



# 2019

**Annual Report**  
For the Fiscal Year Ended  
**on 30/9/2019**





HH Sheikh  
**Sabah Al-Ahmad Al-Jaber Al-Sabah**  
Prince of the State of Kuwait



HH Sheikh  
**Nawaf Al-Ahmad Al-Jaber Al-Sabah**  
Crown Prince of the State of Kuwait



HH Sheikh  
**Sabah Khalid Al-Hamad Al-Sabah**  
Prime Minister of the State of Kuwait





# Contents

Mission, vision, basic values and goals	9
Company profile	10
Company services	11
Statement of the Chairman	12
Board members	16
Statement of the Chief Executive Officer	17
Operational achievements	21
Growth year for five years	23
Business growth statistics	24
We are unique in what we present	25
Business improvement index	26
Safety criteria and information confidentiality	27
Training and qualifying partners	28
Financial Statement report	30
Shariah Control Panel's report	59
List of the Company key shareholders	62
List of the names of subscribers	63

## Mission – Vision – Basic Values and Goals

### Mission:

We endeavor to provide credit inquiry and classification services and credit information in a creative manner with the highest standards of professionalism and trustworthiness to contribute in promoting the credit system, upgrade the culture of credit and raise the degree of confidence between those dealing in the credit community.

### Vision:

We look forward to leadership and advancement in the industry and building of the credit information network, based on the best international standards with high quality in order to provide added values to the shareholders and clients.

### Basic values:

- Confidence
- Quality
- Compliance
- Information security and confidentiality
- Accuracy and comprehensiveness

### Company objectives:

- 1- Assist the financial and banking sectors to take the right decision upon offering credit facilities through the data and information provided by the Credit Information Network Company.
- 2- Facilitate the financing processes and increasing the percentage of the collection of the finance offered to the client, as well as reduce bad financing
- 3- Contribute in reducing risks generally and finance risks in particular.

## Company profile

The Credit Information Network Company KSC (Closed) is the first exclusive services company in the credit information field in the State of Kuwait, which gathers the consumer and installment finance details of all forms, in implementation of the provisions of law No.٢ of ٢٠٠١ and its subsequent implementing decisions in connection with establishing a system for gathering information and data on consumer loans and credit facilities connected with the installment sale of goods and services, needed for providing a suitable database on the clients of such loans, which provides it with the ability to control and accurately evaluate the risks established from the unconsidered expansion in offering such type of credit while reserving the confidentiality of such information and data.

On ٢٠١٩/٢/١٠, the law No.٩ of ٢٠١٩ was passed in connection with exchanging credit information, which repealed the provisions of law No.٢ of ٢٠٠١, which was enacted to promote and develop the legislative environment of the credit operations in the State of Kuwait, aimed at laying down an organizational framework for facilitating the obtaining of credit, as well as regulate credit activity, whether for companies operating in the field of reporting credit and credit classification, as well as the sectors having credit information, whereby there are objective grounds for rejecting or approving the finance of any natural or legal person.

The tasks of the Company are based upon the extent of providing a statement of credit information to individuals and companies to financial institutions, banks, entities and companies that grant credit facilities for goods and services in accordance with the laws in force in the State of Kuwait and its executive regulations, especially laws related to confidentiality of data and information and consumer protection. The Company does not provide or grant any credit facilities, nor does the Company play the role of the debt collector, nor does it play any oversight role on the credit-granting bodies, or interfere in any way with the taking or imposing of any decision, whether by granting or rejecting credit facilities to clients.

## Company services

- 1- Gather the information and data related to consumer loans and other credit facilities resulting from installment sale of goods and service and furnish the Central Bank of Kuwait and entities subject to the provisions of the law pursuant to their request for information and data on the consumer loans and credit facilities granted to clients by such bodies.
- 2- To form a credit base by collecting, processing, keeping and analyzing credit information for individuals and prepare detailed credit reports according to their credit information.
- 3- Provide and present all personal inquiry and credit rating services and issue credit reports for individual clients without expressing any recommendations or opinions by the Company in connection with the granting of credit or not.
- 4- Provide positive and negative information to the client at the same time and clarify the extent of the credit worth of the client whether at present or in the past.
- 5- Obtain the client's data from the database of the Public Authority for Civil Information instantly and in updated manner.
- 6- Alert credit granting entities if the client exceeds the terms and conditions laid down by the control bodies in connection with obtaining credit facilities.
- 7- Identify the clients who are subject to the provisions of the law No.28 of 2008 and law No.51 of 2010 in connection with establishing a Fund for addressing the conditions of those defaulting the payment of consumer and installment loans towards the banks and investment banks and method of dealing with them within the limits of the aforesaid law.
- 8- Use credit information in preparing statistics and studies in a consolidated manner according to the provisions of the regulatory laws in this respect.
- 9- Provide credit granting bodies with credit reports according to the terms and conditions laid down by the control entities.





## Statement of the Chairman

At the beginning, I'm pleased and honored on behalf of myself and on behalf of members of the board of directors and all personnel of the Credit Information Network Company to welcome you in the twenty second annual meeting of the ordinary general assembly of the Company. I would like to express to the valuable shareholders my warm gratitude and appreciation for your confidence and continuous support, which represents the fundamental motive for exerting the outmost efforts for satisfying your aspirations to achieve the Company goals and strategies.

## Valuable shareholders:

The Credit Information Network Company continues to exert all efforts aimed at consolidating and maintaining its position as a prestigious entity in providing value-added services to the banking, financial and commercial sectors in the State of Kuwait, where the Company's performance during the fiscal year ending on 30/9/2019 came in line with the objectives set according to its strategic plan by achieving tangible growth in terms of returns and performance.

The fiscal year 2018/2019 witnessed several variables that have become a turning point in the history of the Credit Information Network Company, at the forefront of which is the passing of the provisions of Law No. 9 of 2019 regarding the regulation of the exchange

of credit information on 10 February 2019 and its executive regulations issued on 25 August 2019, for the purpose of strengthening and developing the legislative environment for credit operations in the State of Kuwait, and for setting a regulatory framework for financial and banking institutions operating in the field of credit rating for individuals and legal persons. Further, the aforementioned law has specified the general framework for the scope of law enforcement on the companies that will be authorized to provide the credit rating services, in terms of their conditions and frameworks by dealing with the credit information and persons authorized to use such information, and all under the supervision of the Central Bank of Kuwait, as it is the competent body for supervising and controlling such companies.

It is worth noting that the aforementioned law has allowed companies authorized to exercise credit reporting and credit rating activities to have access to data and credit information for legal persons in addition to credit information for individuals, whereby the Company has developed its automated system for risk centralization in connection with the addition of a new credit database for the commercial sector and companies, which enables all donors to credit facilities to inquire and ascertain the creditworthiness of companies and commercial entities before granting them the necessary financing or any credit facilities, and this in itself achieves the desired goal of the Company which is providing value-added services to the banking, financial and commercial sectors.

In light of the provisions of the new law, the Credit

Information Network Company will witness a significant expansion in its services to include data and credit information from non-financial sectors such as telecommunications and insurance companies and all other entities or bodies having credit information on customers, whereby the Credit Information Network Company will continue to focus on supporting and providing developed services for its current subscribers and expected to join in the future.

The Credit Information Network Company has contributed during the fiscal year (2018/2019) in making an achievement or the State of Kuwait, which was revealed by the report "Doing Business 2020" issued by the World Bank Group on the advancement of the classification of the State of Kuwait to become No. (83) Instead of rank No. (97) to join the top ten countries that improved their rankings in the world. This classification comes within the framework of the continuous quest to achieve the vision of "Kuwait 2035" and its development goals, including improving the business environment and enhancing the attractiveness of investment, which contributes to building a competitive economy that maintains balanced development and provides more job opportunities for the national manpower. It is worth noting, that the success achieved by the State of Kuwait in the Ease of Doing Business Index for 2020 will contribute directly and indirectly to making the investment climate in the State of Kuwait more attractive. It is worth noting the role of the Central Bank of Kuwait in this context, which represented one of the areas that witnessed a noticeable improvement according to the aforesaid index, which is the field related to obtaining credit.

The advancement of the State of Kuwait by 14 positions on the Ease of Doing Business Index is considered as an achievement for the interest of the national economy and its institutions, which resulted in promoting the business environment and attractiveness of investment in the State of Kuwait. This has encouraged exerting more efforts supporting the business environment enhancement program to introduce the reforms which the State of Kuwait endeavors to achieve, and a significant motive for perseverance and hard work to achieve more progress in this regard.

Based on the mission of the Credit Information Network Company in contributing to strengthening the credit system with a high degree of commitment through the use of modern technological tools because it fully believes that digital technologies have become an essential part of the strategy of all companies operating in the banking and financial sectors that fully adopt the digital aspects of their business and services, this helped the Company in continuing to provide its services to subscribers and customers in an electronic form. At the foremost of such services is the self-inquiry service, which was launched during the fiscal year ending on (2018/2019), which is an application to obtain a credit report submitted by the customer himself to verify his credit status. This kind of inquiry enables the customer to examine his credit report and he may also object any of its contents in the event of the existence of any variations and for protecting himself against the forgery of the identity. Further, the Company endeavors also to provide the digital classification product of the credit status of the customers after obtaining approval of the regulatory bodies to start launching it officially in all the credit reports for individual and corporate customers. On the other hand, and during the fiscal year (2018/2019), the Company introduced an amendment to its administrative structure to support its efforts in the areas of business development and offering creative solutions, which gives a strong impetus to the Credit Information Network Company in the coming years as part of its efforts to keep pace with the social, economic and technological changes.

The commitment of the Credit Information Network Company to support the financial and credit services industry in the State of Kuwait is the focus of the Company's directions as a single and pioneering organization in the field of providing credit information, credit report and credit classification. The Company will continue to provide strategic services that depend on long-term planning while placing the needs of the banking and financial industry at the forefront of its priorities and plans. In light of the Company's efforts to meet the requirements of this industry, the Company will continue its focus on enhancing the efficiency of

the Company's services in the near future, in a way that enhances its leading position as a hub for the mutual credit financial services.

I am pleased to announce to you that the Company realized a net profit of KD 1,571,300 (one million, five hundred, seventy-one thousand and three hundred Kuwaiti Dinars) after deducting Zakat and Kuwait Foundation for the Advancement of Sciences provisions, with an increase of KD 172,881 (one hundred, seventy two thousand, eight hundred and eighty one Kuwaiti Dinars) for the fiscal year ending on 30/9/2018 with a growth rate of 12.4%. Further, the total shareholders' equity increased to reach KD 13,759,748/- (thirteen million, seven hundred fifty nine thousand, seven hundred and forty eight Kuwaiti Dinars) compared to the amount of KD 12,465,448 (twelve million, four hundred sixty five thousand, four hundred and forty eight Kuwaiti dinar)) as on 30/9/2018, with an increase by KD 1,294,300/- (one million, two hundred, ninety four thousand, and three hundred Kuwaiti dinar) with an increase by 10.4%.

Such mentioned results clearly confirm the strength of the core elements that enhance the performance of the Company and the quality of its business. It is also a standard of success and a solid foundation upon which growth plans are based during the next year. to be able to follow up achieving the results of such success, its most substantial elements is the contribution of our skilled and competent personnel, whose dedication and loyalty at work acts as the core driver for achieving this growth. Therefore, we are always keen to promote the efficiency of our team and continue the investment operations in providing the required training opportunities and contribute in developing them. This will provide them with excellence and distinction in their working filed, and hence achieve good results for the Company.

### Future outlook for 2020:

During the year 2020, the Credit Information Network Company will continue focusing all its efforts in implementing the objectives for which the Company

was incorporated, and its strategic directions laid down in this respect. The Company will continue considering a number of strategic initiatives and services to permit it to draw the roadmap for the scope of services and implementation plan to enhance the current services and products. The Company will dedicate all its efforts to furnish the subscribers clients or individuals and companies with the services connected with credit information to promote the banking and financial community in the State of Kuwait in terms of efficiency and productivity, and the joining of new sectors such as the telecommunication companies and insurance companies, as well as any other bodies having credit information. Further, the Company is keen provide its services in the manner which provides added value to all subscribers of its network and the development of its systems and businesses which reflects its desire to add a new dimension to its mission for achieving the desired goal of raising credit awareness and credit culture for all the citizens and expatriates in the State of Kuwait.

To keep abreast of the aspirations of obtaining the value added services provided by the Company electronically in the next stage, and in line with the modern directions connected with the digital transformation and the future strategy of the Company for the comprehensive development of its services through the Company E-Credit Service Portal, innovative methods shall be adopted for digital communication of the customer service to provide Self-Service Portals to the clients, which enables them securely access their credit information through the Self-Service Portals, which is a set of self-assistance functions to be available to the clients, which may be accessed through the Company website and the smart phone applications. The self-service features include the self-solution for the matters of interest to the clients by the use of the Knowledge Base in addition to other service requests. The electronic service portal solutions represent in addition to the other service requests. The electronic service portal solutions represent an advantage to the clients using them as being their first line of support, which enable the clients to inquire the credit and individual information and data

on continuous basis and investigating any complaints received from them.

All the above aims at fulfilling the Company's vision by making clients the core basis in all the Company's transactions and future forecasts to provide unique services to them. Further, we confirm that the Company is keen to provide its services in the manner which provides added value to all members of its network and develop its systems and businesses to reflect its desire to add a new dimension to its mission for achieving the desired goal for raising credit awareness and culture for all citizens and expatriates in the State of Kuwait.

At the end, I'm pleased to present on behalf of myself, members of the board of directors and the Credit

Information Network Company our sincere gratitude to His Excellency the Governor of the Central Bank of Kuwait and his Excellency the Deputy Governor of the Central Bank of Kuwait, as well as all officials of the Central Bank of Kuwait for their continuous cooperation and support to the Company in performing its tasks. Further, I extend my gratitude to the shareholders and subscribers of the Credit Information Network Company for their significant confidence in the Company. Further, we extend our gratitude to members of the board of directors, the executive management and all the Company personnel for their efforts exerted for the interest of the Company, shareholders and the credit market in the State of Kuwait.

Basel Ahmad Al Haroun  
Chairman



## Board of Directors



**Mr. Basil Ahmed Al-Haroun**  
Chairman of the Board



**Mrs. Jihad Saud Al-Humaidhi**  
Deputy Chairman of the Board



**Mr. Mohamed Youssef Al-Kharafi**  
Board Member



**Mr. Muhammad Badr Al-Qattan**  
Board Member



**Mr. Khalid Jassim Al-Subaie**  
Board Member



**Mr. Talal Badr Al-Bahr**  
Board Member



**Mr. Nasser Ali Al-Obaid**  
Board Member



### Statement of the Chief Executive Officer

The Credit Information Network Company has realized a remarkable progress during the fiscal year ended on 30/9/2019 in numerous aspects of business. We are pleased to announcement the realization of other remarkable achievements in its profits and increasing the performance levels and rates for the numerous strategic initiatives determined over the past years. The last year witnessed several changes which introduced a quality leap in the Company, headed by the passing of the provisions of law No.9 of 2019 in connection with the regulation of the exchange of credit information on 10 February 2019 and its executive regulation issued on 25 August 2019, which repealed the provisions of the previous law No.2 of 2001 in connection with the establishment of a system for gathering the information and dat for the consumer loans and credit facilities related to the installment sale operations of the goods and services. The new law regulated the mechanism and method of exchange of credit information between the companies authorized to provide credit reporting services, credit classification and the information and data providers considered as a significant addition to the efforts of the State of Kuwait in connection with establishing the principles of transparency in the finance operations of clients.

It is expected that the new law will contribute in more regulation of the finance and banking sector. The law

permitted the ability of the joining of numerous other bodies having credit information to the list of bodies which may benefit from the credit information in the custody of the Credit Information Network Company. Further, the new law has adopted the laying down of the credit classification system for the clients, which also assists the donors to take the proper credit decision after standing on the extent of the creditworthiness of clients.

Over the past years, the Credit Information Network Company has realized the most significant achievements in establishing a database serving all the credit donors. However, a persistent need has emerged for the adoption of new and ambitious strategies for promoting the ability of the Company to confront the future challenges and provide solutions which satisfy the complicated and variable needs in the capital world, in addition to supporting its leading status in providing value added services to the banking and financial services industry. We are pleased to announce to you a number of achievements realized during the fiscal year ended on 30/9/2019:

- 1- Continuously updating and developing security measures to maintain the security and confidentiality of information and applying best practices to protect the databases from exposure to any violations or illegal breaches.
- 2- Finalizing the provision of the technical requirements and infrastructure for the implementation of the automated system project to verify the automatic

availability of the form for the customer inquired about (Robotic)

- 3- The Company's social media sites were launched on Twitter and Instagram applications.
- 4- The Company's ISO 27001: 2013 certification for the International Standard for Information Security Management was renewed.
- 5- Finalizing the preparation of the customer service system (Web Helpdesk), which will help to meet subscribers' requests in a better and faster way.
- 6- The completion of the credit rating and credit evaluation project (Credit Scoring) which is now in the experimental environment stage. It will be transferred to the actual production environment after obtaining the approval of the competent regulatory authority in accordance with the provisions of Law No. 9 of 2019 and its executive regulations.
- 7- The Company has continued to develop working procedures in the automated system that enable subscribers to use the Company's services automatically to complete its procedures for granting credit facilities to their clients.
- 8- Completion of the project to establish the credit database for the commercial loan portfolio in the Company's automated system.
- 9- The financial evaluation has been applied according to the International Financial Standards (IFRS9) & (IFRS15) in the fiscal year ending on 30/9/2019. The International Financial Standard (IFRS16) will apply starting from the next fiscal year 2019/2020.
- 10- Raising the percentage of Kuwaiti national manpower. In addition to the achievements made by the Company over the past year for the increase of the business environment enhancement index for the State of Kuwait for credit information, which is reflected in the ISO 2013:27001 certificate for information security and protection. This reflects the extent of our commitment to provide the outmost security and confidentiality criteria for customer information and our full readiness to face the increasing threats against information

technology in this digital age. It is worth noting that this achievement reflects the dedication and professionalism of the Company personnel, which prove beyond doubt the extent of stability and security of the information in the Company database.

We are pleased to announce to our valuable shareholders that the total revenues during the fiscal year ended on 30/9/2019 amounted to KD 2,939,677/- (two million, nine hundred, thirty thousand, six hundred and seventy seven Kuwaiti dinar), compared with the amount of KD 2,813,817 (two million, eight hundred thirteen thousand, eight hundred and seventeen Kuwaiti dinar), with an increase amounting to KD 166,860/- (one hundred sixteen thousand, eight hundred and sixty Kuwaiti Dinar) compared to the fiscal year ended on 30/9/2018, with a growth rate of 4.2%. Further, the net profits amounted to KD 1,571,300/- (one million, five hundred seventy one thousand, and three hundred Kuwaiti dinar) after deducting zakat and Kuwait Foundation for the Advancement of Science provisions, with an increase amounting to KD 172,881/- (one hundred seventy two thousand, eight hundred and eighty one Kuwaiti dinar) compared to the fiscal year ended on 30/9/2018 and a percentage by 12.4%.

At the end, I would like to extend my sincere gratitude to the Company's esteemed board of directors for its kind efforts which contributed in advancing the Company in a higher level of growth and success. This will also pave the way for achieving more positive results. I'm pleased to also extend my gratitude to the Company personnel for their hard efforts and work in achieving success during the past fiscal year and express my sincere gratitude and appreciation to the officials of the Central Bank of Kuwait, our valued shareholders and all the relevant parties.

Fahed Mohamed Al Munayas  
Chief Executive Officer

### Enacting Law No.9 of 2019 in connection with the Exchange of Credit Information and its Implication for Shareholders and Subscribers

The enacting of this law comes under the framework of promoting and developing the legislative environment for credit operations in the State of Kuwait. This law aims at laying down the regulatory framework for companies operating in the credit reporting and credit rating field for individuals and legal persons. The provision of such rating is considered as a practical necessity for enabling the community members to obtain the required credit according to objective scientific and computational principles.

The legislator has stipulated the definition of the terms used in the law in article (1) of the law.

Then, the law has addressed its implementation scope in article (2), whereby it extends to the regulation of the companies to be authorized to provide credit rating services, in terms of their incorporation conditions and the frameworks for their handling of the credit information and the persons authorized to use such information, under the supervision of the Central Bank as being the entity competent to supervise such companies.

In article (3), the law has addressed the legal form of the companies to be licensed to provide credit reporting and credit rating services. The legislator has stipulated that the company takes the form of a shareholding company. The law has referred to the executive regulation for regulating the license procedures and conditions and the determined fees in order to achieve the required flexibility in connection with the conditions for granting the licenses to such companies.

To ensure protecting the privacy of individuals and maintain the confidentiality of information of the individuals, the law has stipulated in article (4) the necessity of obtaining the client's approval to inquire about his details. The legislator has



referred to the executive regulation for determine the required rules to obtain such approval. To enable licensed companies to access the credit rating, the law has obliged data and service providers to furnish the licensed companies with such data according to article (5). In the same context and based on the keenness of the legislator for the protection of the private life of individuals, article 6 has explicitly stated prohibiting the gathering of the information on the beliefs and opinions of individuals.

To prevent any departure in the use of such data, article 7 has explicitly stated the prohibition of using or circulating credit information for any purpose other than that stated under this law. the same article has reiterated this privacy by considering credit information of a confidential nature, which no person may access without the client's approval.

Article 8 has determined the conditions for membership in the board of directors of the credit information company, its chief executive officer, his deputies and assistants and the authority of the Central Bank to select and control the performance and work of the candidates. It has also stipulated the authority of the Central Bank to request the removal and dismissal of those who lost the required conditions.

Article (10) has outlined the obligations and terms of reference of the credit information company.

Article (11) has subjected the company to the supervision of the Central Bank and compliance with the conditions and instructions issued by it, as well as compliance with its authority to access and inspect the company's business.

In view of the special nature of licensed companies according to this law and the connection of their work with the banking sector, the law has entrusted the responsibility for supervising the credit information companies to the Central Bank as set forth under articles 11, 12 and 13, and obliging the credit information companies to reply in writing to the client's complaint and the causation of the decision within 15 days.

The law has addressed in articles 14, 15 and 16 the violations and penalties for licensed companies according to this law and the data and information providers.

At the end, and in order to ensure the privacy of the data which the licensed companies shall deal with according to this law, criminal penalties amounting to imprisonment for a period not exceeding one year shall be imposed on those who obtain such information without obtaining the required approvals or if they have misrepresented it in bad faith or breached the prohibition set forth under article 7.

At the end, the general provisions stipulate explicitly the cancelation of law No.2 of 2001 in connection with establishing a system for gathering the information and data on the consumer loans and credit facilities related to the installment sale processes and giving the existing credit information companies a grace period to adjust their status by registration with the Central Bank. This law shall be effective starting the date of publishing its executive regulation which should be issued within six months of the date of publishing the law.

## Operational Achievements

Most significant achievements of the Company during the fiscal year ended on 30/9/2019:

- 1- The passing of the provisions of law No.9 of 2019 in connection with regulating the exchange of credit information on 10 February 2019 and its executive regulation on 25 August 2019.
- 2- Raising the Ease of Doing Business Index according to the World Bank report issued on 24 October 2019, in connection with the element of obtaining credit. Thanks to the business form of the Credit Information Network Company in cooperation with the Central Bank of Kuwait, which led to facilitating the accessing and review of the credit information to ensure the legal right of creditors to examine their credit record, and apply the credit classification system as a necessary and significant service for the banks and financial institutions according to the provisions of law No.9 of 2019 determined in this respect.
- 3- Continuously updating and developing security measures to maintain the security and confidentiality of information and applying best practices to protect the databases from exposure to any violations or illegal breaches.
- 4- Finalizing the archiving of all the files and documents in the Company, ensure their preservation and ease of retrieving them.
- 5- Finalizing the provision of the technical requirements and infrastructure for the implementation of the automated system project to verify the automatic availability of the form for the customer inquired about (Robotic)
- 6- The Company continues exerting its awareness and educational efforts to the subscribers and clients on the significance of the credit reports, in addition to

the significance of the presence of the credit position and method of clients' obtaining of their credit reports.

- 7- The Company's social media sites were launched on Twitter and Instagram applications.
- 8- The Company's ISO 27001: 2013 certification for the International Standard for Information Security Management was renewed.
- 9- A form was designed and prepared under the name of "Know Your Subscriber", comprising the updated identification data on each subscriber annually.
- 10- Finalizing the preparation of the customer service system (Web Helpdesk), which will help to meet subscribers' requests in a better and faster way.
- 11- The completion of the credit rating and credit evaluation project (Credit Scoring) which is now in the experimental environment stage. It will be transferred to the actual production environment after obtaining the approval of the competent regulatory authority in accordance with the provisions of Law No. 9 of 2019 and its executive regulations.
- 12- The Company has continued to develop working procedures in the automated system that enable subscribers to use the Company's services automatically to complete its procedures for granting credit facilities to their clients.
- 13- Completion of the project to establish the credit database for the commercial loan portfolio in the Company's automated system.
- 14- Replacement of the subscriber's contracts in the credit information network in order to be under the framework of the projections of law No.9 of 2019 in connection with the regulation of exchange of credit information and its executive regulation.



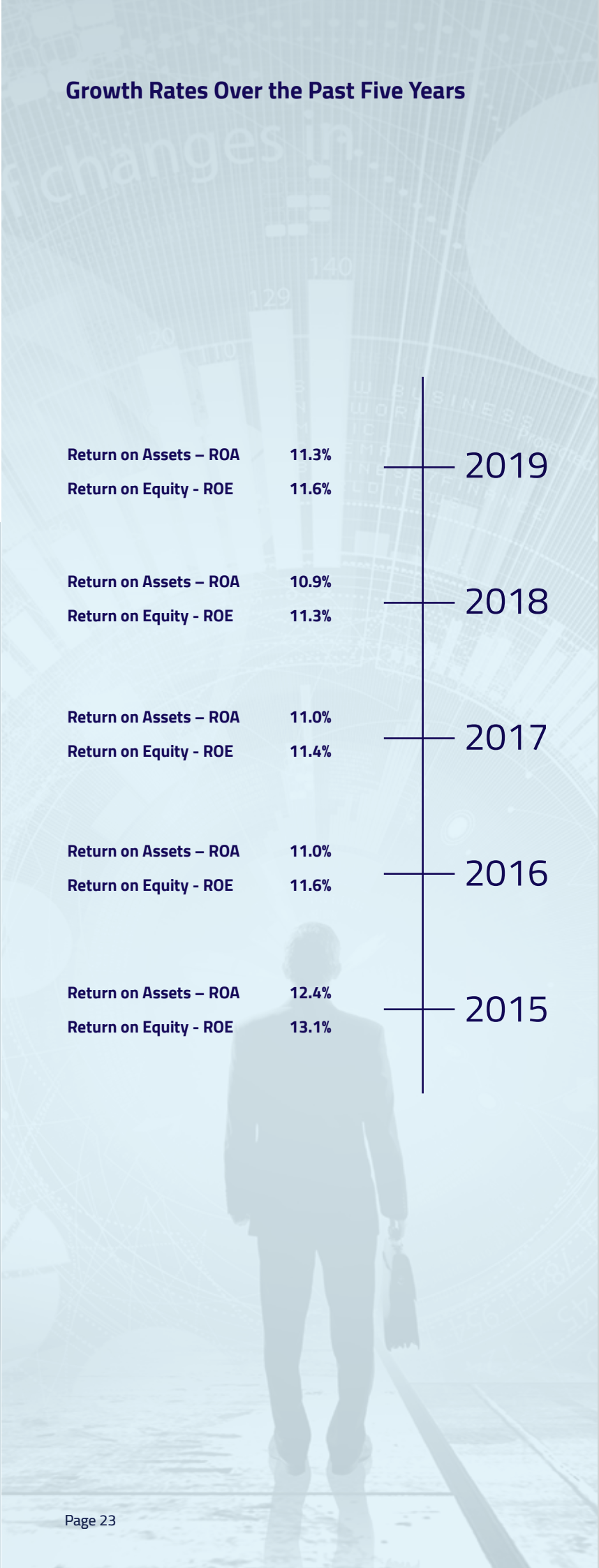
15- The financial evaluation has been applied according to the International Financial Standards (IFRS9) & (IFRS15) in the fiscal year ending on 30/9/2019. The International Financial Standard (IFRS16) will apply starting from the next fiscal year 2019/2020.

16- Raising the percentage of Kuwaiti national manpower.

The aforesaid results clearly confirm the strength of the core elements that enhance the performance of the Company and the quality of its business. Further, they are considered as a criterion for success and a solid foundation upon which the growth plans are

based during the next year. In order for us to monitor the harvest of the results of this success, the most important of its core elements is the contribution of our skilled and competent employees, whose dedication and sincerity at work act as the main driver for achieving such growth. Therefore, we are always keen to promote the efficiency of our team and continue the investment operations for providing the required training opportunities and contribute in their development, which permits them to be distinct and excel in the field of their work and achieve good results for the Company.

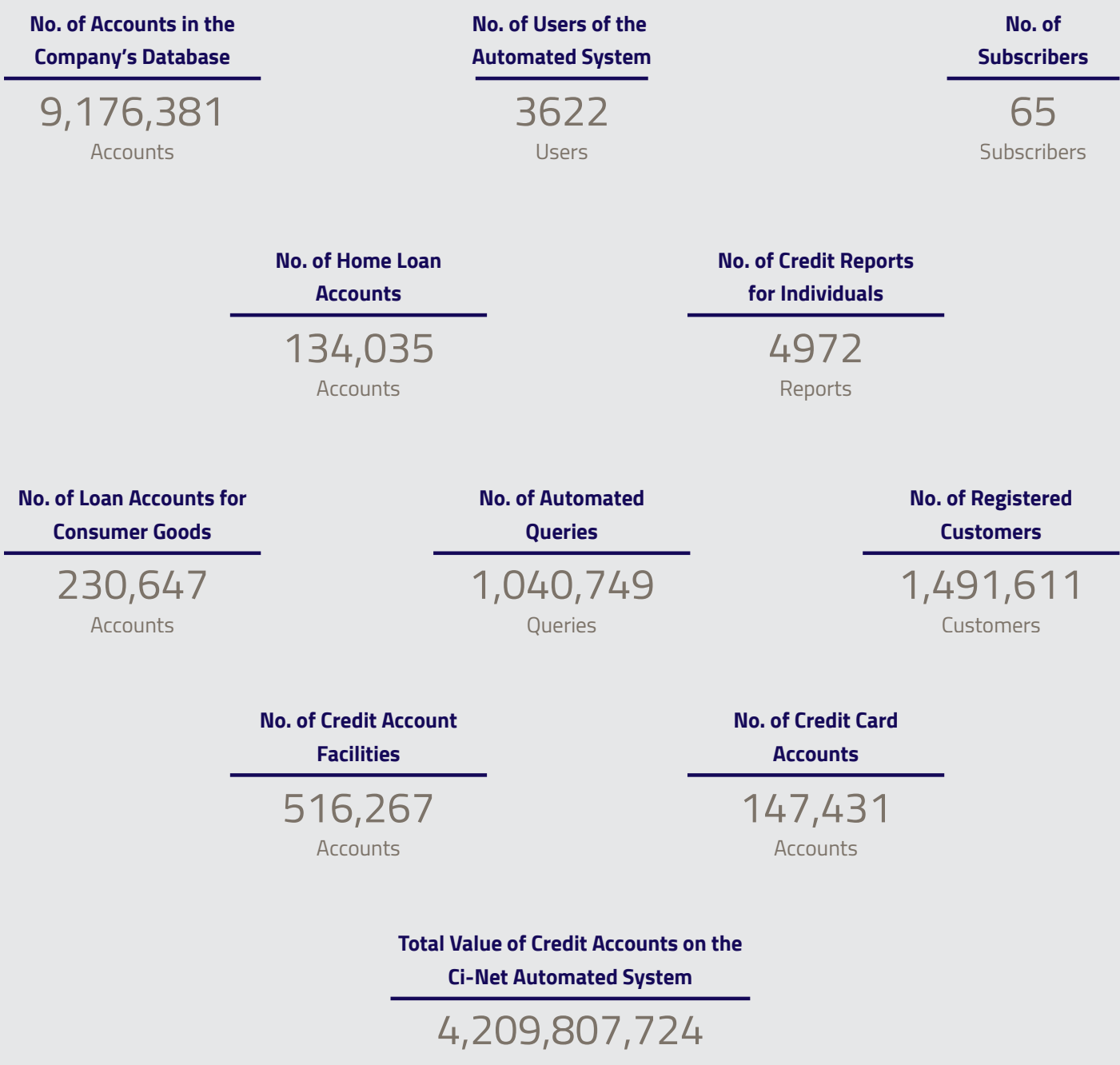
## Growth Rates Over the Past Five Years



Return on Assets – ROA	11.3%	2019
Return on Equity - ROE	11.6%	
Return on Assets – ROA	10.9%	2018
Return on Equity - ROE	11.3%	
Return on Assets – ROA	11.0%	2017
Return on Equity - ROE	11.4%	
Return on Assets – ROA	11.0%	2016
Return on Equity - ROE	11.6%	
Return on Assets – ROA	12.4%	2015
Return on Equity - ROE	13.1%	

Ci-Net asserts its insistence for reaching the highest possible levels for its clients of financial and non-financial institutions, which led to achieving a strong growth of net profits over the past seven years. This growth assisted the development of the Ci-Net strategy for the diversification of the sources of income by offering new products and services which contribute in achieving the objectives of shareholders. Among the most significant priorities of Ci-Net is that it is keen to keep abreast of the latest technologies which emerge in the financial transactions markets, and therefore the clients may be served in a better manner. Through this process, Ci-Net constantly work to develop its services for the objective of continuing the provision of value-added services to its financial and non-financial institutions clients.

Ci-Net Business Performance Indicators for the Fiscal Year Ended 30/09/2019



Financial Results for the Fiscal Year Ending 30/09/2019



We Are Unique in What We Present

Over the past years, Ci-Net has solved all the problems related to the customers' data and reducing credit risks by issuing a comprehensive credit report to the customer which comprises hid individual details according to the computer system of the Public Authority for Civil Information. The report also comprises all the customer's current and past financial liabilities and illustrate his negative status if he is in default or not. Further, Ci-Net is keen to train subscribers in the system periodically to provide and read information in the computer system to ensure the quality of the credit report.

In the near future, Ci-Net will present the credit data inquiry services for companies and offer the credit rating product in the credit reports to keep abreast of the international systems in the credit inquiry and credit classification field.





## Ease of Doing Business Index

67.4  
+4.8

Kuwait ranking 83

Kuwait recorded an increase in its balance (according to the measure of proximity to better performance) in the "Ease of Doing Business Index for 2020" by + 4.80 points to 67.40 compared to a balance of 62.60 (average) in the 2019 index. According to the report released by The International Bank Group on October 24, 2019, Kuwait ranked 83 globally out of 190 countries that entered the index. The report indicated that the reforms initiated by Kuwait led to its entry for the first time into the list of the 10 most improved countries in the business environment in the 2020. This improvement is the result of reforms undertaken during the reporting period (May 2018 to May 2019), which would have impacted the business environment better enabling local institutions to do business in the country.



## Business Improvement Index

Significant Improvement in the  
State of Kuwait  
Ease of Activities Index  
Business 2020

7 out of the 10 criteria in the 'Ease of Doing Business – 2020' index were related to credit access, and the indices showed an increase of +10 points compared to last year's report, thanks to the initiatives of the Credit Information Company (Ci-Net), in cooperation with the Central Bank of Kuwait, which has facilitated access to credit information to ensure the legal right of creditors to examine the credit history of borrowers. This also paved the way for the application of the credit rating system for customers as a necessary and important service for banks and financial institutions, according to the provisions of the Law Regulating the Exchange of Credit Information No. 9 of 2019 in this regard.

## Information Safety and Confidentiality Criteria

The Credit Information Network Company (Ci-Net) addresses to the confidentiality of information in general and the clients' information in particular an out most attention and a constant follow up, by providing one of the most significant databases to clients in the State of Kuwait, which comprised their credit history, mechanisms and patterns of payment. Therefore, it is significant that such information and data remain confidential, with the inability access them by any person or entity whose work is not connected with granting or taking credit decisions to clients.

The Credit Information Network Company has clearly identified a number of clauses, terms and conditions which ensure respecting the privacy and confidentiality of the data and information of clients, which apply on all levels by laying down systems of international standards in connection with the confidentiality of information. To promote such criteria, it was necessary to lay down clear and specific conditions for the security and confidentiality of information to safeguard the interests of clients and credit donors, which include most significantly the following:

- First:** Ci-Net is firmly committed to maintaining confidentiality and privacy standards by applying the highest protection standards in force in this regard and which can be provided and developed continuously in accordance with the Company's capabilities within the applicable legal frameworks and frame works.
- Second:** The obligation not to share customer credit information with any third party that is not authorized or permitted to access them.
- Third:** Ci-Net does not publish customer private information or allow any party or person not authorized to access its automated system to view such data.
- Fourth:** Ci-Net takes all necessary technical measures and procedures to protect the security and confidentiality of information with the aim of preventing any breach or misuse of any private information stored with it. However, it is widely known that the protection of electronic information security is marred by many loopholes and vulnerabilities that have been created or through which many violators and criminals have violated the privacy of many people across the world. Therefore, we are committed to providing the maximum possible protection and control with seriousness, diligence and full commitment.

## Partners training and qualification

Training of the personnel working in the banking system and financial institutions and enhancing their capabilities in relation to the credit information system and banking risks is one of the most important goals adopted by Ci-Net. The focus was not on training according to its traditional concept in terms of organizing training courses and awarding certificates. Rather, it has become a strategic choice in our system as each successful organization must find training and development that has the greatest importance. In light of the challenges facing the banking system and financial institutions, we had to contribute to overcoming the challenges and obstacles facing our partner banks and financial institutions in the credit information system. In view of our belief that the beginning of change and the direction towards better performance only comes with changing the performance of personnel towards the best and raising their capabilities and qualifications in a manner which motivate them to build and develop in the banking business field in general and in the credit information field in particular.

Under the framework deeply establishing credit information concepts in order to keep abreast of the constant development and change in this field, the Company concluded numerous training courses and workshops to keep in line with the development and professionalism in the credit

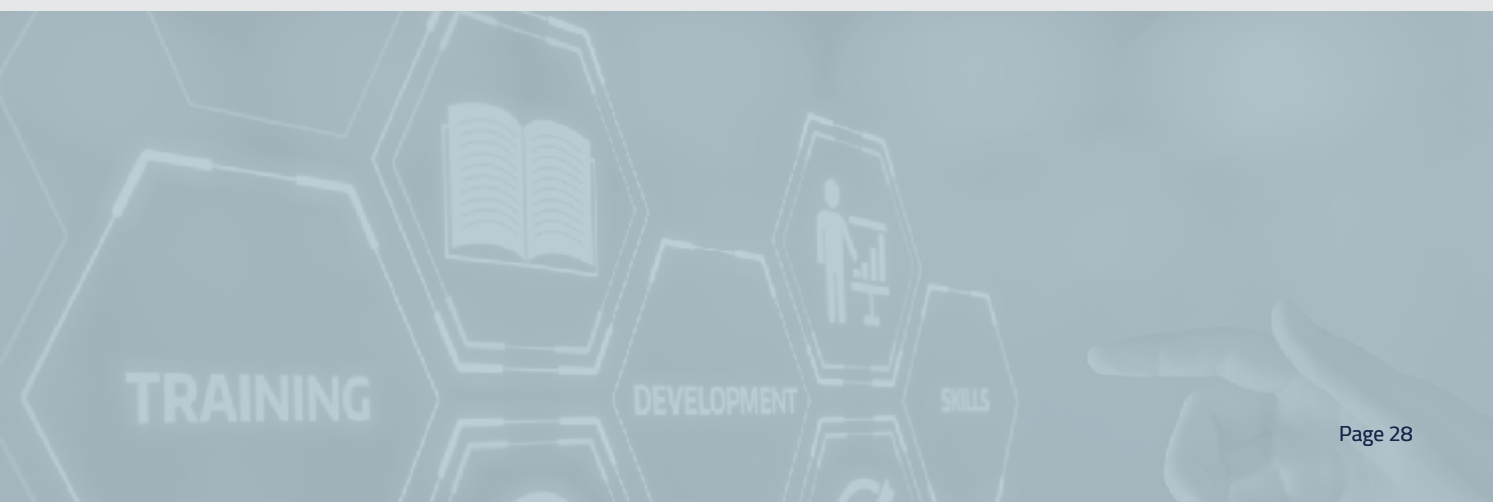
information field by providing the opportunity for training our partner banks and financial institutions, by implementing comprehensive training in order to increase experiences, learning and development, whereby training courses have been organized according to the nature of work of the users, represented in the following training courses:

- a.** Training courses for the entry of new subscribers in the credit information network (free.)
- b.** Training courses on the method of inquiry and reading credit reports.
- c.** Courses and workshops on the improvements entered to the Ci-Net computer system.

Further, new training courses have been added to the regular courses as follows:

- a.** Workshops on the establishment of credit database to the commercial loans portfolio in the CI-Net computer system.
- b.** Training courses according to the demand of banks and financial institutions.
- c.** Courses for solving problems which emerge in the computerized system work mechanism of the Ci-Net.
- d.** Training courses for familiarization with the credit reports issued by the automated system of Ci-Net.

Ci-Net will continue to exert all its efforts for advancing the credit work and prepare new qualified personnel to work in the credit information field during the next years.





# Contents

Independent auditor's report	31
Statement of financial position	34
Statement of profit or loss & other comprehensive income	35
Statement of changes in equity	36
Statement of cash flows	37
Notes of financial statements	38



KPMG Safi Al-Mutawa & Partners  
Al Hamra Tower, 25th Floor  
Abdulaziz Al Saqr Street  
P.O. Box 24, Safat 13001  
State of Kuwait  
Tel.: +965 2228 7000  
Fax: +965 2228 7444

## Independent auditor's report

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 2019, 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 2019, and its financial performance and its cash flows for the year then ended are 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.

### Emphasis of matter – amendment to previously issued financial statements

We draw attention to note 1 to the financial statements that the Company had previously issued financial statements for the year ended 30 September 2019. However, as a result of certain events as explained in notes 1 and 8 to the accompanying financial statements, the previously issued financial statements and our audit report dated 15 December 2019 for the same period are replaced with these accompanying financial statements and this independent auditor's report. Our opinion is not modified with respect to this matter.





#### 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.

#### 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:

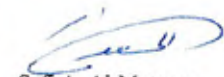
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.

#### 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 2019 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 : 13 February 2020




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




Statement of financial position  
as at 30 September 2019

	Note	2019 KD	2018 KD
<b>Assets</b>			
Equipment and work in progress	4	75,941	76,466
Intangible assets	5	109,326	323,935
<b>Non-current assets</b>		<u>185,267</u>	<u>400,401</u>
Trade and other receivables	6	514,210	333,332
Cash and bank balances	7	13,609,811	12,200,447
<b>Current assets</b>		<u>14,124,021</u>	<u>12,533,779</u>
<b>Total assets</b>		<u>14,309,288</u>	<u>12,934,180</u>
<b>Equity</b>			
Share capital	8	2,280,000	2,280,000
Statutory reserve	8	1,140,000	1,140,000
Voluntary reserve	8	1,687,139	1,526,764
Retained earnings		8,652,609	7,518,684
<b>Total equity</b>		<u>13,759,748</u>	<u>12,465,448</u>
<b>Liabilities</b>			
Provision for employees' end of service benefits	9	172,088	134,413
<b>Non-current liabilities</b>		<u>172,088</u>	<u>134,413</u>
Trade and other payables	10	377,452	334,319
<b>Current liabilities</b>		<u>377,452</u>	<u>334,319</u>
<b>Total liabilities</b>		<u>549,540</u>	<u>468,732</u>
<b>Total equity and liabilities</b>		<u>14,309,288</u>	<u>12,934,180</u>

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

  
Fahad Mohammad Al Menayes  
Chief Executive Officer

  
Basel Ahmed Al Haroon  
Chairman

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



Statement of profit or loss and other comprehensive income  
for the year ended 30 September 2019

	Note	2019 KD	2018 KD
<b>Revenue</b>			
Service charges		2,549,686	2,578,795
Murabaha income		366,403	235,022
Other income		14,588	-
		<u>2,930,677</u>	<u>2,813,817</u>
<b>Expenses</b>			
Staff costs		(599,364)	(491,091)
Office rent		(102,240)	(92,016)
Communication and IT expenditure		(43,250)	(55,818)
External database access charges		44,411	(18,043)
Consultancy and professional fees		(55,156)	(76,128)
Depreciation and amortisation	4 & 5	(295,171)	(403,504)
Provision for expected credit losses	6	-	(10,000)
Support and license fee		(182,521)	(189,234)
Other administrative expenses		(93,634)	(51,276)
		<u>(1,326,925)</u>	<u>(1,387,110)</u>
<b>Profit before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), Zakat and Board of Directors' remuneration</b>		1,603,752	1,426,707
Contribution to KFAS		(16,038)	(13,631)
Zakat		(16,414)	(14,657)
Board of Directors' remuneration	11	(49,000)	(49,000)
<b>Profit for the year</b>		<u>1,522,300</u>	<u>1,349,419</u>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<u>1,522,300</u>	<u>1,349,419</u>

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





Statement of changes in equity  
for the year ended 30 September 2019

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Retained earnings KD	Total equity KD
<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>
<b>Balance at 1 October 2018</b>	2,280,000	1,140,000	1,526,764	7,518,684	12,465,448
Profit and total comprehensive income for the year	-	-	-	1,522,300	1,522,300
Dividend paid (note 12)	-	-	-	(228,000)	(228,000)
Transfer to reserves (note 8)	-	-	160,375	(160,375)	-
<b>Balance at 30 September 2019</b>	<u>2,280,000</u>	<u>1,140,000</u>	<u>1,687,139</u>	<u>8,652,609</u>	<u>13,759,748</u>

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

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



Statement of cash flows  
for the year ended 30 September 2019

	Note	2019 KD	2018 KD
<b>Cash flows from operating activities</b>			
Profit for the year		1,522,300	1,349,419
<i>Adjustments for:</i>			
- Depreciation	4	47,495	66,525
- Amortisation	5	247,676	336,979
- Written off		61	-
- Provision for expected credit losses	6	-	10,000
- Provision for KFAS and Zakat		32,452	28,288
- Provision for employees' end of service benefits	9	37,675	29,493
		<u>1,887,659</u>	<u>1,820,704</u>
<i>Changes in:</i>			
- Trade and other receivables		(180,878)	(58,937)
- Trade and other payables		10,681	(30,801)
- Movement in restricted bank balance		-	(1,225)
Payment of employees' end of service benefits	9	-	(498)
<b>Net cash flows generated from operating activities</b>		<u>1,717,462</u>	<u>1,729,243</u>
<b>Cash flows from investing activities</b>			
Murabaha placements maturing after three months		(1,500,000)	4,300,000
Additions to equipment and work in progress	4	(51,703)	(32,432)
Additions to intangible assets	5	(28,395)	(69,868)
<b>Net cash flows generated (used in) / from investing activities</b>		<u>(1,580,098)</u>	<u>4,197,700</u>
<b>Cash flows from financing activities</b>			
Dividend paid	12	(228,000)	(228,000)
<b>Net cash flows used in financing activities</b>		<u>(228,000)</u>	<u>(228,000)</u>
<b>Net change in cash and cash equivalents</b>		<u>(90,636)</u>	<u>5,698,943</u>
Cash and cash equivalents at beginning of the year		6,799,222	1,100,279
<b>Cash and cash equivalents at end of the year</b>	7	<u>6,708,586</u>	<u>6,799,222</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 operations on 24 April 2003 after obtaining approval from the Central Bank of Kuwait ("the CBK").

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

The Company's 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;
- 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; and
- 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 P. O. Box 20134, Safat 13062, State of Kuwait.

The Board of Directors at a meeting held on 14 October 2019 proposed to increase in share capital of the Company by KD 22,720,000 through capitalisation of voluntary reserve, retained earnings and capital injection.

Subsequent to the date of issuance of these financial statements, the Board of Directors, at a meeting held on 29 January 2020, proposed to increase the authorized share capital of the Company from KD 2,280,000 to KD 25,000,000 which is subject to the approval of the shareholders of the Company at the Extraordinary General Meeting and other regulatory approvals. The previously issued financial statements were amended to give effect to this change as disclosed in note 8.

These financial statements were authorised for reissuance by the Board of Directors of the Company on 29 January 2020. The shareholders have the power to amend the financial statements at the annual general assembly meeting (AGM).



## 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 or amortised cost basis.

### c) Functional and presentation currency

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

### d) 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.

### e) Changes in accounting policy

The accounting policies used in the preparation of these financial statements are consistent with those used in the previous financial year, except the Company has adopted the following new standards and amendments effective during the year.

#### *IFRS 15, Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS.

IFRS 15 has established a new five step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of IFRS 15 had no impact on the financial statements of the Company.





Notes to the financial statements  
for the year ended 30 September 2019

*IFRS 9, Financial Instruments*

The Company has adopted IFRS 9, *Financial Instruments* issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. The key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarized in note 3(a).

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. *Classification of financial assets - Policy applicable from 1 October 2018*

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instrument's contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity and loans and receivables) have been replaced by:

- Financial assets carried at amortised cost;
- Financial assets carried at fair value through other comprehensive income ("FVOCI"); and
- Financial assets carried at fair value through profit or loss ("FVTPL")

*Financial assets carried at amortised cost:*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- (a) The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit ("SPPP") on the principal amount outstanding.

*(a) Business model assessment*

The Company determines its business model at the level that best reflects how it manages Company's financial assets to achieve its business objective. The Company's business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and



Notes to the financial statements  
for the year ended 30 September 2019

- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected). The expected frequency, value and timing of revenue are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

*(b) The SPPP test*

As a second step of its classification process, the Company assesses the contractual terms of financial asset to identify whether they meet the SPPP test.

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium / discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPP assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Further, financial assets held at amortised cost are subsequently measured at amortised cost using the effective profit rate method. The amortised cost is reduced by impairment losses. Income from loans and advances, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss and other comprehensive income. Any gain or loss on de-recognition is recognised in the statement of profit or loss and other comprehensive income.

*Financial assets carried at fair value through other comprehensive income ("FVOCI")*

*(i) Debt instruments at FVOCI*

The Company applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPP test.





**Notes to the financial statements**  
for the year ended 30 September 2019

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income ("OCI"). Financing income and foreign exchange gains and losses and impairment losses are recognised in statement of profit or loss and other comprehensive income. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from equity to the statement of profit or loss and other comprehensive income.

The Company does not have debt instrument at FVOCI category as at the reporting date.

**(ii) Equity instruments at FVOCI**

Upon initial recognition, the Company may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32, *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument by instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognised in OCI and presented in the cumulative changes in fair values as part of equity. Cumulative gains and losses previously recognised in OCI are transferred to retained earnings on derecognition and are not recognised in the statement of profit or loss and other comprehensive income. Dividend income on equity investments at FVOCI is recognised in the statement of profit or loss and other comprehensive income unless it clearly represents a recovery of part of the cost of the investment in which case it is recognised in OCI. Equity investments at FVOCI are not subject to impairment assessment.

The Company does not have equity instrument at FVOCI as at the reporting date.

**Financial assets carried at fair value through profit or loss ("FVTPL")**

The Company recorded and measured financial assets at FVTPL in the statement of financial position at fair value. In addition, on initial recognition, the Company may irrevocably designate a financial asset at FVTPL if it meet the requirements to be measured at amortised cost or at FVOCI and by doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair values, financing income and dividends are recorded in the statement of profit or loss and other comprehensive income according to the terms of the contract, or when the right to payment has been established.

The Company does not have equity instruments classified as FVTPL as at the reporting date.

**ii. Classification and measurement of financial assets - Policy applicable from 1 October 2018**

The Company classifies non-derivative financial assets into the following categories:

- loans and receivables;
- financial asset at fair value through profit or loss; and
- financial assets available for sale.



**Notes to the financial statements**  
for the year ended 30 September 2019

**Loans and receivables**

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 interest rate method, less any impairment losses.

Loans and receivables comprise of cash at banks, murabaha placements and trade receivables.

**Financial assets at fair value through profit or loss**

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in the statement of profit or loss and other comprehensive income as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any profit or dividend income are recognised in the statement of profit or loss and other comprehensive income.

The company does not have financial assets at FVTPL.

**Financial assets available for sale**

Financial assets available for sale are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Financial assets available for sale are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available for sale are recognized in other comprehensive income and presented in the cumulative changes in fair value in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to the statement of profit or loss and other comprehensive income.

**Reclassification of financial assets**

The Company does not reclassify its financial assets subsequent to their initial recognition apart in the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

The following table below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at 1 October 2018.

	<b>Original measurement and classification under IAS 39</b>	<b>New classification and measurement under IFRS 9</b>
Trade receivables	Loans and receivables, carried at amortised cost	Financial assets carried at amortised cost
Cash at banks and murabaha placements	Loans and receivables, carried at amortised cost	Financial assets carried at amortised cost





Notes to the financial statements  
for the year ended 30 September 2019

The aggregate impact of IFRS 9 on Company's financial assets as of 1 October 2018 is as follows:

	Original carrying amount under IAS 39 KD	Impact on adoption of IFRS 9 KD	New carrying amount under IFRS 9 KD
Trade receivables	190,548	-	190,548
Murabaha placements	11,900,000	-	11,900,000
Cash at banks	300,257	-	300,257

iii. Impairment of financial assets - Policy applicable from 1 October 2018

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The management has applied the new impairment model to financial assets excluding loans and advances carried at amortised cost.

Under IFRS 9, credit losses are recognised earlier than under IAS 39. Key change in the Company's accounting policy for impairment of financial assets are listed below.

The Company applies three-stage approach to measuring expected credit losses ("ECL"). Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under IAS 39, the Company's methodology for specific provisions remains largely unchanged.

Lifetime ECL is recorded on financial assets that are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of loans and advances by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.



Notes to the financial statements  
for the year ended 30 September 2019

iv. Impairment of financial assets - Policy applicable from 1 October 2018

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in Company that share similar credit risk characteristics.

All impairment losses are recognized in the statement profit or loss and other comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

v. Hedge accounting - Policy applicable from 1 October 2018

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required.

As at 30 September 2019, the Company does not have any hedge relationships. Hence, the hedging requirements of IFRS 9 did not have an impact on Company's financial statements.

vi. Offsetting

Financial assets and financial liabilities are offset and the net amounts reported in the statement of financial position only when there is a legally enforceable right to set off the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

vii. Financial liabilities

For financial liabilities, the Company has concluded that there is no impact on accounting for financial liabilities under IFRS 9 as compared to the requirements of IAS 39.

All financial 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 expire.





Notes to the financial statements  
for the year ended 30 September 2019

The Company classifies non-derivative financial liabilities into the 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. The Company does not hold any derivative financial liabilities.

Financial liabilities comprise of trade and other payables.

viii. *Derecognition*

*Financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

*Financial liabilities*

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the statement profit or loss and other comprehensive income.

b) Equipment and work in progress

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 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.

Capital work in progress represent the amounts that are incurred for the purpose of constructing or purchasing an asset until it is ready to be used in the operation, upon which it is transferred to the respective asset.



Notes to the financial statements  
for the year ended 30 September 2019

c) 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.

d) Impairment

Equipments and intangible assets 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.

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 loss is 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.

e) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprises of cash at banks and in hand and murabaha placements with Islamic banks.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at banks and in hand and murabaha placements with Islamic banks with a maturity of three months or less, less by restricted bank balances.

f) Provision for employees' end of service benefits

All employees 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.

*Kuwaiti employees*

Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security (PIFSS) scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Establishment's share of contributions to this scheme, which is a defined contribution scheme, is charged to the statement of profit or loss and other comprehensive income in the year to which they relate.





Notes to the financial statements  
for the year ended 30 September 2019

g) 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.

h) Revenue recognition

Fees relating to the usage of the Ci-Net system (service charges) are recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts and rebates required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Adoption of IFRS 15 had no impact on the revenue recognition policy of the Company.

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.

i) 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.

j) 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.

k) 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 2019 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 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*.



Notes to the financial statements  
for the year ended 30 September 2019

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.

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 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 (note 5)	-	-	(25,157)	(25,157)
Balance at 30 September 2018	528,995	71,512	5,620	606,127
Additions	8,719	8,114	34,870	51,703
Transfers	948	-	(948)	-
Transfer to intangible assets (note 5)	-	-	(4,672)	(4,672)
Write off	-	(2,547)	-	(2,547)
Balance at 30 September 2019	538,662	77,079	34,870	650,611
<b>Accumulated depreciation</b>				
Balance at 1 October 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
Charge for the year	43,465	4,030	-	47,495
Relating to write off	-	(2,486)	-	(2,486)
Balance at 30 September 2019	512,947	61,723	-	574,670
<b>Carrying amount</b>				
Balance at 30 September 2018	59,513	11,333	5,620	76,466
Balance at 30 September 2019	25,715	15,356	34,870	75,941

5. Intangible assets

	2019 KD	2018 KD
<b>Cost</b>		
Balance as at 1 October	1,798,790	1,703,765
Additions	28,395	69,868
Transfer from work in progress (note 4)	4,672	25,157
Balance as at 30 September	1,831,857	1,798,790
<b>Accumulated amortization</b>		
Balance as at 1 October	1,474,855	1,137,876
Charge for the year	247,676	336,979
Balance as at 30 September	1,722,531	1,474,855
<b>Carrying amount</b>	109,326	323,935





Notes to the financial statements  
for the year ended 30 September 2019

6. Trade and other receivables

	2019 KD	2018 KD
Trade receivables	258,572	220,548
Provision for expected credit losses	(30,000)	(30,000)
	<u>228,572</u>	<u>190,548</u>
Prepayments and deposits	74,363	66,534
Accrued income from Murabaha placements	211,170	76,250
Other receivables	105	-
	<u>514,210</u>	<u>333,332</u>

The average credit period on rendering of services is 15 days. No profit is charged on the overdue trade receivable balances.

At 30 September 2019, trade receivables of KD 215,196 (2018: KD 216,466) were fully performing.

Included in the Company's trade receivables balance are debtors with carrying amount of KD 39,375 and KD 4,001 (2018: KD 4,082) which are past due at the reporting date and aged between 15 to 30 days and 31 to 180 days (2018: 15 to 30 days). An amount of KD 4,544 pertaining to past due amounts has been collected subsequent to reporting date. The management believes that the provision available for expected credit losses amounting to KD 30,000 (2018: KD 30,000) is adequate as at the reporting date.

The movement in the provision for expected credit losses is as follows.

	2019 KD	2018 KD
At 1 October	30,000	20,000
Charge for the year	-	10,000
At 30 September	<u>30,000</u>	<u>30,000</u>

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

7. Cash and bank balances

	2019 KD	2018 KD
Cash on hand	184	190
Cash at banks	509,627	300,257
Murabaha placements with Islamic banks	<u>13,100,000</u>	<u>11,900,000</u>
<b>Cash and bank balances</b>	<b>13,609,811</b>	<b>12,200,447</b>
Restricted balance with Boubyan Bank	(1,225)	(1,225)
Murabaha placements maturing after three months	<u>(6,900,000)</u>	<u>(5,400,000)</u>
Cash and cash equivalents	<u>6,708,586</u>	<u>6,799,222</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 2019 was 2.95% per annum (2018: 2.23% per annum).



Notes to the financial statements  
for the year ended 30 September 2019

8. Equity

Share capital

The Company's authorized, issued and paid up share capital comprises 22,800,000 shares of 100 fils each (2018: 22,800,000 shares of 100 fils each), fully paid in cash.

Subsequent event

Subsequent to the date of issue of the previously issued financial statements, the Board of Directors, at a meeting held on 29 January 2020, proposed to increase the authorized share capital of the Company from KD 2,280,000 to KD 25,000,000.

The increase in the authorised share capital is subject to the approval of the shareholders of the Company at the Extraordinary General Meeting and other regulatory approvals.

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 to be 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.

Company has not transferred profit for the year to statutory reserve since reserve reaches 50% of the paid up share capital.

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

	2019 KD	2018 KD
Balance at 1 October	134,413	105,418
Provision made during the year	37,675	29,493
Payments during the year	-	(498)
Balance at 30 September	<u>172,088</u>	<u>134,413</u>





**Notes to the financial statements**  
for the year ended 30 September 2019

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income ("OCI"). Financing income and foreign exchange gains and losses and impairment losses are recognised in statement of profit or loss and other comprehensive income. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from equity to the statement of profit or loss and other comprehensive income.

The Company does not have debt instrument at FVOCI category as at the reporting date.

(ii) Equity instruments at FVOCI

Upon initial recognition, the Company may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32, *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument by instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognised in OCI and presented in the cumulative changes in fair values as part of equity. Cumulative gains and losses previously recognised in OCI are transferred to retained earnings on derecognition and are not recognised in the statement of profit or loss and other comprehensive income. Dividend income on equity investments at FVOCI is recognised in the statement of profit or loss and other comprehensive income unless it clearly represents a recovery of part of the cost of the investment in which case it is recognised in OCI. Equity investments at FVOCI are not subject to impairment assessment.

The Company does not have equity instrument at FVOCI as at the reporting date.

*Financial assets carried at fair value through profit or loss ("FVTPL")*

The Company recorded and measured financial assets at FVTPL in the statement of financial position at fair value. In addition, on initial recognition, the Company may irrevocably designate a financial asset at FVTPL if it meet the requirements to be measured at amortised cost or at FVOCI and by doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair values, financing income and dividends are recorded in the statement of profit or loss and other comprehensive income according to the terms of the contract, or when the right to payment has been established.

The Company does not have equity instruments classified as FVTPL as at the reporting date.

ii. *Classification and measurement of financial assets - Policy applicable from 1 October 2018*

The Company classifies non-derivative financial assets into the following categories:

- loans and receivables;
- financial asset at fair value through profit or loss; and
- financial assets available for sale.



**Notes to the financial statements**  
for the year ended 30 September 2019

Significant related party transactions and balances are as follows:

	2019 KD	2018 KD
<b>Related parties transactions</b>		
<i>Transactions with shareholders of the Company</i>		
Service charges	2,003,546	2,081,593
Murabaha income	357,552	235,022
<b>Key management remuneration</b>		
Salaries and short term benefits	191,363	152,377
End of service benefits	9,016	5,834
Board of Directors' remuneration	77,000	49,000
	2019 KD	2018 KD
<b>Related parties balances</b>		
<i>Balances with shareholders of the Company</i>		
Trade receivables	174,149	175,430
Murabaha placements	9,600,000	11,900,000
Cash at banks	509,627	300,257

**12. Dividend**

At the Annual General Meeting held on 18 December 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 2018 (2017: 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 December 2018 approved the annual audited financial statements of the Company for the year ended 30 September 2018.

On 29 January 2020, the Board of Directors proposed a cash dividend of 10 fils (2018:10 fils) per share amounting to KD 228,000 for the year ended 30 September 2019 which is subject to the approval of shareholders at the Annual General Meeting.

**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 banks, murabaha placements and trade and other receivables.

#### *Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. At the reporting date, the maximum exposure to credit risk is as follows:

	2019 KD	2018 KD
Trade receivables	228,572	190,548
Refundable deposits	13,632	13,632
Accrued income from Murabaha placements	211,170	76,250
Murabaha placements	13,100,000	11,900,000
Cash at banks	509,627	300,257
	<u>14,063,001</u>	<u>12,480,687</u>

#### *Trade and other receivables*

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The Company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on the payment profiles of revenue over a period of 24 month before 30 September 2018 or 1 October 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP of Kuwait in which it sells its services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Company has established policies, procedures and controls to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. Credit risk with respect to trade receivables is limited due to dispersion across large number of customers. All the balances are in the State of Kuwait and hence, there is no geographical concentration of credit risk.



### *Bank balances*

Bank balances are held with banks, which are highly rated. Impairment on bank balances has been measured on a 12 months expected loss basis and reflects the short maturities of the exposures. The Company considers that its bank balances has low credit risk based on the external credit ratings of the counterparties. The 12 months ECL computed on the bank balances is insignificant. Hence, no provision for ECL on bank balances is recognized.

#### b) 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.

#### c) 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 2019, the Company's major exposure relates to US Dollar and Pound Sterling amounting to KD 12,660 (2018: KD 18,151). 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 2019 would not have a 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.





**Notes to the financial statements**  
*for the year ended 30 September 2019*

*iii) 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.

*iv) 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.



**Notes to the financial statements**  
*for the year ended 30 September 2019*

**16. Contingent liabilities and commitments**

The Company is committed to incur capital expenditure of KD 12,088 relating to purchase of security appliance, document management system, software upgrade and robotic system for checking consent forms (2018: KD 7,786 relating to purchase of privileged password access management solution, chairs and Cisco router).

There are no contingent liabilities for the year ended 30 September 2019 (2018: nil).

# Final Report of Sharia Supervisory Committee



10/10/2019

**Final report of the Sharia Supervisory Committee  
For the financial period of 01/10/2018 to 30/09/2019**

**To The Shareholders of Ci-net Company**

Allah's peace, mercy and blessings be upon you

In accordance with the powers delegated to us by the members of the General Assembly of Ci-net Company and under the Company's Articles of Association and the relevant regulatory directives, the Sharia Supervisory Committee submits its final report for the period from 01/10/2018 to 30/09/2019. It includes four items as follows:

**First: The work of the Sharia Supervisory Committee**

The Sharia Supervisory Committee carried out its work, which included examining the investment structures, contract forms, products, policies and procedures either directly or in coordination with the internal Sharia 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 provisions of Islamic law in the light of the resolutions of the Sharia Supervisory Committee and the Sharia standards adopted by the Company and the decisions of the relevant regulatory bodies.

**Second: Decisions of the Sharia Supervisory Committee**

The Sharia Supervisory Committee of the Company responded to all the company's inquiries and issued 26 decisions.

1



**Three: The final opinion:**

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

1. The contracts, operations and transactions concluded by the Company during the period from 01/10/2018 to 30/09/2019 were made entirely in accordance with the provisions of the Islamic Sharia.
2. The responsibility to pay zakat falls on the shareholders.

Head of the Sharia  
Supervisory Committee  
**Prof. Dr. Abdul Aziz Al Qassar**

Member of the Sharia  
Supervisory Committee  
**D. Issa Zaki Issa**

Member of the Sharia  
Supervisory Committee  
**D. Ali Ibrahim Al Rashed**

2



Shareholder	Number of Shares	Share Percentage
Central Bank of Kuwait	2,800,000	12.28%
Ahli United Bank	1,400,000	6.14%
Al Ahli Bank of Kuwait	1,400,000	6.14%
Commercial Bank of Kuwait	1,400,000	6.14%
Bank of Bahrain and Kuwait	1,400,000	6.14%
Gulf Bank of Kuwait	1,400,000	6.14%
Kuwait International Bank	1,400,000	6.14%
Burgan Bank	1,400,000	6.14%
Kuwait Finance House	1,400,000	6.14%
Commercial Facilities Company	1,400,000	6.14%
Wared Lease & Finance Company	1,400,000	6.14%
Arzan Financial Group for Financing & Investment	1,400,000	6.14%
National Bank of Kuwait	1,972,000	8.65%
Osoul Leasing and Finance Company	800,000	3.51%
A'ayan Leasing & Investment Company	800,000	3.51%
YAAS Installments for Credit Facilities Company WLL	300,000	1.32%
Alamana Finance Company K.S.C.Closed	250,000	1.10%
Yusuf Ahmed Al Ghanim & Sons	250,000	1.10%
Boubyan Bank	228,000	1.00%
<b>TOTAL</b>	<b>22,800,000</b>	<b>%100</b>

## List of Subscribers with Ci-Net

### Banks

National Bank of Kuwait  
 Commercial Bank of Kuwait  
 Ahli Bank of Kuwait  
 Burgan Bank of Kuwait  
 Gulf Bank of Kuwait  
 Bank of Bahrain and Kuwait  
 First Abu Dhabi Bank  
 Qatar National Bank  
 Doha Bank  
 Muscat Bank  
 Industrial Bank of Kuwait  
 Union National Bank

### Islamic Banks

Kuwait Finance House  
 Kuwait International Bank  
 Boubyan Bank  
 Ahli United Bank  
 Warba Bank  
 Al-Rajhi Bank



Companies & Other Financial Institutions

Commercial Facilities Company  
Alamana Finance Company K.S.C.Closed  
Arzan Financial Group for Financing & Investment  
Kuwait Finance & Investment Company  
Al Mulla International Financing & Investment Company  
Unicap Investment & Finance Company  
Al – Soor Finance & Leasing Company  
Kuwait Financial Center S.A.K  
Noor Financial Investment Company  
Arab Investment Company  
Kamco Investment Company  
Asiya Capital Investment Company  
Al Mal Investment Company  
Global Investment House  
International Financial Advisors  
Kuwait & Middle East Financial Investment Company

Islamic Investment Co.

A'ayan Leasing & Investment Company  
Al Manar Financing & Leasing Co. K.S.C.C.  
Amar Finance and Leasing Company (K.S.C.C.)  
Osoul Leasing and Finance Company  
Wared Lease & Finance Company  
Rasameel Structured Finance  
National Leasing & Finance Company  
Al Imtiaz Investment Group (K.S.C.P.)

Islamic companies controlled by the MOCI

Yusuf Ahmed Al Ghanim & Sons  
YAAS Installments for Credit Facilities Company WLL  
Al Andalus Trading Company  
Tashelat Al Duwaliya Company  
Eureka Trading Company  
Essa Husain Al Yousifi & Sons Company  
Al – Zayani Trading Company  
Al Adan Real Estate Company  
Dakhil Al-Jassar Electrical Industries Company  
Kuwait Automotive Imports Company  
Top Electron Company  
Abyat Mega Store  
AlMasilah Group for Goods Transportation  
Al Babtain Turnkey Solutions Company  
Abdul Mohsen Abdul Aziz Al Babtain Co.  
Al Sayer Facilities Company  
The Sultan Center  
KGL Car Rental  
Flair Financing Company  
Jarir International Central Market For Non-Foodstuff Company  
Ali Alghanim and Sons General Trading Company  
Al Babtain Electronics Company

Bodies controlled by the GOV

National Fund for the Care and Development of Small and Medium Enterprises







