



شركة شبكة المعلومات الائتمانية  
CREDIT INFORMATION NETWORK COMPANY



**Credit  
Safely**

2017  
2018

# Annual Report

For the financial year ending September 30, 2018

[cinet.com.kw](http://cinet.com.kw)

2017  
2018

# Annual Report

For the financial year ending September 30, 2018

[cinet.com.kw](http://cinet.com.kw)



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His Highness  
**Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah**  
The Amir of the State of Kuwait

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His Highness  
**Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah**  
The Crown Prince of the State of Kuwait

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His Highness  
**Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah**  
The Prime Minister of the State of Kuwait

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# OUR MISSION, VISION AND CORE VALUES

## OUR MISSION

To provide credit rating and credit information services in an innovative, professional and trustworthy manner, ensuring a high degree of efficiency and accuracy, contribute to improving the credit culture and increasing trust among the credit community.

## OUR VISION

To build a strong credit information network system based on the best international standards and highest levels of quality to provide additional value to our shareholders and customers.

## OUR CORE VALUES

- Trust
- Quality
- Commitment
- Security of information
- Accuracy of data
- Innovation

# ABOUT CI-NET AND ITS SERVICES

The Credit Information Network Company (Ci-Net) is the first exclusive credit information services company in the State of Kuwait responsible for collecting consumer financing data in accordance to the provisions of the law number 2 of the year 2001 and its following executive decisions. The Company was established for the sole purpose to serve lenders of consumer loans and other credit facilities which have a need for a database of loan holders. The information provided by us enables them to make accurate assessments of risks when providing new loans, all while maintaining the confidentiality of information.

Ci-Net is managed by the Board of Directors that represents its shareholders. Its paid-up capital is KD 2,280,000.

Ci-Net is solely mandated to providing credit information of "individual" customers to financial institutions, banks and other entities that provide credit facilities for goods and services in accordance to the laws of the State of Kuwait and its executive regulations. The Company commits to the laws mandating confidentiality of information and consumer protection and does not act as a credit granter nor act as a debt collection agency. The Company also in no way interferes in the decision making process of granting or denying a credit facility to customers.

## CI-NET'S OBJECTIVES

1. To assist the financial and banking sectors in making informed decisions when granting credit facilities based on the data and information provided by Ci-Net.
2. To facilitate credit financing, improve collecting loans ratios and reduce defaulting payments.
3. To contribute in reducing general risks and risks related to financing in particular.

**Ci-Net was established to execute the provisions under law number 2 of the year 2001**

**The paid-up capital of the Company is KD 2,280,000**

**Ci-Net collects consumer financing and installments data**

# CI-NET SERVICES

## COLLECTING INFORMATION

Ci-Net collects information and data on consumer loans and other credit facilities. The Company provides the Central Bank of Kuwait and lending institutions that abide by the law number 2 of 2001 with the information about the consumer loans and credit facilities granted to customers of these entities.

## MAINTAINING A CREDIT DATABASE

The Company creates a credit database by collecting, processing, archiving and analyzing credit information of individuals, and preparing detailed credit reports based on their credit information.

## SELF-INQUIRY SERVICES

Ci-Net also provides credit rating reports at the request of individual customers without interfering in any way in the decision making process of granting or denying a credit facility to a customer.

## PROVIDING POSITIVE AND NEGATIVE INFORMATION

The Company provides positive and negative information to the customer in the report that indicates the creditworthiness of the customer, whether it's a current or a historical customer.

## REPORTING ON IRREGULAR CUSTOMERS

The Company also reports to lending institutions that abide by the law number 2 of 2001 on irregular customers and customers who have a legal proceeding against them.

## ISSUING INDIVIDUAL STATEMENTS FROM PACI

Ci-Net can provide updated individual customer data information immediately from the PACI database.

## ALERTING SERVICE

The Company alerts the lending institutions when an individual customer defaults on the conditions set by the regulatory authorities in respect to obtaining credit facilities.

## LISTING DEFAULTERS

Ci-Net also identifies customers who fall under the law number 28 for the year 2008 and law number 51 for the year 2010, both establishing a fund that manages and deals with those who have defaulted in paying their consumer loans.

## STATISTICAL REPORTS AND STUDIES

The Company uses the credit information collected to develop integrated statistical reports and studies in accordance with the provisions of the laws governing it.

## CREDIT REPORTING

Ci-Net provides lending institutions with credit reports in accordance with the conditions and controls set by the regulators.

# MESSAGE FROM THE CHAIRMAN



Dear Shareholders,

On behalf of the Board of Directors and everyone at Ci-Net, I welcome you to the nineteenth Annual General Meeting (AGM) of Shareholders and thank you for your continued support and trust in our Company. Your support is the main driver to our commitment to serving your needs and achieving our Company's goals and strategies.

Ci-Net has made great progress on many fronts during the fiscal year ending September 30, 2018, driving advancements, enhancing customer service and consolidating the Company's position as the leading provider of value-added credit data, information and services to the banking and financial sectors in the State of Kuwait.

The Company has been providing the sectors with these services to enable them to efficiently complete business and financial transactions, ensuring high efficiency risk management, in addition to bringing value in every business activity. Ci-Net continues to provide value-added services that form the basis of transactions between banks and investment companies while enabling them to provide more efficient services to customers as part of its commitment to developing credit services in Kuwait by introducing services that support the financial

services industry and in particular financial and banking institutions.

On the other hand, Ci-Net has formed a new management structure during the fiscal year 2017/2018 to enhance the implementation of our strategy. The new structure aims to support our efforts in the areas of business development and innovative solutions. The move has given the Company a strong momentum throughout the year that mirror some of our strategic directions and come as part of our efforts to advance in parallel to social, economic and technological changes.

Ci-Net has successfully obtained the ISO 27001:2013 certification for its commitment to achieving the best level of infrastructure and information security as per the ISO international standard. The certification confirms the Company's commitment to the protection of its database of information by adopting the best technical tools that increase the efficiency of our operations and provide an integrated technological environment capable of maintaining the privacy and integrity of information and data for customers and all informational technology assets.

With that, I am pleased to announce that Ci-Net achieved a net profit of KD 1,398,419 (one million three hundred and ninety-eight thousand four hundred and nineteen Kuwaiti dinars) for the fiscal year ending September 30, 2018, after deducting the provisions for Zakat and the Kuwait Foundation for the Advancement of Sciences (KFAS). The net profit increased by KD 51,788 (fifty-one thousand and seven hundred and eighty-eight Kuwaiti dinars), equivalent to an increase of 3.8%. The total shareholders' equity increased to KD 12,465,448 (twelve million four hundred and sixty-five thousand four hundred and forty-eight Kuwaiti dinars) against KD 11,344,029 (eleven million three hundred and forty-four thousand and twenty-nine Kuwaiti dinars) for the fiscal year ending September 30, 2017, an increase of KD 1,121,419 (one million one hundred



and twenty-one thousand four hundred and nineteen Kuwaiti dinars), equivalent to an increase of 9.9%.

The Company has developed a strategy for the next five years which comprises a number of ambitious initiatives that will enhance the position of Ci-Net as the leading provider of data, information and value-added services to the banking and financial sectors in Kuwait.

#### **OUTLOOK FOR THE FISCAL YEAR 2018 / 2019**

Over the next few years, Ci-Net will continue to focus its efforts on implementing its present strategy and assess new strategic initiatives that enable it to further develop and improve its products and services and introduce new ones. The Company remains dedicated to providing the State of Kuwait and its shareholders with services that positively contributes to the banking community in efficiency and productivity.

Ci-Net is also committed to providing services that add value to its subscribers, developing its systems and workflows to achieve the goals of its mission to raise awareness and promote the culture of credit amongst citizens and residents of the State of Kuwait.

In conclusion, on behalf of the Board of Directors and employees of Ci-Net, I extend my sincere gratitude to His Highness the Amir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, His Highness the Crown Prince Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah and His Highness the Prime Minister Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah may Allah protect them and urge the Almighty to bring them continued success in their endeavors towards the advancement and prosperity of our beloved country.

I also extend our gratitude to the Governor of the Central Bank of Kuwait, the Deputy Governor of the

Central Bank of Kuwait, and all officials of the Central Bank of Kuwait, for their continued cooperation and support for the Company. I thank our shareholders and subscribers for their trust in our company and thank every member of the Board and Executive Management for their efforts and guidance in the interest of Ci-Net, its shareholders and the credit market in the State of Kuwait.

Sincerely,

**Mr. Abdullah Ahmad Almecri**  
**Chairman**

# MESSAGE FROM THE CEO



Dear Shareholders,

Ci-Net made new achievements on many aspects of its business during the fiscal year ending September 30, 2018. We are pleased to announce a significant growth in our profits and an increase in the performance levels of many strategic initiatives that were put in place in the past years. We invested tremendously last year in the preparation of the Company's initial public offering and we are pleased to announce that we are moving forward in the right path of the strategy to achieve the next steps of the Company's development overall, as seen in our financial earnings.

Over the past 18 years, Ci-Net succeeded in developing its most valuable asset, a database of information that serves credit lenders. However, there is an immediate need to adopt new and ambitious strategies that would enhance the Company's ability to meet the challenges of the future and provide solutions that meet complex and changing needs, as well as maintaining its leading position in delivering value-added services to the banking and financial services sectors.

Our strategies have yield good results that enable us to reach a stronger position as a strategic partner to credit lenders when making informed and fast

decision when granting loans. Ci-Net's system ensures that only licensed institutions have access to the credit history of potential customers asking for a loan. This crucial service omits one of the major barriers customers face when applying for a loan and help individual customers make better decisions regarding their financial goals.

In addition to these achievements, Ci-Net has obtained the ISO 27001:2013 certification for information security and confidentiality, proving our continued commitment to providing the highest standards of security and our readiness to face the growing threats against information technology in this digital age. It is worth mentioning that this achievement also reflects the dedication and professionalism of our team and shows without a doubt the stability and security of the information in the Company's database.

Financially, I am pleased to assure you that the fiscal year ending September 30, 2018 was a successful year. The total assets of the Company increased to KD 12,934,180 (twelve million nine hundred and thirty-four thousand one hundred and eighty Kuwaiti dinars), an increase by KD 1,147,901 (one million one hundred and forty-seven thousand nine hundred and one Kuwaiti dinars) in comparison to the fiscal year ending September 30, 2017, equivalent to an increase of 9.7%. Total revenues achieved KD 2,813,817 (two million and eight hundred and thirteen thousand and eight hundred and seventeen Kuwaiti dinars) for the fiscal year ending September 30, 2018, against KD 2,613,402 (two million six hundred and thirteen thousand four hundred and two Kuwaiti dinars), an increase of KD 200,415 from the fiscal year ending September 30, 2017, equivalent to an increase of 7.7%.

The most important factor of success is the contribution of our skilled and competent team members whose dedication has been the key driver for Ci-Net's growth. We are proud at Ci-Net of the

great support we receive from our employees who have been contributing to our success story. We are also proud that the percentage of Kuwaiti nationals in our Company is gradually being met as we attract Kuwaiti youth that have the skills we need by providing them with promising career opportunities in which they can progress and advance.

In conclusion, I thank the Chairman of the Board and the Board of Directors for their valuable support in launching the Company's strategy over the next five years which will certainly contribute to the Company's future growth and positive earnings.

I also thank every employee at Ci-Net for their hard work and efforts that have contributed to achieving new successes. I extend my sincere gratitude and appreciation as well to our shareholders, the Central Bank of Kuwait and our partners.

Sincerely,

**Fahad Al-Menayes**  
**Chief Executive Officer**

# ACHIEVEMENTS

## DURING THE FISCAL YEAR ENDING SEPTEMBER 30, 2018

Ci-Net made progress in many aspects of its business during the fiscal year ending September 30, 2018. The Company saw an increase in growth, made improvements in its customer service and strengthened its position as the leading provider of data, information and value-added services to the banking and financial sectors. The following are the most significant achievements made during the year:

### FINANCIAL HIGHLIGHTS

The Board of Directors approved the Company's consolidated financial statements during its meeting held on November 5, 2018. The Board recommended the distribution of cash dividends of 10% of the paid-up capital of KD 228,000 (Two hundred twenty-eight thousand Kuwaiti dinars) to shareholders presently registered in the Company's books at the Kuwait Clearing Company to the date of the Ordinary AGM, and following the approval of shareholders during the meeting and other regulatory authorities.

The Board of Directors also proposed to pay a remuneration to the Directors for the fiscal year ending September 30, 2018, representing 3.5% of the total profits of KD 49,000 (Forty-nine thousand Kuwaiti dinars) after deducting the provisions for the Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat, as well as after obtaining the approval of shareholders during the AGM and other regulatory authorities.

### TOTAL ASSETS

## KD 12,934,180/-

Up 9.7%

An increase of KD 1,147,901/-



### TOTAL REVENUES

## KD 2,813,817/-

Up 7.7%

An increase of KD 200,415/-

From KD 2,613,402/-

In the fiscal year ending September 30, 2017



### NET PROFIT

## KD 1,398,419/-

Up 3.8%

An increase of KD 51,788/-

After deducting provisions to Zakat and the Kuwait Foundation for the Advancement of Sciences (KFAS)



### TOTAL SHAREHOLDERS' EQUITY

## KD 12,465,448/-

Up 9.9%

An increase of KD 1,121,419/-

From KD 11,344,029/-

In the fiscal year ending September 30, 2017



## OPERATIONAL GROWTH

### NUMBER OF SUBSCRIBERS

**65 subscribers**

By the end of September 30, 2018

69 subscribers  
By the end of September 30, 2017

### NUMBER OF USERS OF THE CI-NET SYSTEM

**3,670 users**

By the end of September 30, 2018

5,326 users  
By the end of September 30, 2017

### SIZE OF THE COMPANY DATABASE

**8,613,587 accounts**

By the end of September 30, 2018

### TOTAL NUMBER OF CREDIT FACILITIES GRANTED

**533,352 accounts**

For a total value of KD 3,969,225,390/-  
as per the Ci-Net System records

### NUMBER OF AUTOMATED INDIVIDUAL CUSTOMER INQUIRIES MADE ON THE CI-NET SYSTEM

**1,053,701 inquiries**

By the end of September 30, 2018

### NUMBER OF CREDIT REPORTS (BY THE INDIVIDUAL CUSTOMER) ISSUED BY THE CI-NET SYSTEM

**3,888 credit reports**

By the end of September 30, 2018

### NUMBER OF INDIVIDUAL INFORMATION REGISTERED IN THE CI-NET SYSTEM

**1,426,440 individuals**

By the end of September 30, 2018

# ACHIEVEMENTS

## DURING THE FISCAL YEAR ENDING SEPTEMBER 30, 2018

### OPERATIONAL ACHIEVEMENTS

1. Received the ISO 27001: 2013 certification for the application of standards in information security and protection.
2. Launched the “Self-Inquiry Service” allowing individual customers to obtain their credit report directly from Ci-Net.
3. Developed the process of verifying the customer authorization form as per the procedures established to inquire about their personal credit information.
4. Collected all data required to launch the Credit Scoring service which is now operating under the pilot environment UAT ahead of its official launch in 2019.
5. Completed the Business Continuity Management policies and procedures, and tested these policies and procedures in a simulated crisis to prepare for an actual crisis.
6. Increased the employment rate of Kuwaitis in the Company.
7. Implemented the required improvements to the automated system for third degree priorities, following the work plan and schedule set and which includes the following:
  - a. Developed the Market Share Report.
  - b. Developed the mechanism for calculating the financial penalties resulting from violation of the instructions and controls of the Ci-Net system, including the failure to load the customer's authorization form and the failure to supply the daily update file (IFF).
  - c. Added a process to check the validity of the Civil ID of the customer when inquiring using the card reader.
  - d. Added a new information to the credit report for when a customer's status changes to litigation. The case's automated number must be provided to the Ci-Net system, in addition to the date of registering the court case and the date legal proceedings have been lifted as per instructions issued by the Central Bank of Kuwait.
  - e. Developed and improved the internal information security systems to protect and secure data information.

## FUTURE OUTLOOK

In 2019, Ci-Net will continue to focus its efforts on implementing its present strategy and assess new strategic initiatives that would enable it to further develop and improve its products and services and introduce new ones. The Company remains dedicated to providing the State of Kuwait and its shareholders with services that positively contributes to the banking community in efficiency and productivity.

Ci-Net is also committed to providing services that add value to its subscribers, developing its systems and workflows to achieve the goals of its mission to raise awareness and promote the culture of credit amongst citizens and residents of the State of Kuwait. The Company aims to expand its scope of services beyond banks and financial companies to include customers and subscribers from diverse sectors such as the small and medium enterprises (SMEs), insurance and real estate companies that wish to subscribe to Ci-Net.

# GROWTH RATES OVER THE PAST FIVE YEARS

STATEMENT	2014	2015	2016	2017	2018
RETURN ON ASSETS (ROA)	15.4%	12.4%	11.0%	11.0%	10.9%
RETURN ON EQUITY (ROE)	16.3%	13.1%	11.6%	11.4%	11.3%

Ci-Net reaffirms its commitment to achieving the highest standards in its sector for the benefit of its financial and non-financial customers. That commitment has guided the Company to achieving continued strong growth in profits over the past seven years, leading it to develop its strategy to include the diversification of sources of income by offering new products and services and ultimately achieving the shareholders' objectives.

The Company's priority lies in keeping pace with the latest technologies developed in the financial market to better serve our customers. Through this process, we are continuously developing its products to continue providing value-added services to financial and non-financial institutions.





# SAFETY STANDARDS AND INFORMATION CONFIDENTIALITY

The confidentiality of customer information is of the utmost importance at Ci-Net as our database is one of the most important databases in the State of Kuwait, listing the credit history and credit behavior of customers. We have ensured that all information remain safe and confidential far from the access of unauthorized individuals and institutions that are not associated with granting credit facilities to customers.

Ci-Net has defined strict terms, conditions and provisions that ensure the confidentiality of customer information. These were developed based on internationally-recognized standards. The most important of these standards are:

**First:** Ci-Net maintains the confidentiality standards by implementing the highest standards of protection applicable in the industry, which are continuously developed according to the Company's capabilities and within the applicable legal controls and frameworks.

**Second:** The commitment to not share credit information with any third party that is not authorized.

**Third:** Ci-Net does not publish confidential information about customers or allow any unauthorized person or entity to access its automated system to view such data.

**Fourth:** Ci-Net allows its employees, following the terms and conditions set, to access data and information of a customer after obtaining the customer's consent to obtain their credit report in their name, while complying with the confidentiality of information and data contained therein.

**Fifth:** Ci-Net has taken the measures necessary to protect the security and confidentiality of information in order to prevent any breach or misuse of private information stored therein. However, it is widely known that the protection of electronic information security is fraught with gaps that could allow hackers and criminals to violate the privacy of many people around the world. We are therefore committed to providing maximum protection and control possible with full diligence.



# EXCELLENCE IN SERVICES

Over the past years, Ci-Net has solved all problems related to individual customer data and reduced credit risk by issuing a comprehensive customer credit report containing their individual data from the PACI automated system. The report also includes all current and historical financial obligations of the client and highlights their negative status should they have defaulted. Ci-Net trains its subscribers periodically on how to read information in the automated system and ensure the quality of the credit report.

In the near future, Ci-Net will provide a credit rating service to keep pace with international credit rating and applicable rating systems.



# TRAINING PROGRAMS FOR COMPANIES

The training of banking and financial institutions has helped in building the capabilities of using and benefiting from the credit information system to reduce lending risks, which has been one of the main objectives of Ci-Net. Training in its traditional definition of organizing courses and giving certifications has become a strategic option in our organization where successful training and development is of great importance. These training programs contributed in overcoming the challenges facing the banking system and financial institutions, as the beginning of change and better performance comes only by changing the productivity of employees and developing their abilities so in turn, they play a role in advancing the field of banking in general and the field of credit information in particular.

The first challenge we faced was at the start of Ci-Net: Establishing a credit information culture that advances with global developments in this field. We therefore held many training courses and workshops. As we strive to keep pace with developments and maintain our professionalism by training our partners, banks and financial institutions, we carried out comprehensive programs that increased the experience, knowledge and development.

These training programs were organized according to the nature of employees' work which are as follows:

1. Training courses for new users of the Credit Information Network (free).
2. Training courses on how to generate and read credit reports.
3. Courses and workshops on improvements to the Ci-Net system.

In addition, new training courses have been added to the existing courses which are:

1. Customized courses for banks and financial institutions.
2. Problem solving courses that appear in the Ci-Net automated system.
3. Training courses to introduce credit reports issued by Ci-Net.

Ci-Net will continue to invest in improving the skill-set in the banking and financial sector by training qualified professionals in the field of credit information in the coming years.

# SHAREHOLDERS OF THE COMPANY

#	SHAREHOLDER	NUMBER OF SHARES	SHARE PERCENTAGE
1	Central Bank of Kuwait	2,800,000	12.28%
2	Ahli United Bank	1,400,000	6.14%
3	Ahli Bank of Kuwait	1,400,000	6.14%
4	Commercial Bank of Kuwait	1,400,000	6.14%
5	Bank of Bahrain and Kuwait	1,400,000	6.14%
6	Gulf Bank	1,400,000	6.14%
7	Kuwait International Bank	1,400,000	6.14%
8	Burgan Bank	1,400,000	6.14%
9	Kuwait Finance House	1,400,000	6.14%
10	Commercial Facilities Company	1,400,000	6.14%
11	WARED Lease & Finance Company	1,400,000	6.14%
12	Arzan Financial Group	1,400,000	6.14%
13	National Bank of Kuwait	1,972,000	8.65%
14	Osoul Investment Company	800,000	3.51%
15	A'ayan Leasing & Investment Company	800,000	3.51%
16	Yaas Installments Company	300,000	1.32%
17	Al Amana Investment Company	250,000	1.10%
18	Yusuf Ahmad Alghanim and Sons	250,000	1.10%
19	Boubyan Bank	228,000	1.00%
<b>Total</b>		<b>22,800,000</b>	<b>100%</b>

# BOARD OF DIRECTORS



**Mr. Abdullah Ahmad Almecri**  
Chairman



**Mrs. Jehad Saud Alhumaidhi**  
Deputy Chairperson  
Member of the Executive Committee



**Mr. Mohammed Bader Al-Qattan**  
Board Director  
Chairperson of the Auditing and Risk Committee



**Mr. Mohammed Youssef Al-Khorafi**  
Board Director  
Chairperson of the Executive Committee



**Mr. Khaled Jassim Alsubaiei**  
Board Director  
Member of the Executive Committee



**Mr. Nasser Ali Al-Obaid**  
Board Director  
Member of the Auditing and Risk Committee



**Mr. Talal Bader Albahar**  
Board Director  
Member of the Auditing and Risk Committee

# REPORT OF THE SHARI'A SUPERVISORY BOARD



**Attention of the Credit Information Network Company (Ci-Net)**

**May God's mercy and blessings be upon you,**

With the authorities appointed to us by the members of the General Assembly of the Credit Information Network Company (Ci-Net) and under the Articles of Association of the Company and the instructions of the relevant regulatory authorities, the Shari'a Supervisory Board herein submits its final report for the fiscal year from 12017/10/ to 302018/9/, reporting on the following:

## **First: The framework of the Shari'a Supervisory Board:**

The Shari'a Supervisory Board carried out its framework, which included examining the investment structures, contract forms, products, policies and procedures either directly or in coordination with the internal Shari'a Audit Department in order to obtain all the information and explanations that it considered necessary to provide sufficient evidence and give reasonable assurance that the Company did not violate the Islamic Sharia as per the decisions of the Shari'a Supervisory Board, the approved Shari'a standards of the Company and the relevant regulatory authorities' decisions.

## **Second: Decisions of the Shari'a Supervisory Board:**

The Shari'a Supervisory Board responded to all the Company's queries and issued 12 legal decisions relating to the Company's contracts and operations during the aforementioned period.

## **Third: Final Opinion:**

In our opinion and after examining all the clarifications and assurances we obtained, we confirm:

1. The contracts, operations and transactions concluded by the Company during the period from 12017/10/ to 302018/9/ were carried out in accordance with the provisions of the Islamic Shari'a.
2. The responsibility to pay Zakat rests with the shareholders.

**All thanks to Allah, our God Almighty.**

**Member of the Shari'a  
Supervisory Board**

Prof. Dr. Abdul Aziz Al Qassar

**Member of the Shari'a  
Supervisory Board**

Dr. Issa Zaki Issa

**Member of the Shari'a  
Supervisory Board**

Dr. Ali Ibrahim Alrashed

# CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2018

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# INDEPENDENT AUDITOR'S REPORT



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Abdulaziz Al Saqr Street  
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State of Kuwait  
Tel.: +965 2228 7000  
Fax: +965 2228 7444

The Shareholders  
Credit Information Network Company K.S.C. (Closed)  
State of Kuwait

## Opinion

We have audited the financial statements of Credit Information Network Company K.S.C (Closed) ("the Company"), which comprise of the statement of financial position as at 30 September 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 September 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("the IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is the Board of Directors report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 ISA 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 ISA, we exercise professional judgment 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 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 Company's internal control.
- 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 Company'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 Company 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.

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.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Report on Other Legal and Regulatory Requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the financial statements include the information required by the Companies Law No. 1 of 2016, as amended and its Executive Regulations and the Company's Memorandum of Incorporation and Articles of Association. In our opinion, proper books of account have been kept by the Company, an inventory count was carried out in accordance with recognized procedures and the accounting information given in the Board of Directors' report agrees with the books of accounts of the Company. We have not become aware of any violations of the provisions of the Companies Law No. 1 of 2016, as amended and its Executive Regulations, or of the Company's Memorandum of Incorporation and Articles of Association during the year ended 30 September 2018 that might have had a material effect on the business of the Company or on its financial position.



Safi A. Al-Mutawa  
License No 138 "A"  
of KPMG Safi Al-Mutawa & Partners  
Member firm of KPMG International

Kuwait : 19 November 2018

Statement of financial position  
as at 30 September 2018

	Note	2018 KD	2017 KD
<b>Assets</b>			
Equipment and work in progress	4	76,466	135,716
Intangible assets	5	323,935	565,889
<b>Non-current assets</b>		<u>400,401</u>	<u>701,605</u>
Trade and other receivables	6	333,332	284,395
Cash and bank balances	7	12,200,447	10,800,279
<b>Current assets</b>		<u>12,533,779</u>	<u>11,084,674</u>
<b>Total assets</b>		<u>12,934,180</u>	<u>11,786,279</u>
<b>Equity</b>			
Share capital	8	2,280,000	2,280,000
Statutory reserve	8	1,140,000	1,076,393
Voluntary reserve	8	1,526,764	1,384,093
Retained earnings		7,518,684	6,603,543
<b>Total equity</b>		<u>12,465,448</u>	<u>11,344,029</u>
<b>Liabilities</b>			
Provision for employees' end of service benefits	9	134,413	105,418
<b>Non-current liabilities</b>		<u>134,413</u>	<u>105,418</u>
Trade and other payables	10	334,319	336,832
<b>Current liabilities</b>		<u>334,319</u>	<u>336,832</u>
<b>Total liabilities</b>		<u>468,732</u>	<u>442,250</u>
<b>Total equity and liabilities</b>		<u>12,934,180</u>	<u>11,786,279</u>

The accompanying notes form an integral part of these financial statements.

Fahad Mohammad Al Menayes  
Chief Executive Officer

Abdullah Ahmad Al Mehri  
Chairman

Statement of profit or loss and other comprehensive income  
for the year ended 30 September 2018

	Note	2018 KD	2017 KD
<b>Revenue</b>			
Service charges		2,578,795	2,451,720
Murabaha income		235,022	161,682
		<u>2,813,817</u>	<u>2,613,402</u>
<b>Expenses</b>			
Staff costs		(491,091)	(365,829)
Office rent		(92,016)	(81,792)
Communication and IT expenditure		(55,818)	(53,637)
External database access charges (PACI)		(18,043)	(23,911)
Consultancy and professional fees		(76,128)	(42,544)
Depreciation and amortisation	4 & 5	(403,505)	(372,681)
Provision for doubtful receivables	6	(10,000)	-
Bad debts written off		-	(86,800)
Support and license fee		(189,234)	(184,018)
Other administrative expenses		(51,275)	(30,474)
		<u>(1,387,110)</u>	<u>(1,241,686)</u>
<b>Profit before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), Zakat and Board of Directors' remuneration</b>		1,426,707	1,371,716
Contribution to KFAS		(13,631)	(12,345)
Zakat		(14,657)	(12,740)
Board of Directors' remuneration	11	(49,000)	(49,000)
<b>Profit for the year</b>		<u>1,349,419</u>	<u>1,297,631</u>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<u><u>1,349,419</u></u>	<u><u>1,297,631</u></u>

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity  
for the year ended 30 September 2018

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Retained earnings KD	Total equity KD
<b>Balance at 1 October 2016</b>	2,280,000	939,221	1,246,921	5,808,256	10,274,398
Profit and total comprehensive income for the year	-	-	-	1,297,631	1,297,631
Dividend paid (note 12)	-	-	-	(228,000)	(228,000)
Transfer to reserves (note 8)	-	137,172	137,172	(274,344)	-
<b>Balance at 30 September 2017</b>	<u>2,280,000</u>	<u>1,076,393</u>	<u>1,384,093</u>	<u>6,603,543</u>	<u>11,344,029</u>
<b>Balance at 1 October 2017</b>	2,280,000	1,076,393	1,384,093	6,603,543	11,344,029
Profit and total comprehensive income for the year	-	-	-	1,349,419	1,349,419
Dividend paid (note 12)	-	-	-	(228,000)	(228,000)
Transfer to reserves (note 8)	-	63,607	142,671	(206,278)	-
<b>Balance at 30 September 2018</b>	<u>2,280,000</u>	<u>1,140,000</u>	<u>1,526,764</u>	<u>7,518,684</u>	<u>12,465,448</u>

The accompanying notes form an integral part of these financial statements.

Statement of cash flows  
for the year ended 30 September 2018

	Note	2018 KD	2017 KD
<b>Cash flows from operating activities</b>			
Profit for the year		1,349,419	1,297,631
<i>Adjustments for:</i>			
- Depreciation	4	66,525	57,549
- Amortisation	5	336,979	315,132
- Provision for doubtful receivables	6	10,000	-
- Bad debts written off		-	86,800
- Provision for KFAS and Zakat		28,288	25,085
- Provision for employees' end of service benefits	9	29,493	22,087
		<u>1,820,704</u>	<u>1,804,284</u>
<i>Changes in:</i>			
- Trade and other receivables		(58,937)	128,036
- Trade and other payables		(30,801)	(48,102)
- Movement in restricted bank balance		(1,225)	-
Payment of employees' end of service benefits	9	(498)	(119,786)
<i>Net cash flows generated from operating activities</i>		<u>1,729,243</u>	<u>1,764,432</u>
<b>Cash flows from investing activities</b>			
Murabaha placements maturing after three months		4,300,000	(989,856)
Additions to equipment and work in progress	4	(32,432)	(41,256)
Additions to intangible assets	5	(69,868)	(52,623)
<i>Net cash flows generated from / (used in) investing activities</i>		<u>4,197,700</u>	<u>(1,083,735)</u>
<b>Cash flows from financing activities</b>			
Dividend paid	12	(228,000)	(228,000)
<i>Net cash flows used in financing activities</i>		<u>(228,000)</u>	<u>(228,000)</u>
<b>Net change in cash and cash equivalents</b>		5,698,943	452,697
Cash and cash equivalents at beginning of the year		<u>1,100,279</u>	<u>647,582</u>
<b>Cash and cash equivalents at end of the year</b>	7	<u><u>6,799,222</u></u>	<u><u>1,100,279</u></u>

The accompanying notes form an integral part of these financial statements.

## 1. Reporting entity

Credit Information Network Company K.S.C. (Closed) ("the Company" or "Ci-Net") was incorporated on 4 June 2001 and commenced its operations on 24 April 2003 after obtaining approval from the Central Bank of Kuwait ("the CBK").

The Company's Memorandum of Incorporation and Articles of Association states that the Company will carry out its activities in compliance with Islamic Sharia rules. The Company is established to carry out the following activities:

- To collect information and data related to consumer loans and other credit facilities resulting from installment sale of commodities and services and to provide the Central Bank of Kuwait and entities subject to the provisions of Law No. (2) of 2001, based on their request, with information and data about the consumer loans and credit facilities granted to the customers of these entities upon request. For this purpose, it shall have the right to import electronic devices and computers, information systems and saving devices and related devices; and
- To design, import sell and operate auto systems and the equipping and management of operations centers for the benefit of the Company only.
- Formulate, collect, restore, analyze and monitor credit information of individuals and debts of customers of mortgage finance companies, insurance companies, all types of leasing companies, finance, car companies and telecommunications companies, as well as other entities stipulated in the provisions of Law No. 2 of 2001.
- Provide and consult all personal information, credit rating and credit inquiry and services to individual customers without making any recommendations or opinions from the Company regarding eligibility of granting credit facility or not.

The postal address of the Company's registered office is at P. O. Box 20134, Safat 13062, State of Kuwait.

The Company registered in the commercial register under number 85063 dated 18 June 2001.

These financial statements were authorised for issue by the Board of Directors of the Company on 5 November 2018.

## 2. Basis of preparation

### a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the relevant provisions of the Companies Law No. 1 of 2016, as amended and its Executive Regulations, the Company's Articles of Association and Ministerial Order No. 18 of 1990.

### b) Basis of measurement

The financial statements have been prepared on historical and amortised cost basis.



a) Functional and presentation currency

These financial statements are presented in Kuwaiti Dinars ("KD"), which is the Company's functional and presentation currency.

b) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments that have most significant effects on the financial statements are the useful life of the equipments, intangible assets and impairment of financial and non- financial assets.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

c) Revised and newly issued IFRS adopted by the Company

The accounting policies used in the preparation of these financial statements are consistent with those used in the previous financial year, except for the adoption of the amendments to the existing standards relevant to the Company, effective as of 1 October 2017. The nature and the impact of the amendment is described below.

*Disclosure initiatives (Amendments to IAS 7)*

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non cash changes.

### 3. Significant accounting policies

Except for the changes in note 2(e), the Company has consistently applied the accounting policies, set out below, to all periods presented in these financial statements.

a) Financial instruments

*i) Non-derivative financial assets*

The Company classifies non-derivative financial assets into loans and receivables.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.



*Loans and receivables*

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective profit method, less any impairment losses (refer note 3(d)).

At the reporting date, non-derivative financial assets classified into loans and receivables category comprise of trade and other receivables and cash and bank balances.

*Cash and bank balances*

Cash and bank balances comprising of cash on hand, bank current accounts and Murabaha placements with an original maturity of three months or less from the date of placement are classified as cash and cash equivalent in the statement of cash flows.

*ii) Non-derivative financial liabilities*

All liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective profit method.

At the reporting date, non-derivative financial liabilities classified into other financial liabilities category comprise of trade and other payables.

a) Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses (note 3(d)). Depreciation is recognized in the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives. The estimated useful lives of the current and comparative periods are as follows:

	Years
Computers	3 – 5
Furniture and fixtures	5

The gain or loss on disposal of an item of equipment is determined by comparing the proceeds from disposal with the carrying amount of the equipment and is recognised net in statement of profit or loss and other comprehensive income.

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, to ensure that the period of depreciation is consistent with the expected pattern of economic benefit from items of equipment.

a) Intangible assets

Intangible assets consisting of computer software and credit bureau system are measured at cost less accumulated amortisation and accumulated impairment losses (note 3(d)). Amortisation is charged on a straight-line basis over a period ranging from 1 year to 5 years. The estimated useful life and amortisation method are reviewed at each reporting date and adjusted if appropriate.

b) Impairment

Equipments, intangible assets and trade and other receivables are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

*Equipment and intangible assets*

An impairment loss is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds its fair value less cost to sell. The impairment losses are recognised in the statement of profit or loss and other comprehensive income.

The recoverable amount of assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is only reversed to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

*Trade and other receivables*

The recoverable amount of trade and other receivables is calculated as the present value of the expected future cash flows, discounted at the instrument's original effective profit rate. The trade and other receivables are of a short duration and therefore, the expected future cash collections are not discounted.

An estimate of the collectible amount of receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due and are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Impairment losses are recognized in the statement of profit or loss and other comprehensive income and reflected in an allowance account against loans and receivables. If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write down or allowance is reversed through the statement of profit or loss and other comprehensive income.

a) Provision for employees' end of service benefits*Kuwaiti and expatriate employees*

All are entitled to an end of service indemnity payable under the Kuwait Labor Law based on the employees' accumulated periods of service and latest entitlements of salaries and allowances with taking into account the relevant laws.

b) Provisions

A provision is recognised, if as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

c) Revenue recognition

Fees relating to the usage of the Ci-Net system (service charges) are recorded as and when earned.

Murabaha income is accrued on a time basis with reference to the principal outstanding and at the effective profit rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

d) Foreign currency transactions

Foreign currency transactions are recorded in Kuwaiti Dinars at the rate of exchange prevailing at the date of transactions. All monetary assets and liabilities denominated in foreign currencies are translated into Kuwaiti Dinars at the rates of exchange prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency, which are stated at historical cost, are recorded at the exchange rate prevailing at the date of transaction. Differences resulting from gains or losses on exchange are recorded in the statement of profit or loss and other comprehensive income.

e) Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS") and Zakat

The Company is legally required to contribute to the KFAS and Zakat. The Company's contributions to KFAS and Zakat are recognised as an expense in the period during which the Company's contribution is legally required.

f) New standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 October 2017 and earlier application is permitted; however, the Company has not early adopted any of the following new or amended standards in preparing these financial statements.

*IFRS 15; Revenue from Contracts with Customers*

IFRS 15 replaces IAS 18; *Revenues*, IAS 11; *Construction Contract* and several revenue – related interpretations and provides a new control-based revenue recognition model using five steps approach to all contracts with customers. The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract

- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The Company's management has assessed the outstanding contracts with clients and concluded that there is no significant impact of IFRS 15 on Company's financial statements.

#### *IFRS 9; Financial Instruments*

The IASB issued the final version of IFRS 9, *Financial Instruments* in July 2014, that replaces IAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company will avail of the exemption allowing it not to restate comparative information for prior periods. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will be recognised in opening retained earnings and reserves.

During the year, the Company has performed a detailed impact assessment of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company, until the Company presents its first financial statements that include the date of initial application.

#### *(a) Classification and measurement*

IFRS 9 contains a new classification and measurement approach for financial assets that reflect the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three classification categories for financial assets: measured at Amortised Cost, Fair Value through Other Comprehensive Income ("FVOCI") (with and without recycling of gains or losses to profit or loss on derecognition of debt and equity instruments, respectively) and Fair Value Through Profit or Loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

The Company has evaluated the classification and measurement criteria to be adopted for various financial assets considering the IFRS 9 requirements with respect to the business model and contractual cash flow characteristics ("CCC") / Solely payment of principal and interest ("SPPI"). The impact from the adoption of classification and measurement approach of IFRS 9 is as follows:

- The Company does not expect a significant impact on its statement of financial position from applying the classification and measurement requirements of IFRS 9.
- There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from IAS 39, *Financial Instruments: Recognition and Measurement* and have not been changed.

*(b) Impairment of financial assets*

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (“ECL”) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

Under IFRS 9, the impairment requirements apply to financial assets measured at amortised cost, debt instruments classified as fair value through other comprehensive income and certain financing facilities and financial guarantee contracts. At initial recognition, allowance is required for expected credit losses (‘ECL’) resulting from default events that are possible within the next 12 months (‘12-month ECL’). In the event of a significant increase in credit risk, allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument (‘lifetime ECL’).

*(c) Hedge accounting*

As at 30 September 2018, the Company does not have any hedge relationships. Hence, the hedging requirements of IFRS 9 will not have a significant impact on Company’s financial statements.

*IFRS 16; Leases*

IFRS 16 introduces a single, on balance lease sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

The Company’s management is still in the process of assessing the impact of IFRS 16 on the Company’s financial statements.

Notes to the financial statements  
for the year ended 30 September 2018

#### 4. Equipment and work in progress

	Computers KD	Furniture and fixtures KD	Work in progress KD	Total KD
<b>Cost</b>				
Balance at 1 October 2016	463,506	59,456	58,998	581,960
Additions	12,451	303	28,502	41,256
Transfers	17,940	-	(17,940)	-
Transfer to intangible assets	-	-	(24,364)	(24,364)
Balance at 30 September 2017	493,897	59,759	45,196	598,852
Additions	18,607	8,205	5,620	32,432
Transfers	16,491	3,548	(20,039)	-
Transfer to intangible assets	-	-	(25,157)	(25,157)
Balance at 30 September 2018	528,995	71,512	5,620	606,127
<b>Accumulated depreciation</b>				
Balance at 1 October 2016	358,592	46,995	-	405,587
Charge for the year	51,492	6,057	-	57,549
Balance at 30 September 2017	410,084	53,052	-	463,136
Charge for the year	59,398	7,127	-	66,525
Balance at 30 September 2018	469,482	60,179	-	529,661
<b>Carrying amount</b>				
Balance at 30 September 2017	83,813	6,707	45,196	135,716
Balance at 30 September 2018	59,513	11,333	5,620	76,466

#### 5. Intangible assets

	2018 KD	2017 KD
<b>Cost</b>		
Balance as at 1 October	1,703,765	1,626,778
Additions	69,868	52,623
Transfer from work in progress	25,157	24,364
Balance as at 30 September	1,798,790	1,703,765
<b>Accumulated amortisation</b>		
Balance as at 1 October	1,137,876	822,744
Charge for the year	336,979	315,132
Balance as at 30 September	1,474,855	1,137,876
<b>Carrying amount</b>	323,935	565,889

**6. Trade and other receivables**

	<b>2018</b> <b>KD</b>	<b>2017</b> <b>KD</b>
Trade receivables	220,548	192,862
Provision for doubtful receivables	<u>(30,000)</u>	<u>(20,000)</u>
	190,548	172,862
Prepayments and deposits	66,534	56,405
Accrued income from Murabaha placements	<u>76,250</u>	<u>55,128</u>
	<u><u>333,332</u></u>	<u><u>284,395</u></u>

The average credit period on rendering of services is 15 days. No profit is charged on the overdue trade receivable balances. The Company provides for receivables based on estimated irrecoverable amounts, determined by reference to past default experience.

At 30 September 2018, trade receivables of KD 216,466 (2017: KD 181,752) were fully performing.

Included in the Company's trade receivables balance are debtors with carrying amount of KD 4,082 (2017: KD 11,110) which are past due at the reporting date and aged between 15 to 30 days (2017: 15 to 30 days) for which the Company has not made any provision as management considers these amounts as fully recoverable based on their assessment of the credit worthiness of these customers. The Company does not hold any collateral over these balances.

The movement in the provision for doubtful receivables is as follows.

	<b>2018</b> <b>KD</b>	<b>2017</b> <b>KD</b>
At 1 October	20,000	20,000
Charge for the year	<u>10,000</u>	<u>-</u>
At 30 September	<u><u>30,000</u></u>	<u><u>20,000</u></u>

All the trade receivables are denominated in KD and are located in the State of Kuwait.

**7. Cash and bank balances**

	<b>2018</b> <b>KD</b>	<b>2017</b> <b>KD</b>
Cash on hand	190	250
Cash at banks	300,257	1,100,029
Murabaha placements with Islamic banks	<u>11,900,000</u>	<u>9,700,000</u>
Cash and bank balances	12,200,447	10,800,279
Restricted balance with Boubyan Bank	(1,225)	-
Murabaha placements maturing after three months	<u>(5,400,000)</u>	<u>(9,700,000)</u>
Cash and cash equivalents	<u><u>6,799,222</u></u>	<u><u>1,100,279</u></u>

The Company's cash and cash equivalents are denominated in KD and are held with local banks. The average profit rate on the Murabaha placements as at 30 September 2018 was 2.23% per annum (2017: 1.78% per annum).

**8. Equity***Share capital*

The Company's authorized, issued and paid up share capital comprises 22,800,000 shares of 100 fils each (2017: 22,800,000 shares of 100 fils each), fully paid in cash.

*Statutory reserve*

In accordance with the Companies Law No. 1 of 2016, as amended, and its Executive Regulations and the Company's Articles of Association, 10% of the profit for the year before KFAS, Zakat and Board of Directors' remuneration is transferred to a statutory reserve until the reserve reaches a minimum of 50% of the paid up share capital.

This reserve is not available for distribution except for the amount in excess of 50% of share capital or payment of a dividend of 5% of the paid up share capital in the years when the retained earnings are not sufficient for the payment of such dividend.

*Voluntary reserve*

As required by the Company's Articles of Association, 10% of the profit for the year before KFAS, Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers can be discontinued by shareholders through a resolution in the Annual General Assembly meeting upon recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

**9. Provision for employees' end of service benefits**

	<b>2018</b> <b>KD</b>	<b>2017</b> <b>KD</b>
Balance at 1 October	105,418	203,117
Provision made during the year	29,493	22,087
Payments during the year	(498)	(119,786)
Balance at 30 September	<u>134,413</u>	<u>105,418</u>

**10. Trade and other payables**

	<b>2018</b> <b>KD</b>	<b>2017</b> <b>KD</b>
Trade payables	51,147	128,715
Accruals and provisions	<u>283,172</u>	<u>208,117</u>
	<u>334,319</u>	<u>336,832</u>



The carrying amounts of the Company's trade and other payables are denominated in the following currencies:

	2018 KD	2017 KD
Kuwaiti Dinar	316,168	316,994
US Dollar	8,515	9,992
Pound Sterling	9,636	9,846
	<u>334,319</u>	<u>336,832</u>

## 11. Related party transactions

Parties are considered to be related if one party, directly or indirectly through one or more intermediaries, has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The definition includes relationships involving common control and joint control.

Related parties primarily comprise of major shareholders of the Company, its directors, key management personnel and entities over which they control, jointly control and exercise significant influence.

Related party balances do not bear any interest and have no agreed repayment terms, accordingly, these balances are treated as receivable / payable on demand. Transactions with related parties are conducted in the normal course of business and are on terms and conditions approved by the Company's management and by the Board of Directors.

Significant related party transactions and balances are as follows:

	2018 KD	2017 KD
<b>Related parties transactions</b>		
<i>Transactions with shareholders of the Company</i>		
Service charges	2,081,593	1,922,502
Murabaha income	235,022	161,682
<b>Key management compensation</b>		
Board of Directors' remuneration	49,000	49,000
	2018 KD	2017 KD
<b>Related parties balances</b>		
<i>Balances with shareholders of the Company</i>		
Trade receivables	175,430	157,040
Murabaha placements	11,900,000	9,700,000
Cash at banks	300,257	1,100,029

## 12. Dividend

At the Annual General Meeting held on 18 February 2018, the shareholders approved the Board of Directors' recommendation to distribute cash dividend of 10 fils per share amounting to KD 228,000 for the year 2017 (2016: 10 fils per share amounting to KD 228,000) to shareholders registered in the register of shareholders as of the date of the Annual General Meeting.

The Annual General Meeting of the shareholders held on 18 February 2018 approved the annual audited financial statements of the Company for the year ended 30 September 2017.

On 5 November 2018, the Board of Directors proposed a cash dividend of 10 fils (2017:10 fils) per share amounting to KD 228,000 for the year ended 30 September 2018 which is subject to the approval of shareholders at the Annual General Assembly.

### 13. Financial risk management

#### Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk.

#### Risk management framework

The management has overall responsibility for the establishment and oversight of the Company's risk management framework. The management identifies and evaluates financial risks in close co-operation with the Company's operating units. The Company's Board of Directors provides principles for overall risk management as well as policies covering specific areas such as foreign exchange risk, profit rate risk and credit risk.

##### a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk arises principally from cash at bank, murabaha placements and trade and other receivables.

Cash at bank and murabaha placements are held with reputable financial institutions with high credit ratings which are related parties of the Company.

Trade receivables consist of large number of customers. The Company does not have any significant credit risk exposure to any single counter party.

The carrying amount of following financial assets represents the maximum credit exposure:

	2018 KD	2017 KD
Trade receivables	190,548	172,862
Refundable deposits	13,632	13,632
Accrued income from Murabaha placements	76,250	55,128
Murabaha placements	11,900,000	9,700,000
Cash at banks	300,257	1,100,029
	<u>12,480,687</u>	<u>11,041,651</u>

a) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its liabilities when they fall due. The Company'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 Company's reputation.

To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

As at the reporting date, all financial liabilities of the Company shown in the statement of financial position mature within a year.

b) Market risk

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

i) *Currency risk*

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rate.

Foreign exchange risk of the Company arises from trade and other payables denominated in foreign currencies. As of 30 September 2018, the Company's major exposure relates to US Dollar and Pound Sterling amounting to KD 18,151 (2017: KD 19,838). The Company manages this risk by setting limits on exposures to currency and transacting business in major currencies with counterparties of repute.

*Sensitivity analysis*

A 5% strengthening and weakening of the KD against the USD and Pound Sterling at 30 September 2018 would not have any significant impact on the profit for the year.

ii) *Profit rate risk*

Profit rate risk is the risk that the fair value or future cash flows of Company's financial instrument will fluctuate because of changes in market profit rates.

At reporting date, the Company is not significantly exposed to any profit rate fluctuation risk as Murabaha placements carry a fixed profit rate.

*i) Equity price risk*

This is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, caused by factors specific to the instrument or its issuer or factors affecting all instruments traded in the market.

The Company is not exposed to equity price risk as it does not have any equity instruments

*ii) Operational risk*

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When control fails to perform operational risk can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment process.

#### 14. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as going concern in order to provide returns for the shareholders. Management of capital generally focuses on the management of excess liquid assets in such a manner as to meet its current obligations as well as providing returns to its shareholders.

The Company is not subject to externally imposed capital requirements, except the requirement of the Companies Law No. 1 of 2016, as amended and its Executive Regulations.

#### 15. Fair value of financial instruments

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. Financial instruments comprise financial assets and financial liabilities.

Fair value hierarchy

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

**Level 1:** quoted (unadjusted) prices in an active market for identical assets and liabilities;

**Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

**Level 3:** other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

Fair values of remaining financial assets and liabilities carried at amortised cost are estimated using valuation techniques incorporating a range of input assumptions that are appropriate in the circumstances. Carrying value of financial assets and liabilities that are carried at amortised cost are not materially different from their fair values as most of these assets and liabilities are of short term maturities or are repriced immediately based on market movement in interest rates.

**16. Contingent liabilities and commitments**

The Company is committed to incur capital expenditure of KD 7,786 relating to purchase of privileged password access management solution, chairs and Cisco router (2017: KD 9,638 relating to network security for primary, disaster recovery site and server room renovation).

There are no contingent liabilities for the year ended 30 September 2018 (2017: nil).

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