreciation of furniture and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

3.3 Summary of significant accounting policies (continued)

Intangible assets

Intangible assets include the cost of purchased computer software and software developed in-house. Intangible assets acquired separately are measured on initial recognition at cost. Costs associated with the development of software for internal use are capitalised only if the design of the software is technically feasible, and the QFC Regulatory Authority has both the resources and intent to complete its development and ability to use it upon completion. In addition, costs are only capitalised if the asset can be separately identified, it is probable that the asset will generate future economic benefits, and that the development cost of the asset can be measured reliably.

Only costs that are directly attributable to bringing the asset to working condition for its intended use are included in its measurement. These costs include all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in a manner intended by management.

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. Those are amortised on a straight-line basis over a period of three years except for the eXtensible Business Reporting Language (XBRL) software and Microsoft Dynamics AX, which is amortised over a period of five years, commencing when the asset is available for its intended use. This expense is reported as general and administration expense in the statement of comprehensive income.

Subsequent expenditure is only capitalised when it increases the future economic benefits embodied in the specific asset to which it relates. Where no intangible asset can be recognised, development expenditure is charged to the statement of comprehensive income when incurred.

Expenditure on research or on the research phase of an internal project is recognised as an expense in the period in which it is incurred.

Leases

The QFC Regulatory Authority assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

QFC Regulatory Authority as a lessee

The QFC Regulatory Authority applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The QFC Regulatory Authority recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The QFC Regulatory Authority recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office space	2 years
Office equipment	3 years
Vehicles	3 years

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

3.3 Summary of significant accounting policies (continued)

i) Right-of-use assets (continued)

If ownership of the leased asset transfers to the QFC Regulatory Authority at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the QFC Regulatory Authority recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the QFC Regulatory Authority uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The QFC Regulatory Authority applied the short-term lease recognition exemption till 31st July 2020 to its short-term leases of building (i.e., those leases that have lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to the lease of office equipment that is considered of low value (i.e., below USD 5,000). Lease payment on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Impairment of non-financial assets

The QFC Regulatory Authority assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the QFC Regulatory Authority estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

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

3.3 Summary of significant accounting policies (continued)

Financial assets

Classification

The QFC Regulatory Authority classifies its financial assets in the following measurement category:

- those to be measured at amortised cost

The classification is based on two criteria:

- The QFC Regulatory Authority's business model for managing the assets; and
- Whether the instruments' contractual cash flows represent "solely payments of principal and interest (profit) on the principal amount outstanding (the 'SPPI criterion')".

Business model: the business model reflects how the QFC Regulatory Authority manages the assets in order to generate cash flows, according to two possible objectives. One objective is for the QFC Regulatory Authority to collect the contractual cash flows from the assets. A second possible objective is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of a business model "other" and measured at fair value through profit or loss ("FVTPL"). Factors considered by the QFC Regulatory Authority in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the QFC Regulatory Authority assesses whether the financial instruments' cash flows represent solely payments of principal and interest (profit) (the "SPPI test").

Recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the QFC Regulatory Authority's business model for managing them. The QFC Regulatory Authority initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The QFC Regulatory Authority's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the QFC Regulatory Authority commits to purchase or sell the asset.

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

3.3 Summary of significant accounting policies (continued)

Financial assets (continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the QFC Regulatory Authority. The QFC Regulatory Authority measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of comprehensive income when the asset is de-recognised, modified or impaired.

The QFC Regulatory Authority's financial assets at amortised cost include interest receivables, other receivables, financial penalties receivable, amounts due from related parties, bank balances and short-term deposits.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised when:

- The rights to receive cash flows from the asset have expired, or

- The QFC Regulatory Authority has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the QFC Regulatory Authority has transferred substantially all the risks and rewards of the asset, or (b) the QFC Regulatory Authority has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

3.3 Summary of significant accounting policies (continued)

Financial assets (continued)

De-recognition (continued)

When the QFC Regulatory Authority has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the QFC Regulatory Authority continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the QFC Regulatory Authority also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the QFC Regulatory Authority has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the QFC Regulatory Authority could be required to repay.

Impairment of financial assets

The QFC Regulatory Authority recognises an allowance for expected credit losses (ECLs) for all debt instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the QFC Regulatory Authority expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The QFC Regulatory Authority considers a financial asset in default when contractual payments are past due. However, in certain cases, the QFC Regulatory Authority may also consider a financial asset to be in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements it holds. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

3.3 Summary of significant accounting policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The QFC Regulatory Authority determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The QFC Regulatory Authority's financial liabilities include finance lease obligation, accounts payable and accrued expenses.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

Accounts payable and accruals

Considering the short-term nature of these liabilities, accounts payable and accruals are recognised for amounts to be paid in the future for goods or services received without discounting, whether billed by the supplier or not.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

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 enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and deposits with banks held for the purpose of meeting short-term cash commitments that are readily convertible to a known amount of cash and subject to insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances and short-term deposits with a maturity of up to twelve months or less.

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

3.3 Summary of significant accounting policies (continued)

Provisions

Provisions are recognised when (a) the QFC Regulatory Authority has a present obligation (legal or constructive) as a result of a past event, (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (c) a reliable estimate can be made of the amount of the obligation. When the QFC Regulatory Authority expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Retirement benefit costs

Consequent to the Council of Ministers Decision No. (11) of 2011, regarding the application of the provisions of the Retirement and Pension Law No. (24) of 2002 (“the Law”), for all Qatari employees of the QFC Regulatory Authority, the QFC Regulatory Authority was admitted to the pension fund operated by the General Retirement and Social Insurance Authority (GRSIA) on 26 January 2011.

All Qatari employees must contribute 5%, and the QFC Regulatory Authority 10%, of an employee’s pensionable income. The QFC Regulatory Authority’s contribution is recognised as an expense in the statement of comprehensive income.

Employees’ end of service benefits

The QFC Regulatory Authority provides end of service benefits to its employees. The entitlement to these benefits is based upon the employee’s final salary and length of service, subject to the completion of a minimum service period from 1 January 2017. The end of service benefit is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the period of employment.

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 settlement or reporting date. All differences are taken to the statement of comprehensive income.

4. FURNITURE AND EQUIPMENT

	Freehold				
	Furniture and fixtures	Office equipment	Work-in Progress	Leasehold improvements	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Cost:					
At 1 January 2020	758	251	--	1,000	2,009
Additions during the year	3	2	--	--	5
Disposal/write-off during the year	--	(82)	--	--	(82)
Balance at 31 December 2020	761	171	--	1,000	1932
Additions during the year	2	24	44	--	70
Disposal/write-off during the year	--	(14)	--	--	(14)
Balance at 31 December 2021	763	181	44	1,000	1,988
Depreciation:					
At 1 January 2020	743	225	--	1,000	1,968
Charge for the year	9	16	--	--	25
Relating to disposal/write-off	--	(82)	--	--	(82)
Balance at 31 December 2020	752	159	--	1,000	1,911
Charge for the year	8	12	--	--	20
Relating to disposal/write-off	--	(14)	--	--	(14)
At 31 December 2021	760	157	--	1,000	1,917
Net carrying amounts:					
At 31 December 2021	**3**	**24**	**44**	**--**	**71**
At 31 December 2020	9	12	--	--	21

5. INTANGIBLE ASSETS

	Computer software	**Software development cost**	**Work in progress**	**Total**
	USD' 000	**USD' 000**	**USD' 000**	**USD' 000**
Cost:				
At 1 January 2020	613	2,615	67	3,295
Additions during the year	--	--	76	76
Write off	(52)	--	--	(52)
Transfers	--	62	(62)	--
Balance at 31 December 2020	561	2,677	81	3,319
Addition during the year	59	--	358	417
Write off	--	--	(59)	(59)
Transfers	--	--	--	--
Balance at 31 December 2021	620	2,677	380	3,677
Amortisation:				
At 1 January 2020	603	2,596	--	3,199
Charge for the year	10	105	--	115
Adjustment*	--	(149)		(149)
Write off	(52)	--	--	(52)
Balance at 31 December 2020	561	2,552	--	3,113
Charge for the year	19	41	--	60
Write off	--	--	--	--
At 31 December 2021	580	2,593	--	3,173
Net carrying amounts:				
31 December 2021	**40**	**84**	**380**	**504**
31 December 2020	--	125	81	206

*Adjustment related to charge over booked during 2019.

6. LEASES

a) QFC Regulatory Authority as a lessee

The QFC Regulatory Authority has lease contracts for office space, office equipment and vehicles used in its operations. Lease of office space has a term of 2 years and office equipment and vehicles generally have lease terms of three years.

Set out below, are the carrying amounts of the QFC Regulatory Authority's right-of-use assets and lease liabilities and the movements during the year:

6. LEASES (CONTINUED)

a) QFC Regulatory Authority as a lessee (continued)

Right-of-use assets	**Office equipment**	**Office space**	**Vehicles**	**Total**
	USD'000	**USD'000**	**USD'000**	**USD'000**
As at 1 January 2020	86	--	147	233
Additions	--	3,123	--	3,123
Disposals	--	--	(41)	(41)
Depreciation expense	(86)	(651)	(55)	(792)
As at 31 December 2020	--	2,472	51	2,523
Additions	246	--	--	246
Disposals	--	--	--	--
Depreciation expense	(68)	(1,562)	(35)	(1,665)
As at 31 December 2021	**178**	**910**	**16**	**1,104**

Lease liabilities	**2021**	2020
	USD'000	USD'000
As at 1 January	**2,553**	239
Reclassified from finance lease obligation	**--**	--
Additions	**246**	3,123
Disposals	**--**	(41)
Interest expense	**93**	66
Payments	**(1,748)**	(834)
As at 31 December	**1,144**	2,553

Presented in the statement of financial position as follows:

	2021	2020
	USD'000	USD'000
Current portion	**1,044**	1,726
Non-current portion	**100**	827
	1,114	2,553

The QFC Regulatory Authority recognised rent expense from short-term leases of USD 172 thousands for the year ended 31 December 2021 (31 December 2020: USD 1,134 thousands).

7. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2021	2020
	USD'000	USD'000 (Restated)
Amount due from related parties – current (Note 15)	**2,312**	1,021
Interest receivables	**105**	247
Prepaid expenses	**310**	261
Other receivables	**23**	48
	2,750	1,577

7. ACCOUNTS RECEIVABLE AND PREPAYMENTS (CONTINUED)

Amount due from related parties classified as follows:

	2021	2020
	USD'000	USD'000
Current portion	**2,312**	1,021
Non-current portion	**6,114**	4,840
Amount due from related parties* (Note 15)	**8,426**	5,861

* Effective from 1 January 2017, the QFC Regulatory Authority resolved to recognise employee end of service benefit-related liabilities in the financial statements. As at 31 December 2021, USD 6,114 thousand has been recognised as provision for employee end of service benefits (2020: USD 4,840 thousand). The same amount has been recognised as receivables from the Ministry of Finance based on a confirmation letter received from the Ministry to compensate the QFC Regulatory Authority for the payment of the end of service benefits.

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows consist of the following:

	2021	2020
	USD'000	USD'000
Bank balances	**6,980**	3,582
Short-term deposits*	**29,212**	27,872
Cash and cash equivalents as per statement of cash flows	**36,192**	31,454
Less: provision for expected credit losses of short-term deposits	**(76)**	(73)
Cash and bank balances as per the statement of financial position	**36,116**	31,381

* These represent deposits with banks held for the purpose of meeting short-term cash commitments, having interest rates up to 1.95% (2020: 2.75%).

The movement in the provision for expected credit losses of short-term deposits is as follows:

	2021	2020
	USD'000	USD'000
Balance as at 1 January	**73**	63
Charge for the year	**3**	10
Balance as at 31 December	**76**	73

9. EQUITY

General reserve

There was no transfer to general reserve from retained surplus for the year ended 31 December 2021 (2020: USD 2,000). Any transfer of amounts to and from the general reserve requires the approval of the Board of Directors.

Retained surplus

In accordance with Article 14 of the Qatar Financial Centre Law No. 7 of 2005, the Board of Directors has the right to retain the excess appropriations from the Government. This surplus can be used for any activities of the QFC Regulatory Authority.

10. EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the statement of financial position are as follows:

	2021	2020
	USD'000	USD'000
Balance as at 1 January	**4,840**	3,948
Provided during the year (Note i)	**1,552**	1,596
Benefits paid during the year	**(278)**	(704)
Balance as at 31 December	**6,114**	4,840

Note (i)

Provision for the year includes an amount of USD 17 thousand which was accrued in relation to employees seconded to the National Anti-Money Laundering and Terrorism Financing Committee ("NAMLC") and the same is classified under amounts due from the Ministry of Finance (2020: USD 22 thousand).

11. ACCOUNTS PAYABLE AND ACCRUALS

	2021	2020
	USD'000	USD'000 (Restated)
Accounts payable	**392**	481
Accrued expenses	**4,630**	4,225
Government appropriations received in advance (Note 2)	**1,785**	1,279
Fees received in advance	**1,112**	1,170
Due to related parties	**45**	--
	7,964	7,155

12. FINANCIAL PENALTIES

	2021	2020
	USD	USD (Restated)
Financial penalties on FAB (Note i)	**41**	846
Financial penalties on HCW (Note ii)	**--**	--
Financial penalties on TIC (Note iii)	**200**	--
	241	846

Under the Financial Services Regulations (FSR), the QFC Regulatory Authority has the power to impose financial penalties where it considers that a Person (as defined in the FSR) has contravened a relevant requirement set out in Article 84 (1) of the FSR.

The income from financial penalty is recognised when all constrains are resolved, and the impact of the rectification of the application of IFRS 15 has been accounted as set out in note 3.3. to the financial statement under significant accounting policies (Financial Penalties).

Note (i)

The Regulatory Authority imposed a financial penalty of USD 54,870 thousands on First Abu Dhabi Bank P.J.S.C ("FAB") in August 2019. The financial penalty was due for payment on 4 September 2019. The FSR, article 59 (4) states that "any penalty that is not paid within the period stipulated by the Regulatory Authority may on application to the Court be recovered by the Regulatory Authority as a debt".

The Regulatory Authority is entitled to take the steps necessary to collect the amount due as a debt. The Regulatory Authority filed a debt application on 9 September 2019 with the QFC Civil and Commercial Court (the "Court") and in February 2020, the court issued its judgement declaring the financial penalty with interest as a debt payable to, and recoverable by, the Regulatory Authority. The Regulatory Authority is taking the necessary steps to enforce the judgement.

To date, the Regulatory Authority has recovered a total amount of USD 887 thousands (equivalent to QAR 3,233,773) in respect of the Judgment Debt.

In November 2020, the Regulatory Authority, filed its motion in respect of the Judgment Debt in the New York State Supreme Court (the state's first-instance court of general jurisdiction). If the motion for summary judgment succeeds, the Judgment Debt will become recognised and enforceable as a domestic judgment in New York and can be served on banks in New York where FAB holds accounts in order to attach the assets held therein.

Note (ii)

In March 2019, the Regulatory Authority issued a Decision Notice to Horizon Crescent Wealth Management ("HCW") imposing a financial penalty of USD 8,230 thousands (equivalent to QAR 30,000,000) as a result of serious regulatory breaches. The Regulatory Authority also required HCW to pay the costs and expenses of the Regulatory Authority's investigation of USD 228 thousands (equivalent to QAR 830,024). The Decision Notice required the HCW Financial Penalty plus costs to be paid by 10 May 2019.

In May 2019, HCW appealed the Decision Notice to the Tribunal pursuant to Article 66 of the FSR and Article 8 of Schedule 5 to the QFC Law No (7) of 2005. The Tribunal hearing took place in January 2020 and the Tribunal issued its judgment in March 2020 finding in favour of the Regulatory Authority. The Tribunal's decision also required HCW to pay the HCW Investigation costs and 50% of its costs relating to the appeal.

12. FINANCIAL PENALTIES (CONTINUED)

Note (ii) (continued)

The matter was appealed by HCW but Regulatory Tribunal ruled in favour of the Regulatory Authority and dismissed HCW's appeal.

QFC Regulatory Authority will recognise the financial penalty (and related income) as revenue when the constrains are resolved, see notes 3.3 and 19 (under "Variable Consideration").

Note (iii)

In July 2020, the Regulatory Authority imposed a financial penalty of USD 200 thousands (equivalent to QAR 728,000) on Takaful International Company (TIC) as TIC contravening the Regulatory Authority's rules. The Regulatory Authority has recovered related penalty during the year due to the fact that all uncertainties related to amount and timing of recovery has been resolved.

13. GENERAL AND ADMINISTRATION EXPENSES

	2021	2020
	USD'000	USD'000
Lease rental	**172**	1,134
Consultancy and professional fees	**1,278**	1,322
Amortisation of intangible assets (Note 5)	**60**	115
Adjustment for intangible assets (Note 5)	**--**	(148)
Depreciation of right-of-use asset (Note 6)	**1,665**	792
Depreciation of furniture and equipment (Note 4)	**20**	25
Other expenses	**813**	1,141
	4,008	4,381

14. COMMITMENTS

	2021	2020
	USD'000	USD'000
Non-cancellable rental commitments		
Within one year	**158**	81
After one year but not more than five years	**--**	44
	158	125
Non-cancellable service commitments		
Within one year	**1,954**	2,886
After one year but not more than five years	**239**	2,132
	2,193	5,018

15. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include other QFC bodies, associated government departments and ministries, directors and key management personnel of the QFC Regulatory Authority, and bodies of which they are principal owners. Pricing policies and terms of these transactions are approved by the QFC Regulatory Authority's management.

15. RELATED PARTY DISCLOSURES (CONTINUED)

Related party balances

Balances with related parties are as follows:

	Amount due from	
	2021	2020
	USD'000	USD'000
Ministry of Finance (Note i)	**8,125**	4,879
Qatar Central Bank	**96**	884
QCSD	**181**	--
Qatar Financial Centre Authority	**--**	74
Prime Minister's Office	**24**	24
	8,426	5,861

	Amount due to	
	2021	2020
	USD'000	USD'000
Qatar Financial Centre Authority (Note 11)	**45**	--

Related party transactions

The significant related party transactions are as follows:

	2021	2020
	USD'000	USD'000
Appropriations from the Government	**38,427**	35,327
Services from QFCA	**1,940**	1,947
Services to a related party	**863**	114
Salaries and expenses paid on behalf of related parties	**2,883**	5,400

Note (i)

Amounts due from Ministry of Finance includes USD 1,811 thousand (2020: USD 39 thousand) relating to the payment of salaries and other expenses related to NAMLC.

Compensation of key management personnel

Key management personnel include the Board of Directors, Chief Executive Officer, Managing Directors, Chief Operating Officer and Chief Financial Officer. Key management personnel remuneration includes the following expenses:

	2021	2020
	USD'000	USD'000
Short-term benefits	**4,797**	5,779

16. MOVEMENT IN LOSS ALLOWANCE

	2021	2020
	USD'000	USD'000 Restated
Balance as at 1 January	**73**	63
Charge on short term deposits	**3**	10
Balance as at 31 December	**76**	73

17. FINANCIAL RISK MANAGEMENT

The QFC Regulatory Authority's financial liabilities comprise accounts payable and lease liabilities. The main purpose of these financial liabilities is to finance the QFC Regulatory Authority's operations and to provide guarantees to support its operations. The QFC Regulatory Authority's financial assets include interest receivables, other receivables, financial penalties receivable, amounts due from related parties, bank balances and short-term deposits that derive directly from its operations.

The QFC Regulatory Authority is exposed to market risk, credit risk and liquidity risk. The management has overall responsibility for the establishment and oversight of the QFC Regulatory Authority's risk management framework. The QFC Regulatory Authority's risk management policies are established to identify and analyse the risks it faces, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the QFC Regulatory Authority's activities.

This note presents information about the QFC Regulatory Authority's exposure to each of the above risks. Further quantitative disclosures are included throughout these financial statements.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign currency exchange rates, will affect the profit or the value of the QFC Regulatory Authority's holdings of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimising return.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The QFC Regulatory Authority is not exposed to interest rate risk on its interest bearing assets (bank deposits) as the interest rate on bank deposits is fixed. The statement of comprehensive income and equity is not sensitive to the effect of reasonable possible changes in interest rates, with all other variables held constant, as the QFC Regulatory Authority does not hold any floating rate financial assets or financial liabilities at the reporting date.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The QFC Regulatory Authority's principal business is conducted in United States Dollars and Qatari Riyals. As the Qatari Riyal is pegged to the United States Dollar, there is considered to be minimal currency risk.

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. The QFC Regulatory Authority exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets as follows:

	2021	2020
	USD	USD (Restated)
Bank balances including short-term deposits	**36,192**	31,454
Amount due from related parties	**8,426**	5,861
Interest receivables	**105**	247
Other receivables	**23**	48
	44,746	37,610

Credit risk in respect of bank balances is limited as the QFC Regulatory Authority deals only with highly reputable banks and other counterparties.

Measurement and recognition of expected credit losses (ECL)

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 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 Regulatory Authority's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

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

The QFC Regulatory Authority has applied the general approach to determine credit losses on terms deposits. The QFC Regulatory Authority has accounted expected credit losses on other receivables on lifetime ECL on the simplified general approach. Provision was made for expected credit losses on short-term deposits amounting to USD 3 thousand as at 31 December 2021 (2020: USD 10 thousand).

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the QFC Regulatory Authority is unable to meet its payment obligations associated with its financial liabilities that are settled by delivering cash or other financial assets when they fall due. The QFC Regulatory Authority limits its liquidity risk by securing appropriations from the Government to finance its operating and capital expenditure. The QFC Regulatory Authority's terms of services require amounts to be paid within 30 days of the date of service.

The table below summarises the maturity profile of the QFC Regulatory Authority's financial liabilities at 31 December based on contractual undiscounted payments.

31 December 2021	**Carrying amount**	**Contractual undiscounted cash flows**	**Less than 1 year**	**More than 1 year but less than 5 years**
	USD	**USD**	**USD**	**USD**
Accounts payable	**392**	**392**	**392**	**--**
Lease liabilities	**1,144**	**1,149**	**1,044**	**100**
Total	**1,536**	**1,541**	**1,436**	**100**

31 December 2020	Carrying amount	Contractual undiscounted cash flows	Less than 1 year	More than 1 year but less than 5 years
	USD	USD	USD	USD
Accounts payable	481	481	481	--
Lease liabilities	2,553	2,647	1,811	836
Total	3,034	3,128	2,292	836

18. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments include financial assets and liabilities. The QFC Regulatory Authority does not have any financial assets or financial liabilities which are measured at fair value. The fair values of financial instruments are not materially different from their carrying values.

19. SIGNIFICANT ASSUMPTIONS, ESTIMATES AND JUDGEMENTS

The preparation of the QFC Regulatory Authority's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and certain disclosures. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

19. SIGNIFICANT ASSUMPTIONS, ESTIMATES AND JUDGEMENTS (CONTINUED)

Useful lives of furniture and equipment and Rights of Use assets

The QFC Regulatory Authority's management determines the estimated useful lives of its furniture and equipment for calculating depreciation. The estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually; future depreciation charge is adjusted where the management believes the useful lives differ from previous estimates.

Useful lives of intangible assets

The QFC Regulatory Authority's management determines the estimated useful lives of its intangible assets with finite life time for calculating amortisation. The estimate is determined after considering the expected usage of the intangible asset or technological obsolescence. Management reviews the useful lives annually; future amortisation charge is adjusted where the management believes the useful lives differ from previous estimates.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Leases - estimating the incremental borrowing rate

The QFC Regulatory Authority cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the QFC Regulatory Authority would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the QFC Regulatory Authority ''would have to pay'', which requires estimation when no observable rates are available. The QFC Regulatory Authority estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

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 Regulatory Authority takes into account qualitative and quantitative reasonable and supportable forward looking information.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the firms to settle the receivables. The Regulatory Authority has identified the GDP of the state of Qatar to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in GDP. The Regulatory Authority has recognised a loss allowance of USD 3 thousands against all financial assets.

19. SIGNIFICANT ASSUMPTIONS, ESTIMATES AND JUDGEMENTS (CONTINUED)

Calculation of loss allowance

When measuring ECL, the Regulatory Authority 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 Regulatory Authority 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.

Variable consideration

Amounts related to financial penalties are derived from enforcement actions taken by the QFC Regulatory Authority against the firms it supervises for issues of non-compliance with applicable rules and regulations (see note 3.3). The recovery of financial penalties (and related income) involves uncertainties related to amount (which may be appealed to the QFC Regulatory Tribunal) and timing of receipt of payment, which based on experience may involve filing of legal proceedings that may take a considerable time to conclude. The factors influencing the recovery of the financial penalty (and related income) is different for each case and the resolution of the constraints are beyond the control of the QFC Regulatory Authority. Accordingly, the related revenue is recognised when the constrains are resolved.