Credit Information Network Company K.S.C. (Closed)

Independent auditor's report and financial statements
for the year ended 30 September 2022

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

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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 2022, 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 2022, 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 International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is the Board of Directors report included in the Company's annual 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, as amended. In our opinion, proper books of account have been kept by the Company 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, as amended during the year ended 30 September 2022 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
of KPMG Al Qenae & Partners
Member firm of KPMG International

Kuwait: 26 March 2023

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

Statement of financial position
as at 30 September 2022

	Note	2022 KD	2021 KD
Assets			
Equipment and work in progress	*4*	467,332	551,302
Intangible assets	*5*	420,329	459,270
Right-of-use assets	*6*	95,399	190,799
Non-current assets		983,060	1,201,371
Trade and other receivables	*7*	1,133,630	719,789
Cash and bank balances	*8*	16,824,095	14,958,672
Current assets		17,957,725	15,678,461
Total assets		18,940,785	16,879,832
Equity			
Share capital	*9*	2,280,000	2,280,000
Statutory reserve	*9*	1,140,000	1,140,000
Voluntary reserve	*9*	2,178,136	1,950,815
Retained earnings		12,027,258	10,418,331
Total equity		17,625,394	15,789,146
Liabilities			
Provision for employees' end of service benefits	*10*	294,127	244,660
Lease liabilities	*6*	-	100,546
Non-current liabilities		294,127	345,206
Trade and other payables	*11*	920,718	649,333
Lease liabilities	*6*	100,546	96,147
Current liabilities		1,021,264	745,480
Total liabilities		1,315,391	1,090,686
Total equity and liabilities		18,940,785	16,879,832

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

Fahad Mohammad Al Menayes
Chief Executive Officer

Naser Mohammad Yosef Al-Qaisi
Vice-Chairman

Statement of profit or loss and other comprehensive income
for the year ended 30 September 2022

	Note	2022 KD	2021 KD
Revenue			
Service charges	*14*	4,076,476	3,025,571
Murabaha income		359,809	287,582
		4,436,285	3,313,153
Expenses			
Staff costs		(1,083,827)	(901,500)
Reversal of allowance for expected credit losses	*7*	-	10,000
Communication and IT expenditure		(107,590)	(65,427)
External database access charges		(6,582)	(6,323)
Consultancy and professional fees		(74,794)	(79,750)
Depreciation and amortisation	*4,5&6*	(446,552)	(290,359)
Support and license fee		(352,954)	(263,041)
Other administrative expenses		(90,779)	(77,337)
		(2,163,078)	(1,673,737)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”), Zakat and Board of Directors’ remuneration		2,273,207	1,639,416
Contribution to KFAS		(22,732)	(16,394)
Zakat		(23,227)	(16,693)
Board of Directors’ remuneration	*12*	(49,000)	(49,000)
Profit for the year		2,178,248	1,557,329
Other comprehensive income		-	-
Total comprehensive income for the year		2,178,248	1,557,329

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

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

Statement of changes in equity
for the year ended 30 September 2022

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Retained earnings KD	Total equity KD
Balance at 1 October 2020	2,280,000	1,140,000	1,786,873	9,252,944	14,459,817
Profit and total comprehensive income for the year	-	-	-	1,557,329	1,557,329
Dividend (note 13)	-	-	-	(228,000)	(228,000)
Transfer to reserve (note 9)	-	-	163,942	(163,942)	-
Balance at 30 September 2021	2,280,000	1,140,000	1,950,815	10,418,331	15,789,146
Balance at 1 October 2021	2,280,000	1,140,000	1,950,815	10,418,331	15,789,146
Profit and total comprehensive income for the year	-	-	-	2,178,248	2,178,248
Dividend (note 13)	-	-	-	(342,000)	(342,000)
Transfer to reserve (note 9)	-	-	227,321	(227,321)	-
Balance at 30 September 2022	2,280,000	1,140,000	2,178,136	12,027,258	17,625,394

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

Statement of cash flows
for the year ended 30 September 2022

	Note	2022 KD	2021 KD
Cash flows from operating activities			
Profit for the year		2,178,248	1,557,329
Adjustments for:			
Depreciation of equipment and work in progress	*4*	157,450	48,896
Amortisation of intangible assets	*5*	193,704	146,063
Depreciation of right-of-use assets	*6*	95,400	95,400
Loss on disposal of equipment and work in progress		131	24
Reversal of allowance for expected credit losses	*7*	-	(10,000)
Finance cost on lease liabilities	*6*	6,093	10,301
Provision for KFAS and Zakat		45,959	33,087
Provision for employees' end of service benefits	*10*	64,076	71,907
		2,741,061	1,953,007
Changes in operating assets and liabilities:			
- Trade and other receivables		(413,841)	(71,099)
- Trade and other payables		225,426	260,437
Cash flows generated from operations		2,552,646	2,142,345
Restricted balances with Boubyan Bank		-	(3,750)
Payment of employees' end of service benefits	*10*	(14,609)	(32,071)
Net cash flows generated from operating activities		2,538,037	2,106,524
Cash flows from investing activities			
Murabaha placements with original maturities of more than three months		(1,900,000)	(6,100,000)
Additions to equipment and work in progress	*4*	(101,564)	(383,127)
Additions to intangible assets	*5*	(126,885)	(393,639)
Proceeds from disposal of equipment and work in progress		75	14
Net cash flows used in investing activities		(2,128,374)	(6,876,752)
Cash flows from financing activities			
Dividend paid	*13*	(342,000)	(228,000)
Payment of lease liabilities	*6*	(102,240)	(93,720)
Net cash flows used in financing activities		(444,240)	(321,720)
Net change in cash and cash equivalents		(34,577)	(5,091,948)
Cash and cash equivalents at beginning of the year		353,697	5,445,645
Cash and cash equivalents at end of the year	*8*	319,120	353,697

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") under the Memorandum of Association and Articles of Association of the Company incorporated on 4 June 2001 and registered in Commercial Register No. (85063) dated June 18, 2001, and commenced its operations on April 24, 2003 after Obtaining the approval of the Ministry of Commerce and Industry ("Ministry") No. 14441 dated April 25, 2001, as it was registered in the Credit Information Companies registry at the Central Bank of Kuwait under No. (1) pursuant to Resolution No. (12/459/2022) dated January 23, 2022 Pursuant to the provisions of Law No. (9) of 2019 regulating the exchange of credit information and its executive regulations for the practice of credit information exchange activities, as well as credit reporting and credit rating services.

("Ci-Net") carries out its activities and conducts its business in compliance with Islamic Sharia rules (in accordance with the text of Article (4) of the Memorandum of Association and Article (5) of the Company's Articles of Association).

The purposes for which the Credit Information Network Company K.S.C. (closed) was established are to do the following:

- The company shall collect information and data related to consumer loans, housing loans, commercial loans, credit cards and other credit facilities resulting from installment sale of commodities and services and to provide the Central Bank of Kuwait and reporting entities from banks, investment companies, finance companies, commercial companies and establishments regulated by Ministry of Commerce and Industry that grant credit facilities by selling in any form of ownership transfer through installments for goods and services, authorized users and customers of natural or legal persons authorized to inquire and obtain credit information and reports provided by the company and the clients to whom the information and data relate and which have credit records at the company and any other local or foreign bodies approved by the Central Bank of Kuwait and anyone related to credit and credit information reporting systems in accordance with the provisions of the laws regulating the Company's activity, based on their request, with information and data about all kinds of 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;
- Develop a credit database by requesting, collecting, processing, storing, analyzing, classifying, using and circulating credit information. Prepare a credit record, personal and credit data related to the debts of customers of real estate finance companies, insurance companies, all types of leasing and financing companies, vehicles companies, telecommunications companies, in addition to other reporting entities and users of data and information as stipulated in the provisions of the laws regulating the company's activity;
- Provide all credit inquiry, credit rating, credit reporting and issue credit information reports for customers and services to natural and legal customers without making any recommendations or opinions from the Company regarding eligibility of granting credit facility or not and develop risk and related tools and criteria;
- Invest surplus cash through investing in portfolios managed by fund management organizations and authorize the board to do so;
- Owning real estate and movable properties necessary to conduct its operations as permissible by law; and

- The Company may also have an interest in or participate in any manner with other entities carrying out similar activities in order to achieve its objectives inside and outside of Kuwait, and to acquire or merge with those entities.

The address of the company is located in Al-Qibla - Ali Al-Salem Street - Building 1 - postal address registered office is P. O. Box 20134, Safat 13062, State of Kuwait.

These financial statements were authorised for issue by the Company's Board of Directors on 31 October 2022. The shareholders of the Company have the power to amend these financial statements after issue at the Annual General Meeting.

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, as amended and Ministerial Order No. 18 of 1990.

b) Basis of measurement

The financial statements have been prepared on historical cost basis.

c) Functional and presentation currency

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

d) Use of estimates and judgments

Impairment of financial assets
With respect to the trade receivables, the Company has applied the simplified approach and has calculated expected credit losses ("ECL") based on lifetime expected credit losses as the simplified approach does not require the changes in credit risk to be tracked. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the Company's economic environment.

The management considers a financial asset in default when the contractual payments are 90 days past due. However, in certain cases, the management may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written-off when there is no reasonable expectation of recovering the contractual cash flows.

The Company does not recognise ECL on cash at bank (excluding the balances held in investment accounts) as these are considered to be of low risk and the Company does not expect to incur any credit losses on these instruments.

e) Changes in accounting policy -

A number of amendments to standards and interpretations are effective for annual periods beginning on 1 October 2021 as below, but they do not have material effect on the Company's financial statements:

COVID-19-Related Rent Concessions (Amendment to IFRS 16); and
Interest Rate Benchmark Reform-Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7 IFRS 4 and IFRS 16).

f) Standards and interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 October 2022 with earlier application permitted, however, the Company has not early adopted any new or amended standards in preparing these financial statements:

• COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16).
• Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
• Annual Improvements to IFRS Standards 2018-2020.
• Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
• Reference to the Conceptual Framework (Amendments to IFRS 3).
• Classification of liabilities as current or non-current (Amendments to IAS 1).
• IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
• Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
• Definition of Accounting Estimates (Amendments to IAS 8); and
• Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12).

The new standards and amendments are not expected to have a material impact on the financial statements of the Company in the period of initial application.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Equipment and work in progress

i. Recognition and measurement
Items of equipment and work in progress are measured at cost, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Any gain or loss on disposal of an item of equipment and work in progress is determined by comparing the proceeds from disposal with the carrying amount of equipment and work in progress and are recognized in the statement of profit or loss and other comprehensive income.

ii. *Subsequent expenditure*
Subsequent expenditure is recognised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

iii. *Depreciation*
Items of equipment and work in progress are depreciated from the date they are ready for use. Depreciation is calculated to amortise the cost of items of equipment and work in progress less their estimated residual values using a straight-line basis over their estimated useful lives.

Depreciation is recognized in the statement of profit or loss and other comprehensive income. The estimated useful lives of equipment and work in progress are as follows:

Computers	3 – 5 years
Furniture and fixtures	5 years

Depreciation methods, useful lives and residual values are reviewed and adjusted, if appropriate, at each reporting date to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items of equipment and work in progress. A change in the estimated useful life of equipment and work in progress is applied at the beginning of the period of change with no retrospective effect.

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. Following completion, work in progress is transferred to the respective equipment and work in progress category. Work in progress is not depreciated.

b) Intangible assets

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

c) Impairment of non-financial assets

The carrying amount of the Company's non-financial 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 if the carrying amount of an asset or cash-generating unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the higher of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in the statement of profit or loss and other comprehensive income. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

d) Leases

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

The Company applies a single recognition and measurement approach for all leases. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Company recognises a right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and estimated life of the asset. Right-of-use assets are also subject to impairment losses, if any.

Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of finance cost and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low-value (i.e., below KD 1,500).

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term. As at the reporting date, the Company does not have any leases catergorised as short-term leases or leases of low-value assets.

e) <u>Financial instruments</u>

Financial assets and financial liabilities are initially recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in the statement of profit or loss and other comprehensive income. Financial assets and financial liabilities not at fair value through profit or loss are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Classification and measurement

Financial assets based on the business model for managing the assets and the asset's contractual terms, are measured at either:

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

As at the reporting date, the Company does not have any financial assets carried at FVOCI or financial assets carried at 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 at FVTPL:

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

Business model assessment
The Company determines its business model at the level that best reflects how it manages groups of 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 a number of observable factors. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

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.

Assessment of whether contractual cash flows are solely payments of principal and profit ("the SPPP test")
For the purpose of this assessment, Principal is defined as the fair value of the financial asset at initial recognition. Profit is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contain a contractual term that could change in the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Company considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable rate features;
- Prepayment and extension features; and
- Terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and profit criterion if the prepayment amount substantially represents unpaid amounts of principal and profit on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual profit (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets include trade and other receivables and Cash and Bank Balances.

Trade receivables
Trade receivables arising from the activities of the Company are recognised at amortised cost as these are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest.

The subsequent measurement of trade receivables will be at undiscounted original contacted amounts less any expected credit losses. Any gain or loss upon derecognition is recognised in the statement of profit or loss and other comprehensive income.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and bank balances.

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.

Financial liabilities
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.

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 rate method. The Company does not hold any derivative financial liabilities.

The Company's financial liabilities comprises lease liabilities and trade and other payables.

Trade and other payables
Trade and other payables are recognised at amounts to be paid in the future for services rendered, whether billed by the supplier or not.

Derecognition

Financial assets
The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, 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 expired. 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.

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 recognised amounts and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Impairment of financial assets
The Company has applied general approach under IFRS 9 for determination of ECL on financial assets. Under the general approach, the ECLs are recognised in three stages.

Stage 1: 12 months ECL
For credit 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. 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.

The Company considers key economic variables that are expected to have an impact on the credit risk and the ECL in order to incorporate forward looking adjustments into the determined ECL. These primarily reflect reasonable and supportable forecasts of the future macro-economic conditions. The management reviews these forecasts and estimates on a regular basis.

The Company does not recognise ECL on other receivables as these are considered to be of low risk and the Company does not expect to incur any significant credit losses on these instruments.

f) <u>Provision for employees' end of service benefits</u>

All employees are entitled to an end of service benefits under the Kuwait Labor Law based on the employees' accumulated periods of service and latest entitlements of salaries and allowances.

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 Company'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.

g) <u>Provisions</u>

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

h) Revenue recognition

Service charges

Fees relating to the usage of the Ci-Net system (service charges) is recognized at a point in time when control of the services are transferred to the customer. 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.

The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements since it typically control the services before transferring it to the customer.

Performance obligations satisfied at a point in time

Revenue is recognised at point of time when customers obtain control of the promised assets. Indicators that control has transferred to the customers include the following:

- The customer has a present obligation to pay.
- The customer has legal title.
- The customer has physical obligation.
- The customer has risk and rewards of ownership.
- The customer has accepted the asset.

Performance obligations satisfied over time; Revenue is recognized over time if either:

- Customer simultaneously receives and consumes the benefits as the entity performs.
- The customers control the asset as the entity creates or enhances it;
- The entity's performance does not create an asset with an alternate use and there is a right to payment for performance to date.

Certain services are provided whose control is transferred over the period to the customers and hence the revenue is recognized over the period of time.

Murabaha income
Murabaha income is recognised in statement of profit or loss and other comprehensive income on a time proportionate basis using the effective profit rate method.

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.

4. Equipment and work in progress

	Computers KD	Furniture and fixtures KD	Work in progress KD	Total KD
Cost				
Balance at 1 October 2020	575,665	86,500	271,909	934,074
Additions	312,609	5,828	64,690	383,127
Transfers from work in progress	140,799	1,518	(142,317)	-
Transfer to intangible assets (note 5)	-	-	(111,972)	(111,972)
Write off	-	(791)	-	(791)
Balance at 30 September 2021	1,029,073	93,055	82,310	1,204,438
Additions	60,166	1,216	40,182	101,564
Transfers from work in progress	54,403	-	(54,403)	-
Transfer to intangible assets (note 5)	-	-	(27,907)	(27,907)
Disposals	(225,282)	(10,412)	-	(235,694)
Balance at 30 September 2022	918,360	83,859	40,182	1,042,401
Accumulated depreciation				
Balance at 01 October 2020	537,881	67,112	-	604,993
Charge for the year	42,167	6,729	-	48,896
Relating to disposals	-	(753)	-	(753)
Balance at 30 September 2021	580,048	73,088	-	653,136
Charge for the year	150,314	7,136	-	157,450
Relating to disposals	(225,136)	(10,381)	-	(235,517)
Balance at 30 September 2022	505,226	69,843	-	575,069
Carrying amount				
Balance at 30 September 2021	449,025	19,967	82,310	551,302
Balance at 30 September 2022	413,134	14,016	40,182	467,332

5. Intangible assets

	2022 KD	2021 KD
Cost		
Balance at 1 October	2,399,336	1,893,725
Additions	126,885	393,639
Transfers from work in progress (note 4)	27,907	111,972
Disposal	(28,391)	-
Balance at 30 September	2,525,737	2,399,336

Accumulated amortisation		
Balance at 1 October	1,940,066	1,794,003
Charge for the year	193,704	146,063
Disposal	(28,362)	-
Balance at 30 September	2,105,408	1,940,066
Carrying amount	420,329	459,270

6. Leases

Set out below are the carrying amounts of right-of-use assets and lease liabilities and the movements during the year:

	Right-of-use assets	
	2022	**2021**
	KD	**KD**
As at 1 October	190,799	97,929
Additions during the year	-	188,270
Depreciation of right-of-use assets	(95,400)	(95,400)
As at 30 September	95,399	190,799

	Lease liabilities	
	2022	**2021**
	KD	**KD**
As at 1 October	196,693	91,842
Additions during the year	-	188,270
Finance cost on lease liabilities	6,093	10,301
Payment of lease liabilities	(102,240)	(93,720)
Rent concessions	-	-
As at 30 September	100,546	196,693

The Company has discounted its future lease obligations using its incremental borrowing rate which is determined at 4.5% (30 September 2021: 4.5%) at the reporting date.

The current and non-current portion of lease liabilities is set of below:

	2022	**2021**
	KD	**KD**
Non-current	-	100,546
Current	100,546	96,147
	100,546	196,693

The following are the amounts recognised in profit or loss and other comprehensive income:

	2022 KD	2021 KD
Depreciation of right-of-use assets	(95,400)	(95,400)
Finance cost on lease liabilities	(6,093)	(10,301)
Rent concessions included in other income	-	-

The Company has not recognised rent expense from short-term leases and leases of low-value assets during the year**.**

7. Trade and other receivables

	2022 KD	2021 KD
Trade receivables	770,731	459,413
Allowance for expected credit losses	(20,000)	(20,000)
	750,731	439,413
Profit receivable on Murabaha placements	285,982	208,683
Prepayments and other receivables	96,917	71,693
	1,133,630	719,789

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

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2022 KD	2021 KD
As at 1 October	20,000	30,000
Reversal of allowance for expected credit losses	-	(10,000)
As at 30 September	20,000	20,000

Information about the credit exposures is disclosed in note 15.
All the trade receivables are denominated in KD and are located in the State of Kuwait.

8. Cash and bank balances

	2022 KD	2021 KD
Cash on hand	263	262
Bank balances	323,832	358,410
Murabaha placements with Islamic banks	16,500,000	14,600,000
Cash and bank balances	16,824,095	14,958,672
Restricted balances with Boubyan Bank	(4,975)	(4,975)
Murabaha placements with original maturities of more than three months	(16,500,000)	(14,600,000)
Cash and cash equivalents in the statement of cash flows	319,120	353,697

Murabaha placements with Islamic banks carry profit rates ranging from 2.260% to 4.250% (30 September 2021: from 1.750% to 2.326%) per annum.

9. Equity

Share capital
The Company's authorised, issued and paid up share capital comprises 22,800,000 shares of 100 fils each (2021: 22,800,000 shares of 100 fils each), fully paid in cash.

The Board of Directors, at a meeting held on 29 January 2020, proposed to increase the authorised share capital of the Company from KD 2,280,000 to KD 25,000,000 which was approved at the AGM held on 19 February 2020. The Company is currently in the process of implementation for the same.

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, as amended, 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.

The Company has ceased to transfer its profit to statutory reserve since the statutory reserve has reached 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.

10. Provision for employees' end of service benefits

	2022 KD	**2021 KD**
As at 1 October	244,660	204,824
Provision during the year	64,076	71,907
Payments during the year	(14,609)	(32,071)
As at 30 September	294,127	244,660

11. Trade and other payables

	2022 KD	**2021 KD**
Trade payables	67,968	164,773
Accruals and provisions	491,341	426,931
Deferred income	361,409	57,629
	920,718	649,333

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

	2022 KD	2021 KD
Kuwaiti Dinar	908,187	636,393
US Dollar	8,721	8,468
Pound Sterling	3,810	4,472
	920,718	649,333

12. Related party balances and transactions

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

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

Transactions with related parties are conducted in the normal course of business and are on terms and conditions approved by the Company's management and the Board of Directors.

Significant related party transactions and balances are as follows:

	2022 KD	2021 KD
Related party transactions		
Transactions with shareholders of the Company		
Service charges	3,532,347	2,557,921
Murabaha income	288,945	102,494
Key management remuneration		
Salaries and short term benefits	470,287	307,651
End of service benefits	21,751	19,829
Board of Directors' remuneration	49,000	49,000

	2022 KD	2021 KD
Related party balances		
Balances with shareholders of the Company		
Trade receivables	687,497	384,443
Profit receivable on Murabaha placements	258,188	42,554
Murabaha placements	14,400,000	3,600,000
Bank balances	318,896	347,118
Deferred income	355,383	57,629

13. Annual General Meeting

At the Annual General Meeting ("AGM"), held on 20 April 2022, the shareholders approved the Board of Director's recommendation to distribute cash dividend of 15 fils per share (2020: 10 fils per share) amounting to KD 342,000 (2020: KD 228,000) for the year 2021 to shareholders registered in the register of shareholders as of the date of the AGM.

The AGM also approved the annual audited financial statements of the Company for the year ended 30 September 2021.

14. Revenue

	2022 KD	2021 KD
Services transferred at a point in time	3,884,360	3,003,700
Services transferred over time	192,116	21,871
	4,076,476	3,025,571

15. 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 faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. 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, and arises principally from bank balances, Murabaha placements and trade and other receivables.

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

	2022 KD	2021 KD
Bank balances	323,832	358,410
Murabaha placements	16,500,000	14,600,000
Trade receivables	750,731	439,413
Refundable deposits	8,520	8,520
Profit receivable on Murabaha placements	285,982	208,683
	17,869,065	15,615,026

Cash and bank balances
Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks (including Murabaha placements and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008. Accordingly, the Company has assessed the ECL on deposits of the Company to be immaterial to the overall financial statements of the Company.

Trade receivables
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 15 days for its customers. Outstanding customer receivables are regularly monitored. The Company does not hold collateral as security against its receivable balances.

The following table provides information about the exposure to credit risk and expected credit loss for trade receivables:

As at September 2022	<0-30 days KD	31-149 days KD	150-360 days KD	>360 days KD	Total KD
Expected credit loss rate	1.05%	1.05%	0.00%	100.0%	2.59%
Total gross carrying amount at default	426,940	331,854	-	12,000	770,794
Expected credit loss	4,500	3,500	-	12,000	20,000

As at September 2021	<0-30 days KD	31-149 days KD	150-360 days KD	>360 days KD	Total KD
Expected credit loss rate	1.69%	1.01%	63.76%	100.00%	4.35%
Total gross carrying amount at default	277,942	165,192	7,279	9,000	459,413
Expected credit loss	4,689	1,670	4,641	9,000	20,000

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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.

The Company manages liquidity risk by maintaining adequate cash reserves, funding lines and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company holds sufficient amount of cash and cash equivalents.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

At 30 September 2022	Less than 3 months KD	3 to 12 months KD	1 to 5 years KD	Total KD
Lease liabilities	25,560	76,680	-	102,240
Accounts payable and accruals*	256,985	-	-	256,985
Total liabilities	282,545	76,680	-	359,225

At 30 September 2021	Less than 3 months KD	3 to 12 months KD	1 to 5 years KD	Total KD
Lease liabilities	25,560	76,680	102,240	204,480
Accounts payable and accruals*	314,235	-	-	314,235
Total liabilities	339,795	76,680	102,240	518,715

* *excluding deferred income and provisions*

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 optimising 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 2022, the Company's major exposure relates to US Dollar and Pound Sterling amounting to KD 12,531 (2021: KD 12,940).

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 US Dollar and Pound Sterling at 30 September 2022 would not have a significant impact on the profit for the year of the Company.

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.

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.

16. Capital risk 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.

17. 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.

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 profit rates.

18. Contingent liabilities and commitments

The Company is committed to incur capital expenditure of KD 65,486 relating to purchase of Software licenses and development of enhancements in Core system and E-credit portal website (2021: KD 94,445 relating to purchase of document management system, robotic system for checking consent forms, infrastructure upgrade, software upgrades and licenses, E-credit portal expenditure and furniture and equipment).

There are no contingent liabilities for the year ended 30 September 2022 (2021: nil).

19. Sharia compliance

There are no violations of provisions of Islamic Sharia principles, as determined by the Company's External Shariah audit office.

20. Subsequent events

On 31 October 2022, the Board of Directors proposed a cash dividend of 15 fils (2021: 15 fils) per share amounting to KD 342,000 for the year ended 30 September 2022 which is subject to the approval of shareholders at the Annual General Meeting.