



CREDIT INFORMATION  
NETWORK COMPANY

# 2020

## Annual Report

For the Fiscal Year Ending  
on 30 september 2020







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





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



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



# Index

Vision, Mission, Values and Goals	9
Company Profile	10
Company Services	11
Statement of the chairman	12
Statement of the Chief Executive Officer	16
Member of the board	18
Achievements	19
Business Volume Development Statistics	20
Business Volume Development Statistics Comparison	22
Financial Results During The Fiscal Year Ending 30/09/2020	23
Financial Results During The Fiscal Year Ending 30/09/2020 Comparison	23
Growth Rates Over the Past Five Years	24
We Are Unique in What We Present	25
Information Safety and Confidentiality Criteria	25
Partners training and qualification	26
Financial Statements	28
List of the Company's shareholders	58
List of Subscribers with Ci-Net	59

# ABOUT US

## Vision, Mission, Values and Goals

### Vision:

We look forward to pioneering and leading in creating and building a credit information network according to the best international standards with the highest levels of quality in order to provide additional values to shareholders and customers.

### Mission:

We seek to provide credit inquiries, credit rating and credit information services in an innovative way and at the highest levels of professionalism and trust to contribute to strengthening the credit system, advancing the credit culture and promoting trust among customers in the credit community.

### Values:

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

### Objectives:

- To help the financial and banking sectors make the right decision when granting credit facilities by using the services provided by Ci-Net.
- To facilitate financing operations, increase the collection rates of financing granted to the customer, and reduce non-performing financing.
- To contribute to facilitating individual transactions and reducing credit and financing risks.

## Company Profile

Credit Information Network (Ci-Net) was established in 2001 under the provisions of the Companies Law and amendments thereto, and Law No. 2 of 2001 for establishing a system for collecting information and data on consumer loans and credit facilities related to retail sales issued on 14 January 2001, and cancelled under the provisions of Law No. 9 of 2019 regarding the regulation of credit information, exchange issued on 10 February 2019.

Credit Information Network (Ci-Net) is a closed Kuwaiti shareholding company specialized in the business of requesting, collecting, preserving, analyzing and using credit information for preparing credit records, and issuing credit reports and credit classification for individual and corporate clients. The company is also preparing and developing risk tools and standards and its related information and data in accordance with the provisions of Law No. 9 of 2019 regarding the regulation of credit information exchange and its executive regulations. Ci-Net places all its capabilities to provide the financial, banking and commercial sectors with a wide range of services in the field of credit reporting, credit rating and other value-added services.

## Company Services

- 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.



**Mr. Anwar Badr Mohammad Alghaith**  
Chairman of the Board  
Central Bank Of Kuwait

## GOVERNANCE

### Statement of the chairman

On behalf of myself, the Board of Directors, the Executive Management members and all employees of Credit Information Network Company, it pleases us to welcome you to the 21<sup>st</sup> Annual Meeting of the Ci-Net Ordinary General Assembly. To start with, I would like to extend my sincere thanks and gratitude to the honorable shareholders for their continuous trust and support, which is our primary motive to save no effort to meet your aspirations.

### Distinguished Shareholders,

Year 2020 has witnessed crucial developments resulting from the exceptional repercussions of the new Coronavirus (Covid-19) pandemic, which negatively impacted the various economies of the world states. Nevertheless, we were able, with the grace and blessings of Allah, to face these challenges, contain their effects and maintain our long-term commitment to our shareholders, subscribers and society to return vigorously to the path of recovering from the impacts of the pandemic and providing value-added services to subscribers from various business sectors.

Ci-NET has also exerted relentless and exceptional efforts to provide continuous and uninterrupted services to subscribers under the pandemic circumstances. Meanwhile, the Company has

assumed its leading role in the market by providing its services in digital form, where the distinguished corporate governance framework adopted by Ci-Net has supported the continuity of its business within a sound supervisory framework. The Company has also focused on instilling a culture of governance in all its practices and stressed the application of the principles of governance as represented in accountability, transparency and independence, which helped us to ensure compliance with all the requirements of government and regulatory entities in Kuwait.

The risk management system and the prudent application of information security and safety standards allowed us to maintain the high quality of our databases, through the application of the highest security standards and the Business Continuity and Disaster Recovery Plan approved by the Board of Directors, which has greatly contributed to the preservation of the Company's assets. In order to ensure continued growth of the company's assets and resources, some precautionary measures have been taken to protect Ci-Net against any additional financial fluctuations that may arise from the uncertainty caused by the continuing epidemic.

These changes and developments witnessed in 2020 have led to rapid changes in customer behaviour, the most important of which was the launch of direct platforms and replacing them with digital platforms for the services and achieve customers' desires and aspirations remotely. Such process required careful research, creative thinking and continuous hard work to achieve a qualitative



leap in terms of quality services provided in a digital form. We deemed it necessary to apply new experiments to develop digital and automated technologies with a view to achieving added value for the Company's products and services, keeping an eye on the continuous efficiency of business and putting innovation at the top of our priorities while dealing with the crisis. This allowed us to explore new sources of revenues, which affected the annual profits for the fiscal year 2019/2020 positively. Hence, we developed a conviction that banking and credit work is more than just a graphical or financial brokerage, we need to constantly think about what we can offer on a scale that goes beyond the goal of continuous profit making, to ensure our contribution to protecting our subscribers, the interests of our shareholders and our community as a whole. Therefore, we aim to achieve tangible impact and provide long-term added value to all related parties, through our focus on sustainability in providing services as established by the provisions of Law No. (09/2019) on the regulation of credit information exchange and its Executive Regulations.

During the fiscal year 2019/2020, Ci-Net achieved net profits amounted to KD 977,069 (Nine hundred seventy-seven thousand sixty-nine Kuwaiti Dinars), after deduction of zakat and Kuwait Foundation for Academic Progress allocations. Total volume of revenues during the fiscal year ending on 30/09/2020 amounted to KD 2,705,433 (Two million seven hundred five thousand four hundred and thirty-three Kuwaiti Dinars). Consequently, Credit Information Network Company has enhanced shareholders' equity to amount to KD 14,459,817 (Fourteen million four hundred and fifty-nine thousand eight hundred and seventeen Kuwaiti Dinars).

Further to the above, the Board of Directors recommended to the Ordinary General Assembly to distribute cash dividends of 10% of the paid-up capital of the Company, in a total amount of KD 228,000 (Two hundred and twenty eight thousand Kuwaiti Dinars) to the shareholders registered in the Company's records at the Kuwait Clearing Company on the date of the shareholders' Ordinary General Assembly meeting, after obtaining the approval of

the Ordinary General Assembly and the relevant competent authorities. The Board of Directors also proposed granting a reward to the members of the Board of Directors for their efforts during the fiscal year ending on 30/9/2020 at a rate of 5.02% of the profits, after deduction of zakat and Kuwait Foundation for Academic Progress allocations, with a total amount of KD 49,000 (Forty-nine thousand Kuwaiti dinars), after obtaining the approval of the Ordinary General Assembly and the relevant competent authorities.

Such aforementioned results clearly confirm the strength of the essential elements that enhance Ci-Net performance and the quality of its business, in addition to being a solid foundation upon which the growth plans for the next year are based. In order for us to be able to continue reaping the fruits of our achievements, the most important of its essential elements is the contribution of our skilled and competent employees who are the main engine for achieving that growth. We are, therefore, always keen to enhance the efficiency of our team and we shall continue to invest in providing them with the necessary training opportunities and contribute to their development in a way that enables them to keep up excelling and succeeding in their field of work, hence achieving the Company's desired objectives.

Coronavirus has also strengthened the trends of providing digital services, which represented a great challenge to the majority of banks, companies and financial institutions. However, that matter was different for us. Thanks to Allah Almighty and to the Company's insightful vision, we succeeded in providing our services to all customers, despite these circumstances, electronically in user-friendly ways. This is exactly the goal we aspire to achieve; namely to focus and accelerate the implementation of Ci-Net Digital Transformation Strategic Plan, which has become the main pillar in the strategy of diversification and expansion in the provision of credit reporting and credit rating services. At the outset of the year 2020, Ci-Net adopted a new strategic direction that will pave the road towards enhancing the efficiency of its work and its performance levels, thus achieving the

desired results in accordance with the directives of the Central Bank of Kuwait. In cooperation and coordination with major companies and specialized advisory bodies, our Board of Directors has prepared and designed a clear and specific strategic transformation plan that aims at facing the challenges and opportunities the future holds and benefitting from the technical development witnessed in the banking and financial field, with a view to developing the Company's business model over the medium term (3 - 5) years. The strategy also addresses the new services action plan that shall be proposed within the framework of implementing that strategy with the aim of enabling the Credit Information Network Company to provide better services to individuals and institutions operating in the State of Kuwait, in addition to increasing the capabilities of Ci-Net to be qualified to perform its business that focuses on providing value-added services to the financial and banking sector in Kuwait. The Company's objective is to contribute to enhancing the credit system with a high degree of commitment, through using modern technological tools in an innovative manner, stemming from its full belief that digital technologies have become an essential part of the strategy of all companies operating in banking and financial sectors, as they all fully adopt digital aspects in their business and services, which helped the Company to continue providing its services to subscribers and customers electronically.

## **Outlook for 2021:**

During the year 2021, Ci-Net shall continue to focus all its efforts on implementing its strategic directions as approved by the Board of Directors, in addition to offering more innovative digital services and products and concluding contracts with similar companies to achieve integration in business models. The Company shall also continue to study a number of strategic initiatives and services with a view to draw a roadmap for the scope of services and the implementation plan to improve the current services and products. Ci-Net also intends to devote all its efforts to providing the subscribers, individuals or companies, with services related to credit information that will enhance the banking and financial community in the State of Kuwait in terms of efficiency and productivity, in addition to

including other sectors, such as telecommunications companies, insurance companies and any other entities that have credit information related to Ci-Net's business, within the framework of Law No. (09/2019) on exchanging credit information and its Executive Regulations. The Company is also keen to provide its services in a manner that provides added value to all subscribers in its network and shall develop its systems and business in a way that reflects its desire to add a new dimension to its mission; namely to achieve the desired goal of developing awareness and credit culture for all citizens and residents in the State of Kuwait.

Ci-Net's commitment to support the financial and credit services industry in the State of Kuwait is at the heart of its directions as the leading and only corporation in the field of providing credit information, credit reporting and credit rating in the State of Kuwait. The Company shall also continue to provide strategic services that rely on long-term planning, placing the needs of the banking and financial industry at the top of its priorities and plans. In light of the Company's efforts to meet the requirements of that industry, Ci-Net shall soon resume its focus on enhancing the efficiency of its services, thus enhancing its leading position as a center for credit services. Therefore, we believe that the year 2020 was a starting point towards implementing the ambitious strategic directions over the next five years, achieving more growth and development in 2021 and reaching positive results that meet the ambition of our customers and shareholders and also contribute to improving business environment index in the State of Kuwait.

In conclusion, I would like to extend my sincere thanks and appreciation to His Excellency the Governor, Deputy Governor and officials in the Central Bank of Kuwait for their continuous support and good guidance, as well as to Ci-Net's members of the Board of Directors, the Executive Management and all the employees for their exceptional efforts and dedication to work. We also greatly value the generous support from our honorable shareholders and subscribers.





**Mr. Fahad Mohammad Al-Menayes**  
Chief Executive Officer

## Statement of the Chief Executive Officer

Fiscal year ending in September 2020 has witnessed major and unexpected disturbances once the entire world started suffering from the spread of the new Coronavirus (Covid-19). The necessary preventive measures adopted to limit spread of the virus have caused severe economic consequences at international and local levels. Government entities were prompted to take unprecedented measures, including resorting to total and partial curfews, in addition to full closure of several economic, commercial and banking activities, which impacted all individual and corporate customers. However, with the grace of Allah Almighty and in continuation of the Company's rational policy in managing risks and facing crises, in addition to the challenges imposed by the emerging Coronavirus (Covid-19) pandemic, Ci-Net has applied practical measures to ensure the continuity of its business without interruption and the provision of services to all its subscribers and customers without resorting to unprecedented financial allocations, in light of the hard-to-determine accelerating events that were taking place back then. That is how the Company has maintained its business volume growth rates.

Covid-19 has also highlighted the importance of digital services, which represented a great challenge to the majority of banks and companies. However, that matter was different for us. Thanks to Allah Almighty and to the Company's insightful vision, we succeeded in providing our services to all customers, despite these circumstances,

electronically in user-friendly ways. This is exactly the goal we aspire to achieve; namely to focus and accelerate the implementation of Ci-Net Digital Transformation Strategic Plan, which has become the main pillar in the strategy of diversification and expansion in the provision of credit reporting and credit rating services.

At the outset of the year 2020, Ci-Net adopted a new strategic direction that will pave the way towards enhancing the efficiency of its work and its performance levels, thus achieving the desired results in accordance with the directives of the Central Bank of Kuwait. In cooperation and coordination with major companies and specialized advisory bodies, our Board of Directors has prepared and designed a clear and specific strategic transformation plan that aims at facing the challenges and opportunities the future holds and benefitting from the technical development witnessed in the banking and financial field, with a view to develop the Company's business model over the medium term (3 - 5) years. The strategy also addresses the new services action plan that shall be proposed within the framework of implementing that strategy with the aim of enabling the Credit Information Network Company to provide better services to individuals and institutions operating in the State of Kuwait, in addition to increasing the capabilities of Ci-Net to be qualified to perform its business that focuses on providing value-added services to the financial and banking sector in Kuwait. The Company's objective is to contribute to enhancing the credit system with a high degree of commitment, through using modern technological

tools in innovative manner, stemming from its full belief that digital technologies have become an essential part of the strategy of all companies operating in banking and financial sectors, as they all fully adopt digital aspects in their business and services, which helped the Company to continue providing its services to subscribers and customers electronically.

The events that took place during the fiscal year 2019/2020 have accelerated the pace of change in service provision. The emergence of Coronavirus (COVID19) pandemic has brought about major changes in the way customers would like to deal through, creating a need to implement innovative solutions in a short time to continue meeting customers' needs. Ci-Net's innovation culture has helped us counter the widespread impact of the epidemic by using cutting-edge technologies.

## Outlook for 2021:

During the year 2021, Ci-Net shall continue to focus all its efforts on implementing the purposes for which the Company has been established and its strategic directions have been set, according to the Board's vision in this regard, in a technological and advanced way. The Company shall also continue to study a number of strategic initiatives and services with a view to draw a roadmap for the scope of services and the implementation plan to improve the current services and products. Ci-Net also intends to devote all its efforts to providing the subscribers, individuals or companies, with services related to credit information that will enhance the banking and financial community in the State of Kuwait in terms of efficiency and productivity, in addition to including other sectors, such as telecommunications companies, insurance companies and any other entities that have credit information. The Company is also keen to provide its services in a manner that provides added value to all subscribers in its network and shall develop its systems and business in a way that reflects its desire to add a new dimension to its mission; namely to achieve the desired goal of developing awareness and credit culture for all citizens and residents in the State of Kuwait.

In conclusion, I would like to sincerely thank the distinguished Chairman and members of the Company's Board of Directors for their generous support that contributes to Ci-Net's advancement towards a higher level of growth and success. I would also like to thank the Executive Management and all the Company's employees for their strenuous efforts and hard work in achieving success during the elapsed fiscal year despite the difficulties and challenges we have gone through. My sincere thanks and appreciation are also extended to all the officials in the Central Bank of Kuwait for their permanent support, as well as to all our honorable shareholders and all the relevant parties for their understanding and trust. We are confident that our continued efforts will prove our strength and shall have a positive impact in providing long-term sustainable value to all of our valued shareholders.



## Member of the board



Mr. Anwar Badr Mohammad Alghalith  
Chairman of the Board  
Central Bank Of Kuwait



Mrs. Jehad Saud Abdulaziz Alhumaidhi  
Deputy Chairperson  
Ahli United Bank



Mr. Mohamed Youssef Al-Kharafi  
Board Member  
National Bank Of Kuwait



Mr. Muhammad Badr Al-Qattan  
Board Member  
Gulf Bank



Mr. Khalid Jassim Al-Subalei  
Board Member  
Kuwait Finance House



Mr. Talal Badr Al-Bahr  
Board Member  
Arzan Financial Group



Mr. Nasser Ali Al-Obaid  
Board Member  
Wared Lease And Investing Co.

# ACHIEVEMENTS

## Operational Achievements:

### Key Operational Achievements During the Fiscal Year Ending 30/09/2020

1. Commercial credit facilities portfolio inquiry system has been launched in Ci-Net automated system.
2. Launching the fraud reporting system to obtain credit facilities from banks and companies (documents under auditing process) in Ci-Net's automated system (Silver Blade), in accordance with the requirements of the Central Bank of Kuwait.
3. Launching Ci-Net's new website and e-services portal ([www.Cinet.com.kw](http://www.Cinet.com.kw)), through which customers will be able to register on the Company's electronic services portal (Ci-Net E-Portal) to take advantage of the various electronic services provided thereto.
4. Completing the procedures for launching Ci-Net smartphones application for operating systems iOS and Android.
5. Launching interactive screens platform in Ci-Net automated system (Interactive Module), which provides a set of statistical and credit information and data for each subscriber separately, by displaying such information and data on digital screens accurately and in real time for use by the participants and competent authorities.
6. Finalizing the procedures for developing Ci-Net's information technology infrastructure were completed according to the best international standards, as well as the procedures for transferring the main and reserve system servers to new and developed sites, in accordance with the requirements of information security and safety.
7. Developing a Data Center according to the best technologies and international specifications, supported by the latest digital solutions to improve business performance and raise the level of productivity, as well as to manage crises and protect the privacy, security and confidentiality of information and data.
8. Developing the Subscribers Services Unit (IT Help Desk) through the use of the best technical programs that enhance the quality and efficiency of the services provided with the required accuracy and speed.
9. Completing the project of installing information security and confidentiality system specialized in the management of related mobile communication devices and computers, enabling all of the Company's staff to have secure remote access to the Company's devices, as well as the completion of the project of installing the latest information and data security and confidentiality systems specialized in information and data bases management solutions.
10. Developing and activating business continuity and disaster recovery plans, in addition to setting standards and controls to improve the related outcomes, in addition to holding continuous workshops and training for Company employees on how to deal with business continuity and disaster recovery procedures, including practical exercises to simulate crisis management according to realistic scenarios.

11. Completing the procedures for renewing ISO 27001-2013 Quality Certificate and applying its technical and security requirements.
12. As part of the Company's efforts to enhance and increase the number of competencies and national cadres working in the Company, the percentage of national workers in Ci-Net increased to 32% of the total workforce as on 30 September 2020.
13. Ci-Net continued to provide its services to subscribers during the total and partial curfew periods, which accompanied the repercussions of the spread of the new Coronavirus, along with following the guidelines and instructions of the competent authorities in the State of Kuwait. Ci-Net has provided all its services efficiently without interruption, which contributed to the subscribers providing their services to all citizens and residents, as required.

## Business Volume Development Statistics

Total number of subscribers	Ci-Net Automated System total number of users
80 Subscribers	3973 Users

## Portfolio of consumer and housing loans and credit cards "individuals"

Number of consumer and housing loan and credit cards "individuals" portfolio accounts	Number of automatic inquiries about individual customers in the consumer and housing loans and credit cards portfolio	Number of credit information reports for individual customers (customers' inquiry about themselves)
9,598,639 Accounts	659,618 queries	3539 individual credit report
Total number of consumer and housing loans accounts and new credit cards for individuals.	Total number of individual data for individual customers in the portfolio of consumer loans, housing loans and credit cards	Total monetary value granted to "individual" customers' credit accounts
307,259 Accounts	1,536,050 individuals	KD 3,267,276,502/-



## Portfolio of commercial credit Facilities

Total number of accounts for the commercial credit facilities portfolio	Number of automated inquiries about customers of the commercial credit facilities portfolio	Total number of credit information reports for customers of commercial credit facilities portfolio (customer queries about themselves)
285,673 Accounts	3728 queries	61 Commercial credit report
Number of commercial credit portfolio customers	Total value of cash credit facilities granted for commercial purposes (for open accounts only).	
40,784 Borrowers	KD 32,532,281,501/-	

## Business Volume Development Statistics Comparison

Label	Previous Year	Current Year	Growth Percentage
Total number of subscribers	65 Subscribers	80 Subscribers	23.1%
Ci-Net Automated System total number of users	3622 Users	3973 Users	9.7%
Number of consumer and housing loan and credit cards «individuals» portfolio accounts	9,176,381 Accounts	9,598,639 Accounts	4.6%
Number of automatic inquiries about individual customers in the consumer and housing loans and credit cards portfolio	1,040,749 queries	659,618 queries	-36.6%
Number of credit information reports for individual customers (customers' inquiry about themselves)	4972 individual credit report	3539 individual credit report	- 28.8 %
Total number of consumer and housing loans accounts and new credit cards for individuals	516,267 Accounts	307,259 Accounts	- 40.5 %
Total number of individual data for individual customers in the portfolio of consumer loans, housing loans and credit cards	1,491,611 individuals	1,536,050 individuals	3 %
Total monetary value granted to «individual» customers' credit accounts	KD 4,209,807,724 / -	KD 3,267,276,502 / -	- 22.4 %

## Financial Results During The Fiscal Year Ending 30/09/2020

Total Assets of the Company

KD 15,112,292/-

Total Cash Revenue

KD 2,705,433/-

Total Net Profits

KD 977,069/-

Total shareholder equity

KD 14,459,817/-

## Financial Results During The Fiscal Year Ending 30/09/2020 Comparison

Label	Previous Year	Current Year	Growth Percentage
Total Assets of the Company	KD 14,309,288/-	KD 15,112,292/-	5.6%
Total Cash Revenue	KD 2,930,677/-	KD 2,705,433/-	-7.7%
Total Net Profits	KD 1,571,300/-	KD 977,069/-	-37.8%
Total shareholder equity	KD 13,759,748/-	KD 14,459,817/-	5.1%

## Growth Rates Over the Past Five Years

<b>2020</b>	Return on Assets – ROA: 6.2% Return on Equity - ROE: 6.5%
<b>2019</b>	Return on Assets – ROA: 11.3% Return on Equity - ROE: 11.6%
<b>2018</b>	Return on Assets – ROA: 10.9% Return on Equity - ROE: 11.3%
<b>2017</b>	Return on Assets – ROA: 11.0% Return on Equity - ROE: 11.4%
<b>2016</b>	Return on Assets – ROA: 11.0% Return on Equity - ROE: 11.6%

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.

# WHAT MAKES US DIFFERENT

## 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 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 their negative status, whether he/she 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.

## Information Safety and Confidentiality Criteria

The Credit Information Network Company (Ci-Net) offers to the confidentiality of information in general and the clients' information in particular utmost attention and a constant follow up, by providing one of the most significant databases to clients in the State of Kuwait, which comprises their credit history, mechanisms and patterns of payment. Therefore, it is significant that such information and data remain confidential, preventing any person or entity whose work is not connected with granting or taking credit decision for clients from accessing the data.

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:

- Ci-Net is firmly committed to maintaining confidentiality and privacy standards by applying the highest protection standards in this regard and which can be provided and developed continuously in accordance with the Company's capabilities within the applicable legal frameworks.
- The obligation not to share customer credit information with any third party that is not authorized or permitted to access them.
- Ci-Net does not publish customer's private information or allow any unauthorized party or person to access its automated system to view such data.
- 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:

- Training courses for the entry of new subscribers in the credit information network (free)
- Training courses on the method of inquiry and reading credit reports
- Courses and workshops on the improvements entered in the Ci-Net computer system
- Workshops on the establishment of credit database to the commercial loans portfolio in the CI-Net computer system
- Training courses according to the demand of banks and financial institutions
- Courses for solving problems which emerge in the computerized system work mechanism of the Ci-Net
- 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 in the coming years





## **FINANCIAL STATEMENTS**

Financial Statement (Full)	29
Statement of financial position	32
Statement of profit or loss & other comprehensive income	33
Statement of changes in equity	34
Statement of cash flow	35
Notes of financial statement	36





KPMG Safi Al-Mutawa & Partners  
Al Hamra Tower, 25<sup>th</sup> floor  
Abdulaziz Al Saqer 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 2020, 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 2020, 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, an inventory count was carried out in accordance with recognised 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, as amended during the year ended 30 September 2020 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 : 18 February 2021




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




**Statement of financial position**  
*as at 30 September 2020*

	Notes	2020 KD	2019 KD
<b>Assets</b>			
Equipment and work in progress	4	329,081	75,941
Intangible assets	5	99,722	109,326
Right-of-use assets	2 (e)	97,929	-
<b>Non-current assets</b>		<u>526,732</u>	<u>185,267</u>
Trade and other receivables	6	638,690	514,210
Cash and bank balances	7	13,946,870	13,609,811
<b>Current assets</b>		<u>14,585,560</u>	<u>14,124,021</u>
<b>Total assets</b>		<u>15,112,292</u>	<u>14,309,288</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	1,786,873	1,687,139
Retained earnings		9,252,944	8,652,609
<b>Total equity</b>		<u>14,459,817</u>	<u>13,759,748</u>
<b>Liabilities</b>			
Provision for employees' end of service benefits	9	204,824	172,088
<b>Non-current liability</b>		<u>204,824</u>	<u>172,088</u>
Trade and other payables	10	355,809	377,452
Lease liabilities	2 (e)	91,842	-
<b>Current liabilities</b>		<u>447,651</u>	<u>377,452</u>
<b>Total liabilities</b>		<u>652,475</u>	<u>549,540</u>
<b>Total equity and liabilities</b>		<u>15,112,292</u>	<u>14,309,288</u>

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

  
 Fahad Mohammad Al Menayes  
 Chief Executive Officer

  
 Anwar Bader AlGhaith  
 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 2020*



	Note	2020 KD	2019 KD
<b>Revenue</b>			
Service charges		2,247,874	2,549,686
Murabaha income		449,039	366,403
Other income		8,520	14,588
		<u>2,705,433</u>	<u>2,930,677</u>
<b>Expenses</b>			
Staff costs		(732,359)	(599,364)
Office rent		-	(102,240)
Communication and IT expenditure		(37,849)	(43,250)
External database access charges		(2,605)	44,411
Consultancy and professional fees		(429,550)	(55,156)
Depreciation and amortisation	2 (e), 4&5	(199,725)	(295,171)
Support and license fee		(194,172)	(182,521)
Other administrative expenses		(111,830)	(93,634)
		<u>(1,708,090)</u>	<u>(1,326,925)</u>
<b>Profit before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), Zakat and Board of Directors' remuneration</b>		997,343	1,603,752
Contribution to KFAS		(9,973)	(16,038)
Zakat		(10,301)	(16,414)
Board of Directors' remuneration	12	(49,000)	(49,000)
<b>Profit for the year</b>		<u>928,069</u>	<u>1,522,300</u>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<u>928,069</u>	<u>1,522,300</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 changes in equity**  
**for the year ended 30 September 2020**

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Retained earnings KD	Total equity KD
<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 (note 12)	-	-	-	(228,000)	(228,000)
Transfer to reserve (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>
<b>Balance at 1 October 2019</b>	2,280,000	1,140,000	1,687,139	8,652,609	13,759,748
Profit and total comprehensive income for the year	-	-	-	928,069	928,069
Dividend (note 12)	-	-	-	(228,000)	(228,000)
Transfer to reserve (note 8)	-	-	99,734	(99,734)	-
<b>Balance at 30 September 2020</b>	<u>2,280,000</u>	<u>1,140,000</u>	<u>1,786,873</u>	<u>9,252,944</u>	<u>14,459,817</u>

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

**Statement of cash flows**  
*for the year ended 30 September 2020*

	Notes	2020 KD	2019 KD
<b>Cash flows from operating activities</b>			
Profit for the year		928,069	1,522,300
<i>Adjustments for:</i>			
Depreciation of equipment and work in progress	4	30,323	47,495
Depreciation of right-of-use assets	2 (e)	97,930	-
Amortisation of intangible assets	5	71,472	247,676
Equipment and work in progress written off	4	1	61
Finance costs	6	6,743	-
Provision for KFAS and Zakat		20,274	32,452
Provision for employees' end of service benefits	9	45,538	37,675
Rent concessions included in 'Other income'	2 (e)	(8,520)	-
		<u>1,191,830</u>	<u>1,887,659</u>
<i>Changes in operating assets and liabilities:</i>			
- Trade and other receivables		(124,480)	(180,878)
- Trade and other payables		(41,917)	10,681
<i>Cash flows generated from operations</i>			
Payment of employees' end of service benefits	9	<u>(12,802)</u>	<u>-</u>
<i>Net cash flows generated from operating activities</i>		<u>1,012,631</u>	<u>1,717,462</u>
<b>Cash flows from investing activities</b>			
Murabaha placements with original maturity of more than three months		4,600,000	(1,200,000)
Additions to equipment and work in progress	4	(283,932)	(51,703)
Additions to intangible assets	5	(61,400)	(28,395)
<i>Net cash flows from/(used in) investing activities</i>		<u>4,254,668</u>	<u>(1,280,098)</u>
<b>Cash flows from financing activities</b>			
Dividend paid	12	(228,000)	(228,000)
Payment of lease liabilities	2 (e)	(102,240)	-
<i>Net cash flows used in financing activities</i>		<u>(330,240)</u>	<u>(228,000)</u>
<b>Net change in cash and cash equivalents</b>		4,937,059	209,364
Cash and cash equivalents at beginning of the year		508,586	299,222
<b>Cash and cash equivalents at end of the year</b>	7	<u>5,445,645</u>	<u>508,586</u>

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



**Notes to the financial statements**  
*for the year ended 30 September 2020*

---

**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:

- 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, authorised users and customers of natural or legal persons authorised 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 organisations and authorise 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 postal address of the Company's 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 5 November 2020. The shareholders of the Company have the power to amend these financial statements after issue at the annual general assembly ("AGM").



**Notes to the financial statements**  
*for the year ended 30 September 2020*

---

**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 or amortised 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

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Information about judgments, assumptions and estimation uncertainties that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 2(e) - Determining the lease term of contracts with renewal and termination options
- Note 2(e) - Estimating the incremental borrowing rate
- Note 3(a) - Useful lives of equipment and work in progress
- Note 3(b) - Useful lives of intangible assets
- Note 3(e) - Measurement of allowance for ECL on trade receivables.

e) Changes in accounting policy

The Company has applied IFRS 16, *Leases* from 1 October 2019. The standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises 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 recognition exemptions for short-term leases and leases of low-value items.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. As such, there is no impact as the Company is not a lessor.

**Notes to the financial statements**  
*for the year ended 30 September 2020*

The Company has applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

*a) Definition of lease*

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. The Company now assesses whether a contract is or contains a lease based on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

*b) As a lessee*

The Company's lease arrangement primarily represents the leased office space.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for its leases – i.e. these leases are on-balance sheet.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost and subsequently at cost less any accumulated depreciation and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the profit rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company cannot readily determine the profit rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of profit that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available.

The lease liability is subsequently increased by the finance cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in rate or a change in the estimate of the amount expected to be payable, or as appropriate, changes in the assessment of whether an extension option is reasonably certain to be exercised or termination option is reasonably certain not to be exercised.

The Company has applied judgement to determine the lease term for some lease contracts that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.



**Notes to the financial statements**  
*for the year ended 30 September 2020*

The Company has early adopted *COVID-19-Related Rent Concessions – Amendments to IFRS 16* issued on 28 May 2020. The amendment introduces an optional practical expedient for leases in which the Company is a lessee – i.e. for leases to which the Company applies practical expedient, the Company is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. The amendment has no impact on the retained earnings at 1 October 2019.

*c) As a lessor*

There is no impact as the Company is not a lessor.

*d) Transition*

The Company has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019 therefore, the comparative information has not been restated. Under this method, the lease liabilities and right-of-use assets are both recorded at the present value of future lease payments, thus no impact is recorded in the retained earnings as at 1 October 2019.

*e) Impact on financial statements*

*Impact on transition*

On transition to IFRS 16, the Company recognised additional right-of-use assets, less any prepayments plus any accruals relating to those additional rights and recognised additional lease liabilities. The impact on transition is summarised below:

The effect of adoption of IFRS 16 as at 1 October 2019 is as follows:

	<b>KD</b>
<b>Assets</b>	
Right-of-use assets	209,491
Prepayments	(13,632)
<b>Total assets</b>	<u>195,859</u>
<b>Liabilities</b>	<b>KD</b>
Lease liabilities	<u>195,859</u>

Set out below are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movement during the period:

	<b>Right-of- use assets KD</b>	<b>Lease Liabilities KD</b>
<b>As at 1 October 2019</b>	195,859	195,859
Depreciation expense	(97,930)	-
Finance cost	-	6,743
Lease payments during the period	-	(102,240)
Rent concessions	-	(8,520)
<b>As at 30 September 2020</b>	<u>97,929</u>	<u>91,842</u>

Notes to the financial statements  
for the year ended 30 September 2020

The following amounts have been recognised in the statement of profit or loss and other comprehensive income:

	KD
Depreciation of right-of-use assets	(97,930)
Finance cost on lease liabilities	(6,743)
Rent concessions included in other income	8,520

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

f) Standards and interpretations issued but not yet effective

A number of new standards and interpretations are effective for annual periods beginning after 1 October 2019 and earlier application is permitted, however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8); and
- IFRS 17, *Insurance Contracts*

3. **Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements with exception for the new accounting policy as stated in note 2 (e).

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 recognised in the statement of profit or loss and other comprehensive income.

ii. *Subsequent expenditure*

Subsequent expenditure is capitalised 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.



Notes to the financial statements  
for the year ended 30 September 2020

Depreciation is recognised 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 asset. 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 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.

*Leases accounting policies applied from 1 October 2019*

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 asset representing the right to use the underlying assets.

**Notes to the financial statements**  
*for the year ended 30 September 2020*

*Right-of-use asset*

The Company recognises 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 asset 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 asset 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 asset are depreciated on a straight-line basis over the shorter of the lease term and estimated life of the asset. Right-of-use asset 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.

*COVID-19 related rent concessions*

The Company has applied *COVID-19-Related Rent Concessions – Amendments to IFRS 16*. The Company applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Company applies the practical expedient to contracts with similar characteristics and in similar circumstances.

The Company has applied the practical expedient for *COVID-19-related rent concessions* to eligible rent concessions relating to its leased office space. The Company has recorded the amount to reflect changes in lease payments arising from rent concessions to which the Company has applied the practical expedient in its statement of profit or loss and other comprehensive income.



**Notes to the financial statements**  
*for the year ended 30 September 2020*

*Leases accounting policies applied before 1 October 2019*

A lease is classified at the inception date as a finance lease or an operating lease. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. Leases that do not transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

e) Financial instruments

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")

*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

**Notes to the financial statements**  
*for the year ended 30 September 2020*

- 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 cash equivalents.

*Trade receivables*

Trade receivables arising from the activities of the Company will continue to be recognised on amortised cost as the management has concluded that these are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and profit. The Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for measurement under the amortised cost method. Accordingly, there is no change in the classification of these instruments.

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.



**Notes to the financial statements**  
*for the year ended 30 September 2020*

---

*Cash and cash equivalents*

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, bank balances and Murabaha placements with original maturities of less than three months.

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

*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.

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 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.

*Off-setting*

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.

**Notes to the financial statements**  
*for the year ended 30 September 2020*

*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) Provision for employees' end of service benefits**

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 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 2020*

---

g) Provisions

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 recognised 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.

*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) Government grants

Government grants that compensate the Company for expenses incurred are recognised in statement of profit or loss and other comprehensive income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case the grant is recognised when it becomes receivable.

j) 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.

k) 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.

Notes to the financial statements  
for the year ended 30 September 2020

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 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
Additions	19,851	9,422	254,659	283,932
Transfers	17,152	-	(17,152)	-
Transfer to intangible assets (note 5)	-	-	(468)	(468)
Write off	-	(1)	-	(1)
Balance at 30 September 2020	575,665	86,500	271,909	934,074
<b>Accumulated depreciation</b>				
Balance at 1 October 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
Charge for the year	24,934	5,389	-	30,323
Balance at 30 September 2020	537,881	67,112	-	604,993
<b>Carrying amount</b>				
Balance at 30 September 2019	25,715	15,356	34,870	75,941
Balance at 30 September 2020	37,784	19,388	271,909	329,081

5. Intangible assets

	2020 KD	2019 KD
<b>Cost</b>		
Balance as at 1 October	1,831,857	1,798,790
Additions	61,400	28,395
Transfer from work in progress (note 4)	468	4,672
Balance as at 30 September	1,893,725	1,831,857
<b>Accumulated amortisation</b>		
Balance as at 1 October	1,722,531	1,474,855
Charge for the year	71,472	247,676
Balance as at 30 September	1,794,003	1,722,531
<b>Carrying amount</b>	99,722	109,326

**6. Trade and other receivables**

	<b>2020</b>	<b>2019</b>
	<b>KD</b>	<b>KD</b>
Trade receivables	370,095	258,572
Allowance for expected credit losses	<u>(30,000)</u>	<u>(30,000)</u>
	340,095	228,572
Profit receivable on Murabaha placements	235,339	211,170
Prepayments and other receivables	<u>63,256</u>	<u>74,468</u>
	<u>638,690</u>	<u>514,210</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 2020, trade receivables of KD 227,916 (2019: KD 215,196) were fully performing.

Included in the Company's trade receivables balance are debtors with carrying amount of KD 48,849, KD 78,870 and KD 14,460 (2019: KD 39,375 and KD 4,001) which are past due at the reporting date and aged between 15 to 30 days, 31 to 180 days and 181 to 365 days (2019: 15 to 30 days and 31 to 180 days), respectively. An amount of KD 76,647 pertaining to past due amounts has been collected subsequent to reporting date.

The management believes that the allowance for expected credit losses amounting to KD 30,000 (2019: KD 30,000) is adequate as at the reporting date.

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

**7. Cash and bank balances**

	<b>2020</b>	<b>2019</b>
	<b>KD</b>	<b>KD</b>
Cash on hand	65	184
Bank balances	246,805	509,627
Murabaha placements with Islamic banks	<u>13,700,000</u>	<u>13,100,000</u>
Cash and bank balances	13,946,870	13,609,811
Restricted balance with Boubyan Bank	(1,225)	(1,225)
Murabaha placements with original maturities of more than three months	<u>(8,500,000)</u>	<u>(13,100,000)</u>
Cash and cash equivalents in the statement of cash flows	<u>5,445,645</u>	<u>508,586</u>

Murabaha placements carry profit rate ranging from 1.3250% to 3.500% (30 September 2019: from 3% to 3.625%) and are made for varying periods ranging from 3 months upto 12 months.

**8. Equity**

*Share capital*

The Company's authorised, issued and paid up share capital comprises 22,800,000 shares of 100 fils each (2019: 22,800,000 shares of 100 fils each), fully paid in cash.



**Notes to the financial statements**  
*for the year ended 30 September 2020*

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 increase in authorised share capital is subject to 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, 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 not transferred profit for the year 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.

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

	<b>2020</b>	<b>2019</b>
	<b>KD</b>	<b>KD</b>
Balance at 1 October	172,088	134,413
Provision made during the year	45,538	37,675
Payments during the year	(12,802)	-
Balance at 30 September	<u>204,824</u>	<u>172,088</u>

**10. Trade and other payables**

	<b>2020</b>	<b>2019</b>
	<b>KD</b>	<b>KD</b>
Trade payables	78,959	50,067
Accruals and provisions	273,249	327,385
Deferred income	3,601	-
	<u>355,809</u>	<u>377,452</u>

**Notes to the financial statements**  
*for the year ended 30 September 2020*

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

	2020 KD	2019 KD
Kuwaiti Dinar	342,853	364,792
US Dollar	8,600	8,538
Pound Sterling	4,356	4,122
	<u>355,809</u>	<u>377,452</u>

**11. Related party transactions**

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

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

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

Significant related party transactions and balances are as follows:

	2020 KD	2019 KD
<b>Related parties transactions</b>		
<i>Transactions with shareholders of the Company</i>		
Service charges	1,864,701	2,003,546
Murabaha income	177,532	357,552
<b>Key management remuneration</b>		
Salaries and short term benefits	272,655	191,363
End of service benefits	12,901	9,016
Board of Directors' remuneration	105,000	77,000
	<b>2020 KD</b>	<b>2019 KD</b>
<b>Related parties balances</b>		
<i>Balances with shareholders of the Company</i>		
Trade receivables	259,370	174,149
Profit receivable on Murabaha placements	177,532	202,301
Murabaha placements	11,300,000	9,600,000
Bank balances	245,123	509,627

## **12. Annual General Meeting**

At the Annual General Meeting ("AGM") held on 19 February 2020, the shareholders approved the Board of Director's recommendation to distribute cash dividend of 10 fils per share amounting to KD 228,000 for the year 2019 (2018: 10 fils per share amounting to KD 228,000) to shareholders registered in the register of shareholders as of the date of the AGM.

The Annual General Meeting of the shareholders, held on 19 February 2020, approved the annual audited financial statements of the Company for the year ended 30 September 2019.

## **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 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:

	<b>2020</b>	<b>2019</b>
	<b>KD</b>	<b>KD</b>
Trade receivables	340,095	228,572
Refundable deposits	13,632	13,632
Profit receivable on Murabaha placements	235,340	211,170
Murabaha placements	13,700,000	13,100,000
Bank balances	246,805	509,627
	<u>14,535,872</u>	<u>14,063,001</u>



**Notes to the financial statements**  
*for the year ended 30 September 2020*

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.

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 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 2020, the Company's major exposure relates to US Dollar and Pound Sterling amounting to KD 12,956 (2019: KD 12,660). 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 2020 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.

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.

**Notes to the financial statements**  
*for the year ended 30 September 2020*

---

**14. 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.

**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.

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.

**16. Contingent liabilities and commitments**

The Company is committed to incur capital expenditure of KD 566,313 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 equipments (2019: KD 12,088 relating to purchase of security appliance, document management system, software upgrade and robotic system for checking consent forms ).

There are no contingent liabilities for the year ended 30 September 2020 (2019: nil).

**17. Comparative information**

During the year, the Company identified certain Murabaha placements with original maturities of more than three months that were classified as cash and cash equivalents in the statement of cash flows for the year ended 30 September 2019. Accordingly, during the current year, the management has reclassified these Murabaha placements with original maturities of more than three months in the statement of cash flows for the year ended 30 September 2019. This reclassification does not have any effect on statement of profit or loss and other comprehensive income, statement of financial position or retained earnings as at 30 September 2019.



The effect of this reclassification is summarised as follows:

30 September 2019	Impact of reclassification		
	As previously reported KD	Reclassification KD	After reclassification KD
<b>Cash flows from investing activities</b>			
Murabaha placements with original maturity of more than three months	(1,500,000)	300,000	(1,200,000)
<i>Net cash used in investing activities</i>	(1,580,098)	300,000	(1,280,098)
<b>Cash and cash equivalents at beginning of the year</b>	6,799,222	(6,500,000)	299,222
<b>Cash and cash equivalents at end of the year</b>	6,708,586	(6,200,000)	508,586

#### 18. COVID-19

On 11 March 2020, the World Health Organisation characterised the outbreak of COVID-19 as a global pandemic and recommended containment and mitigation measures. Since then, extraordinary actions have been taken by the State of Kuwait to contain and combat the outbreak and spread of COVID-19. These actions include travel bans, quarantines, "stay-at-home" orders, and similar mandates for many individuals to substantially restrict daily activities and for many businesses to curtail or cease normal operations. Whilst the restrictions are easing it remains unclear when the COVID-19 pandemic will abate.

Given that result of Company's operations are strongly correlated with overall economic activities, which have seen significant deterioration resulting in an adverse effect on the Company's statement of profit or loss and other comprehensive income. The current known impact of COVID-19 on the Company is a decline in the income from service charges during the year compared to 2019 by 12% due to government measures taken to temporarily limit the normal business operations.

The Board of Directors continue to monitor the situation and its impact on the Company's operation and financial position. As at the reporting date, the Board of Directors and management does not expect that the impact of COVID-19 will result in a material uncertainty in the Company's business.

#### 19. Subsequent events

On 5 November 2020, the Board of Directors proposed a cash dividend of 10 fils (2019:10 fils) per share amounting to KD 228,000 for the year ended 30 September 2020 which is subject to the approval of shareholders at the Annual General Meeting.

03/11/2020

**Final report of the Sharia Supervisory Committee  
For the financial period of 01/10/2019 to 30/09/2020**

**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 01/10/2019 to 30/09/2020 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.

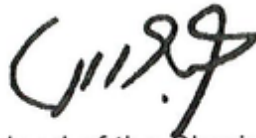
**Second: Decisions of the Sharia Supervisory Committee**

The Sharia Supervisory Committee of the Company responded to all the company's inquiries and issued 20 decisions.

**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 01/10/2019 to 30/09/2020 were made entirely in accordance with the provisions of the Islamic Sharia.



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

# SHAREHOLDERS AND SUBSCRIBERS

## List of the Company's key shareholders

Shareholder	Amount	Shares
Central Bank of Kuwait	2,800,000	12.28 %
National Bank of Kuwait	1,972,000	8.65 %
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	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 %
Osoul Leasing and Finance Company	800,000	3.51 %
A'ayan Leasing & Investment Company	800,000	3.51 %
YAAS Installments Company	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

### Conventional, Islamic and Foreign Banks

- National Bank of Kuwait
- Kuwait Finance House
- Al Ahli Bank of Kuwait
- Commercial Bank of Kuwait
- Kuwait International Bank
- Industrial Bank of Kuwait
- Ahli United Bank
- Bank of Bahrain & Kuwait
- Qatar National Bank
- First Abu Dhabi Bank
- Union National Bank
- Gulf Bank of Kuwait
- Burgan Bank
- Boubayan Bank
- Warba Bank
- Bank Muscat
- Doha Bank
- Mashreq Bank
- Al Rajhi Bank
- Citibank N.A
- BNP Paribas Bank
- Industrial and Commercial Bank of China Limited
- HSBC Bank Middle East Limited



## Investment & Financing Companies Under the Supervision of the CBK

- Commercial Facilities Company
- Al Manar Financing & Leasing Co. K.S.C.C
- Arzan Financial Group for Financing & Investment
- Kuwait Finance and Investment Company
- Al Mulla International Finance Co. KSCC
- UniCap Investment and Finance Company
- AlSoor Financing and Leasing Co.
- Kuwait Financial Centre «Markaz»
- Noor Financial Investment Company
- Arab Investment Company
- KAMCO Investment Company
- Asiya Capital Investments Company
- Kuwait & Middle East Financial Investment Company
- Al Madar Finance & Investment Company
- Al Riyadh Finance & Investment Co. K.S.C
- Al Safat Investment Company
- Amwal International Investment Company K.S.C.P.
- Anan Real Estate Finance Company
- Aref Investment Group
- Dimah Capital Investment Company
- First Investment Company
- Kuwait Investment Company
- Kuwait Pillars for Financial Investment Company
- Securities Group Company
- Massaleh Investments Company
- Tharwa Investment Company
- Aayan Leasing and Investment Company
- Alamana Finance Company K.S.C Closed
- Amar Finance & Leasing Company
- Osoul Investment Company
- Wared Lease & Finance Company
- Rasameel Investment Company
- National Leasing and Financing Company
- Al Imtiaz Investment Group Company



## Commercial Companies Under the Supervision of the MOCI

- Yusuf Ahmed Alghanim & Sons WLL
- Yaas Installments Credit Facilities Company
- Al Andalus Trading Company
- Tashelat Al Duwaliya Company
- Eureka Trading Co
- Easa Husain Al Yousifi & Sons General Trading & Contracting Company
- Al Zayani Trading Company
- Al Adan Real Estate Company
- Dakheel Al Jassar Electrical Industries Company
- Kuwait Automotive Imports Co. W.L.L.
- Electron Electronics Company
- Abyat Megastore
- Al Masila United Group for Car Rental
- Al Babtain Turnkey Solutions
- Abdulmohsen Abdulaziz Al Babtain Company
- Al Sayer Facilities General Trading & Contracting Company
- The Sultan Center Trading and General Contracting Company WLL
- KGL Car Rental Company W.L.L.
- Jarir International Central Market for Non Foodstuff Company
- Al Babtain Electronics Company
- Blink Gaming Gadgets Electronics Company
- First Equilease for Equipment & Transportation Company

## Semi-Governmental Institutions

- The National Fund for Small & Medium Enterprise Development

