

بنفت
benefit

Shaping the future of society for...

Annual Report 2022



TWENTY
FIVE
YEARS



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Scan the QR code to learn more
about our dedication to digital
transformation in Bahrain



www.benefit.bh



His Majesty
King Hamad bin Isa
Al Khalifa
The King of the
Kingdom of Bahrain



His Royal Highness
Prince Salman bin Hamad
Al Khalifa
The Crown Prince,
Deputy Supreme Commander
and Prime Minister



The banking and financial sector has seen radical transformation in the last twenty-five years. Along with changing trends in consumer lifestyles, and new developments in business practices, the sector has been greatly influenced by newer and more innovative technologies as well. The result has been an overhaul in the way business is conducted, and also, in the way it has impacted everyday life beyond recognition.

For a quarter of a century, the BENEFIT Company has been part of this technological revolution, and helped create powerful solutions for both consumers and enterprises — making life easier, smarter and more efficient as BENEFIT continues to be the **Pulse of Bahrain**



TWENTY
FIVE
YEARS

SETTING
THE

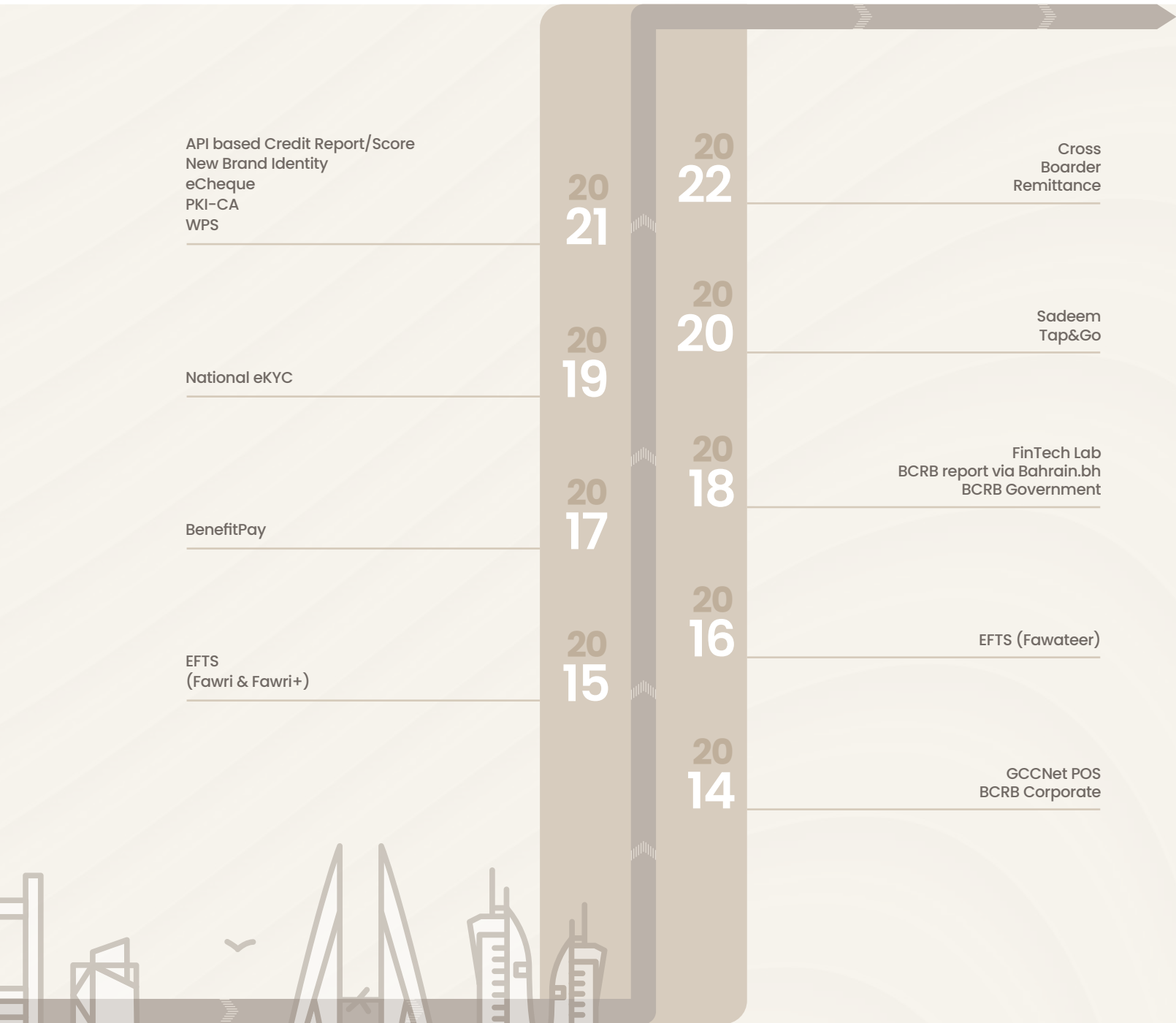
OF
LIFE

PULSES



Shaping the future of Bahrain for over 25 years





Vision, Mission and Value Proposition

Vision

To shape the future of society through innovative digital solutions.

Mission

With cutting-edge business and lifestyle solutions that are essential to everyday life, we inspire and energise individuals, institutions and society to unleash new opportunities.

Value Proposition

We offer trusted and innovative financial and information solutions that make life easier, smarter and more efficient for businesses and consumers

Corporate Profile

The BENEFIT Company celebrates twenty-five years of its operations as it marks its initial formation as the National ATM and Point of Sale Switch of Bahrain in November 1997 by 17 commercial banks. The Central Bank of Bahrain (CBB) issued the company with a license to be 'the provider of ancillary services for the financial sector,' and it was later that the Company expanded its reach to cover markets outside Bahrain. The BENEFIT Company's mandate was very simple – to improve, to enhance and to enable the local and regional financial industry to thrive on a global scale.

BENEFIT's range of services – supported by GCCNet in countries within the region – include operating of Automated Teller Machines (ATM), Point of Sale (POS), GCCNet, The GCCNet Dispute Management System, Bahrain Credit Reference Bureau (BCRB), Electronic Fund Transfer System (EFTS), Telecom Bill Payment (Tele BP), Payment Gateway (PG), Bahrain Cheque Truncation System (BCTS), BenefitPay as a national e-wallet across Bahrain, FinTech Lab, National eKYC, Sadeem, Tap&Go, eCheque, Public Key Infrastructure Certificate Authority (PKI-CA), Wage Protection Scheme (WPS) and Cross Border Remittance.

BENEFIT is administered by a Board of Directors representing important stakeholders besides the key shareholders. The company's paid-up capital is to the value of BD 3.1 million (US\$ 8.2 million approx.).

The original 17 shareholders have now become 11 because of mergers and acquisitions in the retail-banking sector.

National Bank of Bahrain
Bank of Bahrain and Kuwait
Ahli United Bank
Standard Chartered Bank
HSBC Bank Middle East Limited
Bahrain Islamic Bank
AlSalam Bank
Arab Bank
Future Bank
Habib Bank Limited
United Bank Limited

Growth Trends

BENEFIT remains on a growth trajectory as its suite of products and services continue making positive impact, delivering solutions and creating value for cross section of Bahrain's population, from banking and financial services organizations, to governmental ministries, public sector organizations, private companies and individual customers.



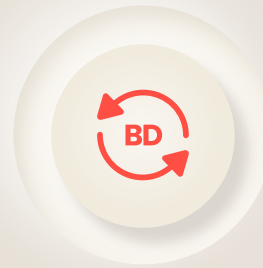
BenefitPay Transactions

253,000,000



Credit Reports

272,000



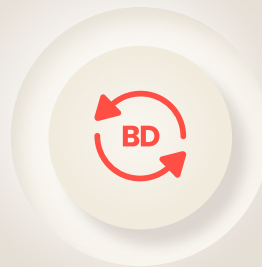
Total Value of EFTS (BD Billion)

BD 25.4B



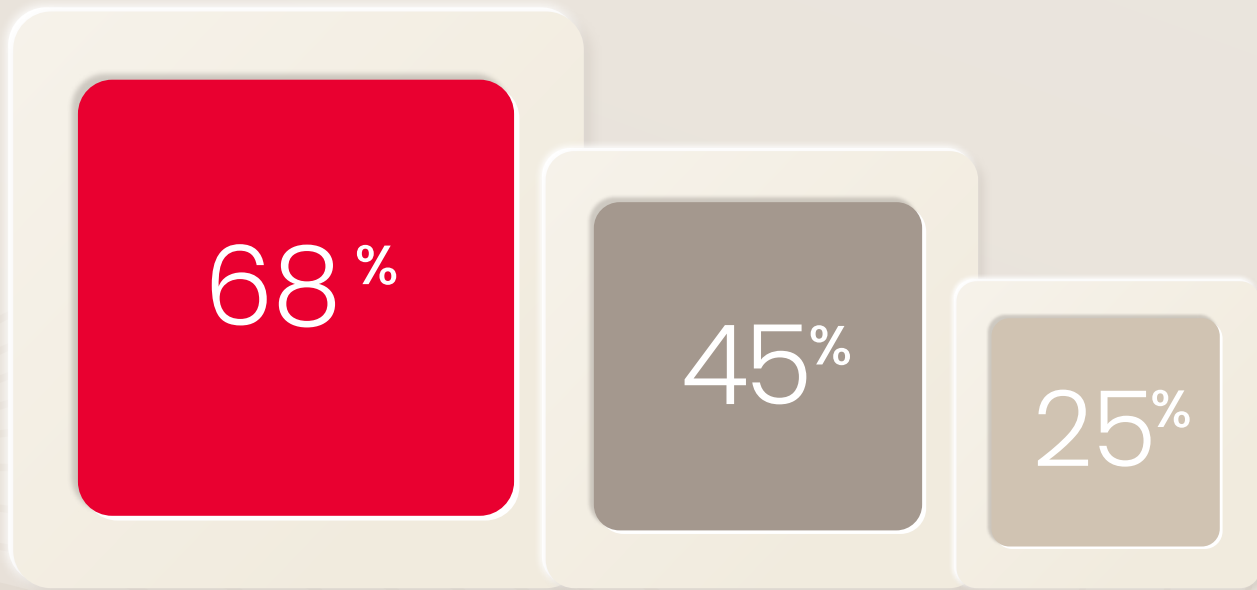
BenefitPay Registered Users

1,063,253



EFTS Transactions (BD Million)

BD 268M



Growth rate of EFTS
Volume of transactions

Growth number of
BenefitPay Registered
Users

Growth rate of Total
Value of EFTS across all
channels

Delivering cutting-edge business and lifestyle solutions for over 25 years

1997



Automated Teller Machine – ATM
Amongst the earliest initiatives undertaken by BENEFIT was to serve as the national switch whereby ATM terminals of 14 commercial banks based in Bahrain were connected enabling customers to be able to use any ATMs located nationwide



Point of Sale – POS
The next step in enhancing National ATM connectivity was to enable bank customers to be able to use their debit cards on majority of Point of Sale terminals located at major retail outlets across Bahrain.

2002



National Direct Debit
Another step taken to further enrich the deliverables for customers was to introduce the Direct Debit service that would automate the regular payment process for banks, merchants and customers.

1999



GCCNet
BENEFIT further improved upon the capabilities of its ATM service by connecting ATM users in Bahrain to the GCCNet. With this enhancement, account holders of commercial banks in Bahrain could use their ATMs in any of the GCC countries that are part of this network.



2005



Bahrain Credit Reference Bureau (BCRB)
The Bahrain Credit Reference Bureau helps financial institutions manage their risk by obtaining credit information and background of their customers. Possessing such critical information enables these institutions to make informed decisions before offering loans.

2001



Amex
American Express chose BENEFIT to be their preferred switch partner in the GCC. The advantage to Amex cardholders was that they would now be able to use ATM facilities in Bahrain, Kuwait, Qatar, United Arab Emirates and Oman.



Tele Bill Payment
BENEFIT reached an agreement with telecom companies in Bahrain to enable their customers to enjoy the ease and convenience of being able to make bill payments using their debit cards.



BENEFIT Payment Gateway The Best E-Commerce Solution for Businesses in Bahrain

BENEFIT's customizable Gateway ensures secure and real-time transactions as all payments go through our three-step security process. First, by checking for validity before encrypting transaction details, then ensuring they are sent to the correct destination before finally decrypting the responses which are sent back to the shopping cart/billing/account system.

2006



TWENTY FIVE YEARS



Chairman's Message

Twenty-five years is an important milestone in the history of any organization. It demonstrates strength and tenacity in the face of challenging circumstances, and also, shows how a shared vision can help sustain an enterprise through the decades.

Mohamed Ebrahim Albastaki
Chairman



Our main purpose as an organization is to enhance Bahrain's profile as a business friendly nation, and further strengthen its credentials as a regional financial centre.



Bahrainisation Rate

93%

Fawri+ transactions reached nearly 245 million in 2022, up

74%

Quite simply, it reveals that powerful organizations survive and thrive through the enduring power of trust and reliability, and it is these values that enable them to emerge as success stories.

For the BENEFIT Company, the last twenty-five years have been marked by a singleminded zeal to be a technological innovator and a solutions provider to set the agenda for change in the banking and financial services sector.

As the company celebrates a quarter century of operations, it is noteworthy that the history of the BENEFIT Company is closely aligned to the steps that the Kingdom has initiated in transforming the way financial transactions are undertaken.

From its origin as the National ATM and Point-of-Sales switch to the sophisticated technological powerhouse it is today, BENEFIT's journey has been marked by active support to Bahrain's drive to usher in a digital economy. BENEFIT's support has been both strategic and tactical, and has helped in meeting the demands of the banking and financial services industry with innovative digital solutions.

BENEFIT has been quick in its response to new trends in technology and customer habits, and in doing so, the company is laying the groundwork for advanced payment systems that explore new directions in delivering benefits to diverse stakeholders.

Our main purpose as an organization is to enhance Bahrain's profile as a business friendly nation, and further strengthen its credentials as a regional financial centre. Our corporate goals find their synergy in Bahrain's national priorities, and hence, all that we do is aimed towards promoting Bahrain's attractiveness as a business destination.

Many of our new products and services have now entered into the mainstream, and this move is part of our strategy to be more customer driven. BenefitPay is now a household product, and is widely accepted across wide sections of society. We are adding further enhancements and capabilities to this and other products so that the end user customer will benefit directly from its use.

We are working with the Central Bank of Bahrain and other infotech giants in supporting the growth of FinTech solutions. We see this as a growth area with wider implications for everyone in Bahrain and the region.

The Board of Directors gave their approval for the new Three-Year Strategy that commenced in 2022. It will put a spotlight on elevating the payment infrastructure by introducing new core services that address market demands. The services are expected to further enhance the efficiency of payments as well as help in expanding the digitization process for business sectors across the Kingdom. Additionally, the goal is to provide customers with easier access to credit and work towards further expanding the capabilities of the national payment app in providing services that improve customer experience and give access to financial services

By far the most ambitious aspect of our new strategy will be to take our expertise to a global platform and tap newer markets spread across the world. This focus on internationalisation will provide a boost to Bahrain's reputation as a thought leader and innovator, and will open up newer markets for our services.

In terms of the financial results for 2022, I am also pleased to say that the year has also proved to be a success in delivering tangible results. Growth rate for 2022 was 150% compared to a decline in 2021 by 100%. Revenue for the year 2022 was BD 13.8 million while net profit was BD 1.8 million.

These results point to strong fundamentals that are at the heart of our operations. They also provide the springboard for our growth plans for the year ahead.

Finally, we appreciate the continuing support we receive from the Central Bank of Bahrain, and are thankful to them for the work they do in setting up a strong regulatory environment for the banking and financial services sector. We are also thankful to each and every member banks and clients for their trust, and the continuing encouragement of our shareholders.

We are confident that the achievements of 2022 will lay a strong foundation for an even more prosperous 2023

Mohamed Ebrahim Albastaki
Chairman

Offering trusted and innovative financial and information solutions **for over 25 years**

2015
-2016

EFTS (Fawri, Fawri+ & Fawateer)
The EFTS is an electronic system that links all commercial banks in Bahrain to increase the efficiency of fund transfers and payments which benefits all retail bank customers in the Kingdom.





TWENTY FIVE YEARS

2008



Internet Banking

BENEFIT provided the technical and infrastructural support in enabling commercial banks to set up Internet Banking services for their retail and business customers. These initial steps towards remote banking enabled these banks to introduce a new layer of customer engagement, and also, earn customer satisfaction.



Credit Burea Scorecard

As a credit data assimilator, the Bahrain Credit Reference Bureau helped develop a special scorecard that would be of use to institutions that need to make informed decision before offering any loans. The scorecard comes handy as it provides proper evaluation based on data provided by banks and other financial institutions

2009



SINNAD

SINNAD is a subsidiary of BENEFIT whose activities are regulated by the Central Bank of Bahrain. Its main task is that of a card processing and payment service provider, and supports client banks in growing their business with no risk, high efficiency, low operating cost and increased profitability by outsourcing their services.



GCC Dispute Center

BENEFIT hosts the "GCC Net Dispute Management System" website, wherein all commercial banks from all over the GCC can raise and settle customer disputes online. We are thus considered to be the hub of all regional GCC Net dispute claims and a leader in the electronic transactions market in the region.

2012



BCTS Service

Bahrain Cheque Truncation System (BCTS) enables banks to exchange electronic images of their clearing cheques, thus reducing the clearing cycle to one business day. The main goal was to replace the paper based automated cheque clearing system, and modernize the cheque clearing.

2013



EMV Standards

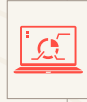
EMV stands for Europay, MasterCard and Visa International, a global standard for interoperability of integrated circuit (IC) cards and IC card-capable POS and ATMs, for authenticating credit and debit card transactions. All payment cards used in Bahrain follow EMV standards based on agreements signed with the regulatory bodies

2014



GCCNet POS

BENEFIT brought in another layer of enriched customer service when it connected its ATM users in Bahrain to the GCCNet POS. With this enhancement, bank customers were able to use their debit cards on majority of Point of Sale terminals located at major retail outlets across the GCC.



BCRB Corporate

Bahrain Credit Reference Bureau Corporate was introduced to serve as an efficient credit manager for corporations. It receives, maintains, analyses and classifies credit information, and prepares necessary credit reports.

Chief Executive Statement

2022 marks twenty-five years since the formation of the BENEFIT Company. This landmark event is a high point not only in the history of our company, but also serves as a significant marker in Bahrain's march towards ushering a digital economy.

Abdulwahed AlJanahi
Chief Executive



The BENEFIT Company has contributed towards bringing radical transformation to Bahrain's banking and financial services sector.



Total Value of EFTS (BD Billion)

25.4 B

eKYC Transactions up 108% in 2022 to

424,000

The BENEFIT Company has contributed towards bringing radical transformation to Bahrain's banking and financial services sector.

It has paved the way towards dismantling the dominance of tangible modes of cash payments, helped in bringing ease and flexibility in most financial transactions, and helped in revitalizing numerous business segments.

What has been most significant about this journey is that it has complemented with Bahrain's growth as a vibrant regional economy, and helped in further bolstering the Kingdom's credentials as a great place to do business in.

Our continuing commitment to the four core strategic pillars guiding our operations have helped in shaping BENEFIT's roadmap for the next three years.

The goals outlined under the pillars include, setting up advanced payment infrastructure for enabling new payment schemes, empowering greater access to credit, supporting digitization of the government and key sectors, and developing key global alliances and partnerships across borders.

BENEFIT presented strategic initiatives to achieve these goals, and also prepared a detailed roadmap for each project to be implemented within the timeline.

The key impetus behind this move was to give the banking and financial industry the tools required to achieve their customer satisfaction goals, and to play a vital role in energizing the payment landscape. On our part we ensured that the infrastructure and the resources were in place to help turn this goal into reality, and that our team was ready to tackle both opportunities and challenges.

We are really proud of BENEFIT's work culture especially in the way it has fostered an environment that has inspired innovation and encouraged productivity. It has enabled us in developing digital solutions for a new generation of consumers, and helped us to emerge as a household name in the last few years.

We no longer operate merely as a B2B enterprise but are seeing ourselves increasingly as a B2B, B2C and even B2G. This focus has been shaped by customer driven initiatives undertaken at the organizational level whereby our products and services are conceptualized and targeted to a broader section of the population, and the deliverables are expected to benefit diverse stakeholders.

The Central Bank of Bahrain regards BENEFIT as its technology arm, and we are proud of how this partnership has served the banking and finance industry. We appreciate the support given by the regulatory body in developing cutting-edge business and lifestyle solutions that have revolutionized the way people in Bahrain conduct and manage their financial transactions. These

solutions have been widely praised for unleashing new opportunities in the way business is conducted, and also, in the way ordinary citizens are given greater ease and flexibility in the way they handle their payments.

We continue to introduce new enhancements to BenefitPay that would enrich its capabilities and continue to serve as a powerful tool in the march towards a cashless society. It is gaining wider acceptance across the Kingdom as more and more people feel comfortable in migrating towards digital financial transactions,

This year we invested over \$1.7 million to upgrade our electronic fund transfer system that helped increase its capacity almost six-fold.

Both BenefitPay and eKYIC have attracted attention of international organizations, and we see this as an opportunity for Bahrain to share its expertise at the global stage. The success of these digital tools have further reinforced our confidence in the talented individuals that work alongside us in fulfilling BENEFIT Company's mission and vision.

Our support for the FinTech industry is based upon Open Banking Framework, CBB Sandbox as well as other related services provided by the regulator. In addition, our strategic partnership with the Central Bank of Bahrain for e-Hub973 along with a series of Hackathon awards demonstrate our ongoing commitment to see Bahrain emerge as a prominent FinTech hub.

Chief Executive Statement continued

The Innovation Lab at our premises in Seef, for instance, provides a wonderful opportunity for our staff to suggest and then develop marketable solutions. These are just a few initiatives that indicate our determination to tap young talent – whether in-house or outside – in developing powerful payment solutions.

In terms of enhancements to our current suite of products and services, we added new features to the Bahrain Credit Reference Bureau platform. We enabled API based connectivity to ensure straight-through processing of all relevant data. We also enhanced the eKYIC system and made it more compatible with international standards so that information can be accessed by clients across the world.

We also launched our Three-Year Strategic Direction in 2022. It is expected to further strengthen our digital initiatives across various payments frameworks, and also support our international partnerships.

Finally, I would like to thank the Chairman and the Board of Directors for their support and encouragement. We are thankful for their help in articulating the Company's vision and mission through tangible action plans.

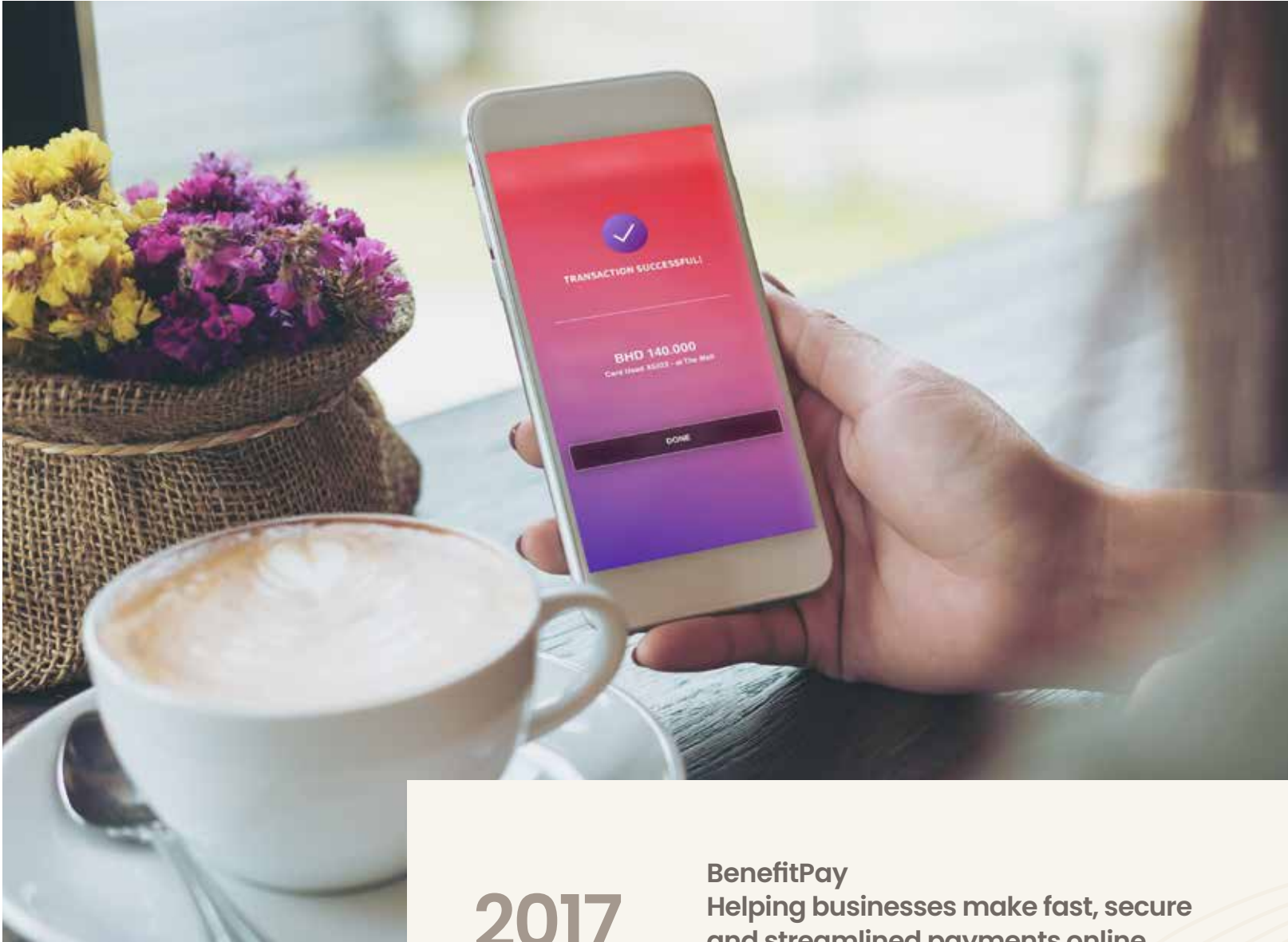
I am also thankful to our employees for their hard work and dedication to make 2022 another successful year in BENEFIT's history. I would like to express my appreciation to all our shareholders and stakeholders as well as the Central Bank of Bahrain and other member banks.

Abdulwahed AlJanahi
Chief Executive





Offering trusted and innovative financial and information solutions **for over 25 years**



2017

BenefitPay
Helping businesses make fast, secure and streamlined payments online.

BenefitPay is an app that caters to your need for safe and seamless transactions, without the use of cash or cards. Through this form of payment, transactions can be sent or received quickly just by using your phone. It's a safe, secure and very convenient mode of payment



TWENTY FIVE YEARS

2018



FinTech Lab

BENEFIT joined hands with other industry leaders in setting up a dedicated FinTech Lab at Bahrain Bay. It acted as an idea generator linking university students with SMEs and other stakeholders. The platform also showcased qualified finTechs for collaboration, procurement, partnerships and investment within Bahrain's ecosystem, while also interfacing with regulatory authorities to facilitate quicker and easier regulatory testing and supporting business scalability.



BCRB report via Bahrain.bh

This service provided by Bahrain Credit Reference Bureau is available on Bahrain's e-government site. It allows individuals to generate relevant credit report to secure credit information to help fulfill financial obligations.

BCRB Government

Bahrain Credit Reference Bureau Government was introduced to serve as an efficient credit manager for ministries and other governmental entities. It receives, maintains, analyses and classifies credit information, and prepares necessary credit reports.

2019



National eKYC

The eKYC service enables financial institutions to electronically authenticate customer identity and retrieve KYC data for both individual and corporate clients, in a secure and transparent manner. The BENEFIT Company and the Information & eGovernment Authority (IGA) have jointly established a new mechanism to facilitate the KYC process by using an electronic means, eKYC.

2020



Sadeem

The Sadeem Fuel Card provides vehicle users in Bahrain with an efficient and secure payment solution, bringing ease and convenience to Bapco's local customers. It was brought under the BENEFIT umbrella. The card can be used at all Bapco and private service stations across the Kingdom of Bahrain.



Tap & Go

BENEFIT extended support for the launch of NFC enabled cards that would enable contactless payments, and allow two devices such as a phone, a card and a payments terminal to 'talk' to each other when they are close. This form of payment became hugely popular during the pandemic as it helped customers to adhere to safety protocols.

2021



New Brand Identity

The new brand narrative 'Pulse of Bahrain' builds on BENEFIT's vision, which is to shape the future of society, being the foundation of life and the pulse that energises the community. It won the Bronze Award for the 'Best Visual Identity' from the financial service sector for 2022 in the Transform Awards Middle East and Africa (MEA).



API based Credit Report/Score

Bahrain Credit Reference Bureau converted its credit report scoring mechanism with built-in APIs to ensure seamless delivery of credit information.



eCheque

eCheque launched in collaboration with the Central Bank of Bahrain is a digital version of a paper cheque. This new service allows clients to issue and process cheques electronically, making cheque writing and clearing faster and easier for everyone.



PKI-CA

BENEFIT was turned into a Trusted Service Provider (TSP) after receiving a license from the TRA to be a Public Key Infrastructure Certificate Authority (PKICA). This license would enable us to be the conduit for all digital signatures and other digital documentations.



WPS

Wage Protection Scheme was launched in partnership with the Labour Market Regulatory Authority. It is a system requiring private sector employers to pay workers' wages through banks and financial institutions licensees from the Central Bank of Bahrain according to specific dates.

2022



Cross Border Remittance

The new service has been designed to enable users to enjoy faster, cheaper and value-added remittance services that are provided through various leading service providers in the Kingdom via one platform. At the initial stages it will commence with Bahrain Finance Company, while other institutions will be added in the future.

Board of Directors



Mohamed Ebrahim Albastaki
Chairman



Yaser Al Sharifi
Vice-Chairman



Dr. Adel Abdulla Salem
Executive Director



Khaled Abi Khalil
Non-Executive Director



Christopher Russell
Non-Executive Director



Ameer Abdulghani
Executive Director



Hadyah Mohammed Fathalla
Independent Director



Sawsan Abulhassan
Independent Director



Muna Ali AlHashemi
Independent Director



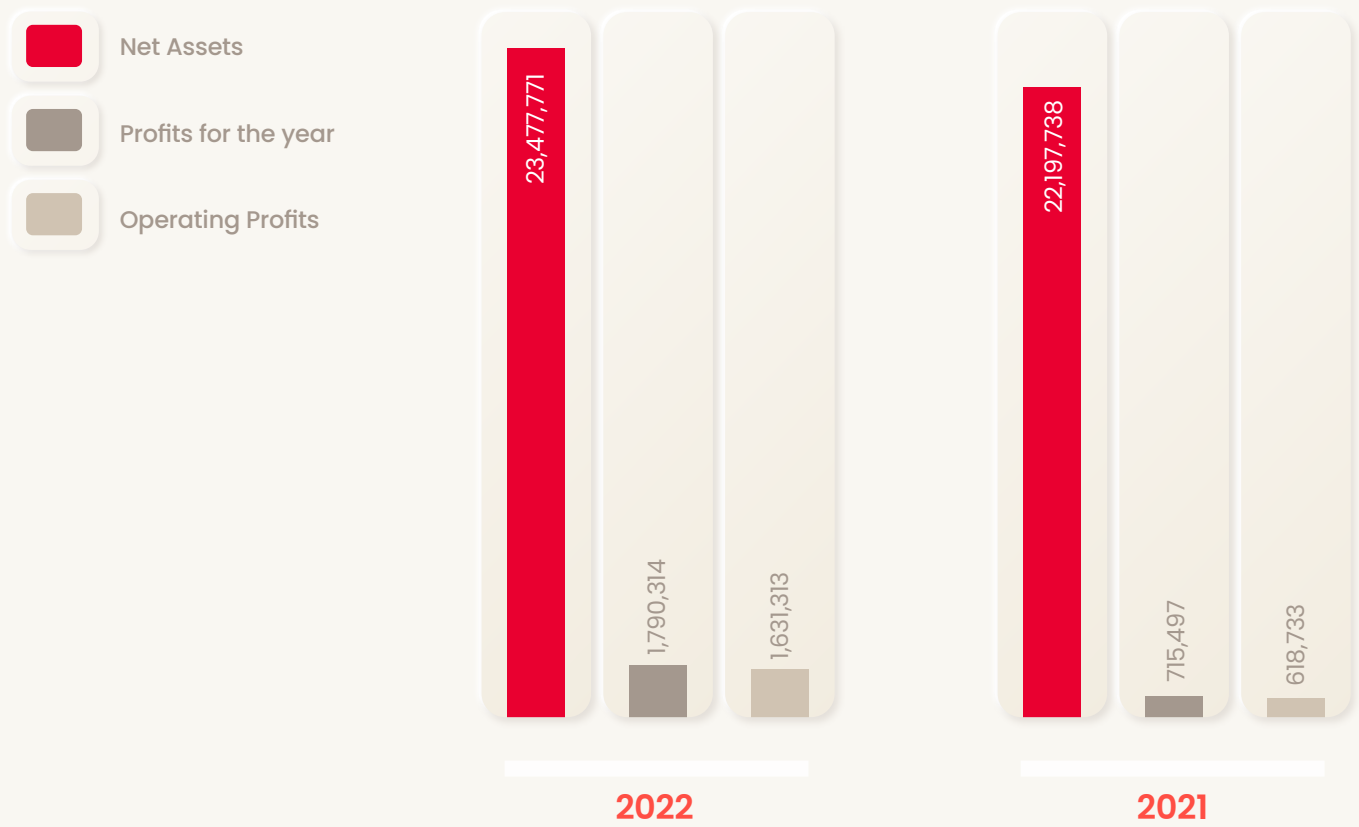
Yousef Rashid Al Fadhel
Central Bank of Bahrain Observer



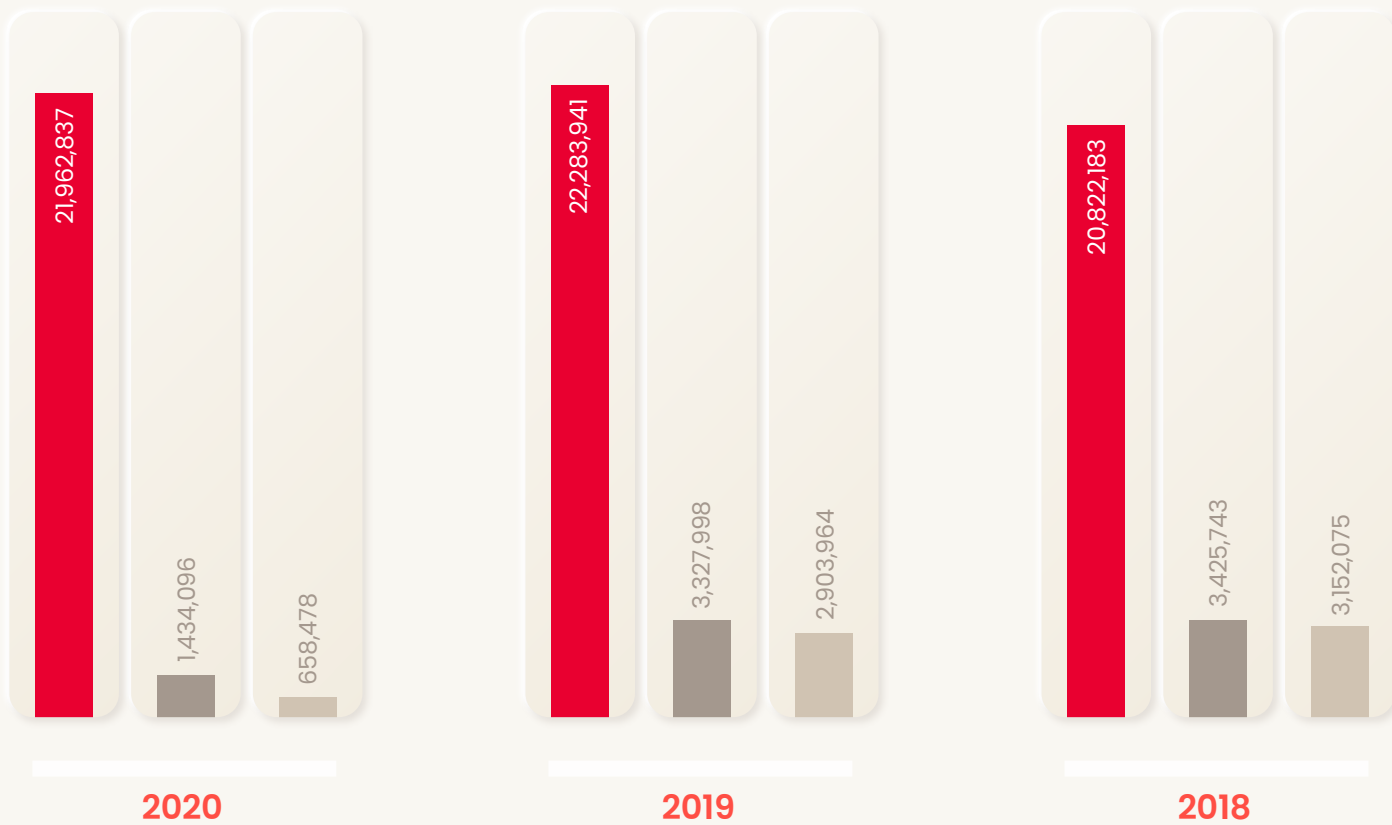


5 Years Growth

BENEFIT enjoyed a steady growth over the last five years through its leadership in electronic payments and fund transfer as well as business process outsourcing and risk management in the financial industry. By introducing and providing the latest technology, the Company continued to maintain a powerful business support platform for all electronic payments.



	2022	2021	2020	2019	2018
Operating Profits	1,631,313	618,733	658,478	2,903,964	3,152,075
Profits for the Year	1,790,314	715,497	1,434,096	3,327,998	3,425,743
Net Assets	23,477,771	22,197,738	21,962,837	22,283,941	20,822,183



Management Team



Abdulwahed AlJanahi

Chief Executive

Joined the BENEFIT Company in 2005 with BSc in Focus and Marketing from the St. Edward University in Austin, and a MBA from the University of Bahrain. Mr. AlJanahi brings to the Company a total of 36 years of experience in the financial industry field covering marketing, telecom, and business development.



Yousif AlNefaiei

Deputy CE, Business Development & Services

Joined the BENEFIT Company in 2006 with a BSc in Computer Science from the University of Bahrain and a MSc. Degree in Information Systems from the Brunel University of London in the United Kingdom. Mr. AlNefaiei has a total of 27 years of experience in the Information Technology and banking industries.



Reyadh Almearaj

AGM Information Technology

Joined the BENEFIT Company in 2017 with a BSc in Business Information Systems from the University of Bahrain and an MBA from the University of Glamorgan in the United Kingdom. Mr. Almearaj has over 27 years of experience in information technology and telecommunications in banking industry.



Nezar Maroof

AGM Marketing & Innovation

Joined the BENEFIT Company in 2017. Holding a BSc in Computer Science and a MSc. in Information Technology from George Washington University in USA. Mr. Maroof has over 29 years of experience in Information Technology, Innovation, Business Process Re-Engineering & ICT Strategy Development.



Hessa Hussain

AGM Bahrain Credit Reference Bureau

Joined the BENEFIT Company in 2005 with a BSc in Computer Engineering from the American University of Sharjah, MBA from DePaul University, and professional certificates in FinTech and Blockchain from University of Oxford. Ms. Hussain brings to BENEFIT a total of 17 years of experience in Credit Reference Bureau and information technology.



Layla Alqassab
Chief Financial Officer

Joined the BENEFIT Company in 2018 with a Fellow Member of the Association for Chartered Certified Accountants (ACCA) and a holder of BSc Accounting from Cardiff University, United Kingdom. Certified professional co-active coach (CPCC) and is accredited by the International Coaches Federation. Mrs. Alqassab has over 17 years of experience in the finance industry with a broad background in the banking sector and four top audit firms.



Zainab Shukralla
Head of Information Technology

Joined the BENEFIT Company in 1997 with BSc in Computer Science from the University of Bahrain. Mrs. Shukralla has a total of 25 years of experience in developing and supporting payment system.



Salah Al Awadhi
Head of Human Resources & Administration

Joined the BENEFIT Company in 2015 with a CIPD level 5. Mr. Salah brings to BENEFIT a total of 13 years of experience in Human Resources and Administrations in addition to 2 years in information technology.



Ali Beshara
Head of Risk & Information Security

Joined the BENEFIT Company in 2017. Holding a BSc in Computer Science and a MSc. in Information Technology from George Washington University in USA. Mr. Maroof has over 29 years of experience in Information Technology, Innovation, Business Process Re-Engineering & ICT Strategy Development.



Mansoor AlAlwan
Head of Internal Audit

Joined the BENEFIT Company in 2018 with BSc in Computer Engineering and MSc in Business Administration from Ahlia University in the Kingdom of Bahrain.

Mr. AlAlwan has a total of 10 years of experience in internal and external audits, IT advisory/ consultancy, and IT management belonging to various industries across Bahrain and GCC.

Management Team continued



Shafaq Al Kooheji

Head, Payment Services

Joined the BENEFIT Company in 2008. She holds an MBA from Strathclyde University, Scotland and a Bachelors in MIS and Marketing from American University of Sharjah. Mrs. Al Kooheji has 18 years of experience in retail banking and operations along with a rich experience in payments, cheques, digital transformation, and Fintech services.



Latifa Al Mutawa

Head, Bahrain Credit Reference Bureau

Joined the BENEFIT company in 2017 with BSc in Business Information Systems from the University of Bahrain and an Advanced Diploma in Islamic Banking from BIBF. Mrs. Latifa is a risk management professional holding a Professional Risk Manager (PRM) certification by PRIMIA. Mrs. Al Mutawa has a total of 16 years of experience in risk management and banking industries.



Maryam Kamal

Compliance Manager

Joined the BENEFIT Company in 2018, with M.Sc. in Finance from DePaul University, USA and International Diploma in Governance, Risk and Compliance. Mrs. Kamal has a total of 9 years of experience in Risk and Compliance.



Ahmed AlMahri

Head, Business Development & Services

Joined BENEFIT in 2009, has MBA from Ahlia university Bahrain. Ahmed has over 15 years' experience in Payments system and financial technology.



Corporate Governance

- 1 **BENEFIT Corporate Governance Report 2022**
- 2 **Shareholders Information**
- 3 **Governance Structure**
- 4 **Board of Directors Information**
- 5 **Board Committees**
- 6 **Annual Ordinary & Extraordinary General Meeting**
- 7 **Internal Controls, Policies and Procedures**
- 8 **Other Information**
- 9 **Sustainability & Corporate Social Responsibility**
- 10 **Status of Compliance with Corporate Governance Guidelines**

Corporate Governance

1. BENEFIT Corporate Governance Report 2022

The BENEFIT Company B.S.C. is committed to ensure the highest standards of corporate governance are met and maintained within the Company's culture. The Company has set the moral tone at the top with maximum efficiency and highest integrity.

The BENEFIT Company B.S.C. is licensed by Central Bank of Bahrain as an ancillary service provider regulated under Rule Book Volume 5 specialized licensees. The Company through its Board of Directors is committed to best practices of corporate governance in line with the legal and regulatory requirements by promoting transparency, fairness and accountability through enhancing its corporate governance practises.

2. Shareholders Information

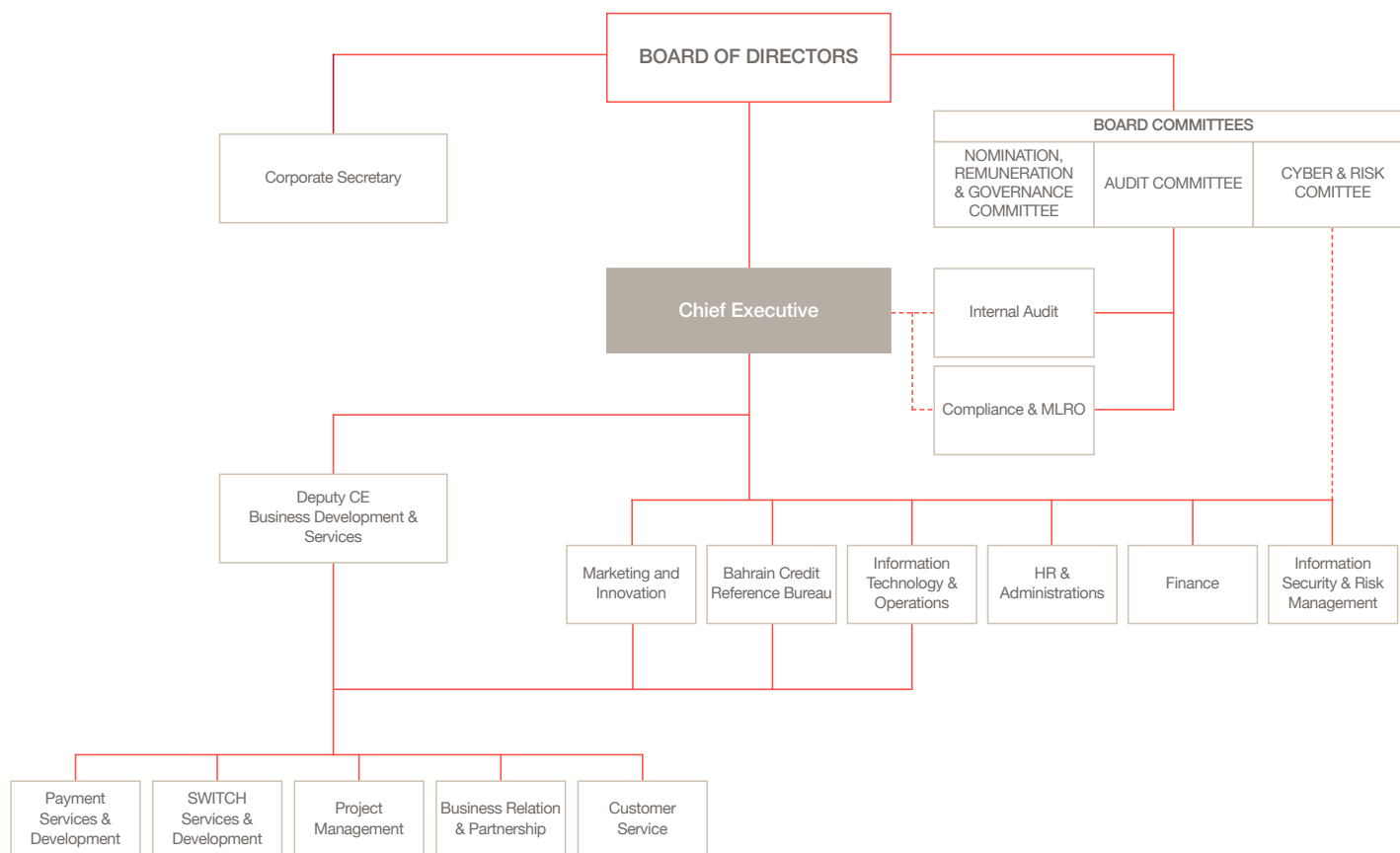
Ownership Structure as of 31 December 2022

No.	Bank/Institution	No. of Shares	% of Shares
1	National Bank of Bahrain B.S.C.	10,836	34.84%
2	Bank of Bahrain & Kuwait B.S.C.	6,843	22.00%
3	Ahli United Bank B.S.C	4,355	14.00%
4	Standard Chartered Bank	2,800	9.00%
5	HSBC Bank Middle East Limited	2,177	7.00%
6	Bahrain Islamic Bank B.S.C.	1,505	4.84%
7	Al Salam Bank	1,344	4.33%
8	Arab Bank Plc	311	1.00%
9	Future Bank B.S.C.	311	1.00%
10	Habib Bank Limited	311	1.00%
11	United Bank Limited	311	1.00%

Corporate Governance continued

3. Governance Structure

The organizational and governance structure of the Company is developed in a way to ensure transparency and segregation of duties.



4. Board of Directors Information

4.1 Board Composition

The Board of Directors comprises three members appointed by major shareholders (NBB, BBK and AUB), three elected by the remaining shareholders, four independent directors and one observer from the Central Bank of Bahrain. The Board members of BENEFIT form a great mix with wide range of experience in financial and Information Technology sectors which is essential to effective governance.

No	Director Name	Position in the Board	Committee
1	Mohamed Ebrahim Albastaki	Chairman – Independent Director	Chairman of NRCG
2	Yaser Al Sharifi	Vice Chairman - Executive Director	Member of NRCG
3	Dr. Adel Abdulla Salem	Executive Director	Member of NRCG
4	Khaled Abi Khalil	Non-Executive Director	Member of CRC
5	Christopher Russell	Non-Executive Director	Member of AC
6	Ameer Abdulghani	Executive Director	Member of AC
7	Sawsan Abulhassan	Independent Director	Chairperson of AC
8	Hadyah Mohammed Fathalla	Independent Director	Chairperson of CRC
9	Muna Ali AlHashemi	Independent Director	Member of CRC
10	Yousef Rashid Al Fadhel	CBB Observer	Member of CRC

4.2 Board Term

The Board members are appointed and elected for a three-year term from February 2022 till AGM 2025.

4.3 Board Responsibilities

The Board's primary responsibility is to establish effective governance and provide direction to the affairs of the Company to ensure to balance the interests of all the stakeholders. The Board review and oversee the implementation of the Company's strategy and approve the Company's strategic plan.

The Board is ultimately responsible to ensure effective risk management framework, regulatory compliance, adequate internal controls and accurate financial statements.

The Board may delegate certain responsibilities to various Board committees to act on their behalf and report periodically to the Board.

4.4 Independence of Directors

An independent director, as defined in CBB Rule Book, is a director whom the Board has specifically determined has no material relationship which could affect his/her independence of judgement. The directors' independence has been reviewed which met all the independence requirements.

As per CBB rules and guidelines that the chairperson of the Board, the audit committee and the nomination, remuneration and governance committee should be independent, the Board has elected to have independent members for those positions to ensure the highest level of dependency and effective decision making.

4.5 Board Profiles

Name	Current Employment	Other Boards
Mohamed Ebrahim Albastaki	-	<ul style="list-style-type: none"> Bahrain Marina Fraiser Suites Kingdom University Montreal – Management Council Member Osool Company Seef Entertainments Seef Properties SINNAD SIO
Yaser Al Sharifi	<p>Chief Executive Officer – Bahrain Islamic Bank (BisB)</p> <p>Group Chief Strategy Officer – National Bank of Bahrain (NBB) up to September 2022</p>	<ul style="list-style-type: none"> Bahrain Institute for Pearls & Gemstones (DANAT) NuTech Energy Alliance South City – Up to July 2022 Bahrain Bourse – Up to October 2022 Bahrain Car Parks – Up to March 2022 Bahrain Clear – Up to October 2022 Bahrain Real Estate Investment (Edamah) – Up to July 2022 HRDCO W.L.L – Up to July 2022
Christopher Russell	Chief Executive Officer - Hongkong and Shanghai Banking Corporation (HSBC)	<ul style="list-style-type: none"> Bahrain Association of Banks (BAB) Injaz
Ameer Abdulghani	Chief Financial Officer – Bahrain Islamic Bank (BisB)	<ul style="list-style-type: none"> Liquidity Management Centre LMC
Dr. Adel Abdulla Salem	General Manager Retail Banking – Bank of Bahrain & Kuwait (BBK)	<ul style="list-style-type: none"> Invita Claims Management Company
Khaled Abi Khalil	Chief Technology and Operations Officer - Bahrain & MENA (Excluding UAE)	<ul style="list-style-type: none"> Standard Chartered Metropolitan Holding - Lebanon
Sawsan Abulhassan	Executive Director – Al Bustani Group	<ul style="list-style-type: none"> Bahrain Chamber of Commerce and Industry Gulf Aluminium Rolling Mill B.S.C. – GARMCO
Muna Ali AlHashemi	Co-founder in Level5 Company W.L.L	<ul style="list-style-type: none"> British School Board of Trustees Fintech Committee in Women Supreme Council
Hadyah Mohammed Fathalla	Director of Strategic Projects - Office of His Majesty's Representative for Humanitarian Works and Youth Affairs	<ul style="list-style-type: none"> General Sports Authority (GSA) National Oil and Gas Holding Company (nogaholding)
Yousef Rashid Al Fadhel	Executive Director Corporate Services – Central Bank of Bahrain (CBB)	-

4.6 Board and Committee Evaluation

The Board and the Committees perform a self-evaluation on an annual basis that is focused on evaluating the performance of the Board, the Committees and individual Board members.

The NRCG reviews the results of the evaluations, which were satisfactory, and will be shared with the Board.

4.7 Board Meetings and Attendance in 2022

A total of 7 Board meetings were held in 2022.

Members	07 Feb	03 Mar	06 Apr	08 Jun	13 Sep	16 Nov	07 Dec	Attendance %
Mohammed Ebrahim	✓	✓	✓	✓	✓	✓	✓	100%
Yaser AlSharifi	⊖	✓	✓	✓	✓	✓	✓	100%
Adel Salem	✓	✓	✓	✓	✗	✓	✓	86%
Nabeel Kazim	⊖	✓	✓	✓	⊖	⊖	⊖	100%
Khaled Abi Khalil	✓	✓	✓	✓	✓	✓	✓	100%
Christopher Russell	⊖	✓	✓	✓	✓	✓	✓	100%
Ameer Abdul Ghani	⊖	✓	✓	✓	✓	✓	✓	100%
Sawsan Abulhassan	✓	✓	✓	✓	✓	✓	✓	100%
Hadyah Fathalla	✓	✓	✓	✓	✓	✓	✓	100%
Muna Ali AlHashemi	✓	✓	✓	✓	✓	✓	✓	100%
Yousif Al Fadhel	✗	✓	✓	✓	✓	✓	✓	86%
Tala Fakhro	✓	⊖	⊖	⊖	⊖	⊖	⊖	–
Umkulthoom AlAbbasi	✓	⊖	⊖	⊖	⊖	⊖	⊖	–
AbdulRazaq AbdulKhalig	✓	⊖	⊖	⊖	⊖	⊖	⊖	–
Ahmed A. Rahim	✓	⊖	⊖	⊖	⊖	⊖	⊖	–

Key: ✓ Attended ✗ Absent ⊖ Was not a member during this period *Meeting was held online

4.8 Board Remuneration

The Board members remuneration is BHD 168,884 for the year 2022 subject to MOICT & CBB approval. In addition, they received sitting fees for attending the meetings of the Board, AC, CRC and NRCG for a total amount of BHD 75,300 for 2022.

4.9 Board Appointment

All Board members have signed the Board of Directors appointment letter as they joined the Board.

4.10 Board Induction

New Board member receives an induction session held with the Chief Executive, which includes meetings with senior management, visits to company facilities, presentations regarding strategic plans, significant financial, accounting and risk management issues.

5. Board Committees

Consistent with CBB, MOICT guidelines and best practice, BENEFIT has three committees with clear terms of reference set out for each committee approved by the Board. The committees are established to provide support to the Board in fulfilling its responsibilities.

5.1 The Audit Committee (AC)

The AC shall assist the Board in overseeing the responsibilities for the financial reporting process, the system of internal control, the audit process, monitoring financial risks, and the compliance with CBB and applicable laws and regulations.

Audit Committee meetings in 2022

Members	Position	03 Feb*	27 Apr	02 Aug	26 Oct
Sawsan Abulhassan	Chairperson	✓	✓	✓	✓
Christopher Russell	Member	⊘	✓	⊘	⊘
Ameer Abdul Ghani	Member	⊘	✓	✓	✓
AbdulRazaq AbdulKhaliq	Previous Chairman	✓	⊘	⊘	⊘
Ahmed A. Rahim	Member	✓	⊘	⊘	⊘

Key: ✓ Attended ✗ Absent ⊘ Was not a member during this period *Meeting was held online

5.2 The Cyber and Risk Committee (CRC)

The CRC shall assist the Board in overseeing the responsibilities for cyber security & risk controls frameworks and policies, current and future risk exposure and future cyber security and risk strategy.

Cyber and Risk Committee Attendance 2022

Members	Position	16 Mar	24 May	22 Jun	24 Aug	05 Dec
Hadyah Fathalla	Chairperson	✓	✓	✓	✓	✓
Khaled Abi Khalil	Member	✓	✓	✓	✓	✓
Muna Ali AlHashemi	Member	✓	✓	✓	✓	✓
Yousef AlFadhel	Member	✓	✓	✓	✓	✓
Nabeel Kazim	Member	✓	✓	✓	✓	⊖

Key: ✓ Attended ✗ Absent ⊖ Was not a member during this period *Meeting was held online

5.3 The Nomination, Remuneration and Governance Committee (NRGC)

The NRGC shall assist the Board in overseeing the responsibilities for reviewing the Board composition, organizational structure, and the remunerations policies. They also monitor the implementation of the corporate governance framework.

Nomination, Remuneration and Governance Committee Attendance 2022

Members	Position	19 Jan	28 Oct	30 Nov
Mohammed Ebrahim	Chairman	✓	✓	✓
Yaser AlSharifi	Member	⊖	✓	✓
Adel Salem	Member	✓	✓	✓
Tala Fakhro	Member	✓	⊖	⊖

Key: ✓ Attended ✗ Absent ⊖ Was not a member during this period *Meeting was held online

6. Annual Ordinary & Extraordinary General Meeting

The Annual Ordinary General Meeting (AGM) and Extraordinary General Meeting (EGM) were held on 15th of February 2022. Additional EGM was held on 25th October 2022.

7. Internal Controls, Policies and Procedures

7.1 Code of Conduct

BENEFIT Code of Conduct sets the minimum ethical standards of behaviour expected from the Company's employees and management to ensure that their duties and responsibilities to the Company are performed with the utmost integrity, and professionalism.

7.2 Whistle Blower Policy

The Company encourages a culture where misconduct is not tolerated and is committed to integrity and ethical behavior and accordingly is adopting the Whistle Blower Policy. The Policy encourages all employees to disclose in good faith any wrongdoing, unethical or improper practice, or adverse employment action that may unfavourably impact the Company, its customers, shareholders, employees, or the public. The Policy provides sufficient protection all employees.

7.3 Conflicts of Interest

The Company has a documented policy for Conflict of Interest and Connected Parties. In case any issue involved conflict of interest, decisions are taken by the full Board/Committees. The concerned Director shall leave the meeting room during the discussion of these issues. These events are recorded according to the Policy. The Directors are required to inform the entire Board and Board Secretary of any potential conflicts of interest that might arise, and to abstain from voting on the matter.

7.4 Performance Incentive

The Board has formed a NRGIC to evaluate the performance linked incentive structure for the key management personnel, please refer to Audited financials under note 21.

7.5 Related Party Transactions (IFRS)

The Company has dealings with several banks in Bahrain who are also shareholders of the Company. These transactions are services in relation to payment systems, internet banking, card services and Credit Reference Bureau.

SINNAD (BENEFIT subsidiary) is now owned 100% by the BENEFIT Company has entered into contracts with certain shareholders of BENEFIT for the provision of services related to debit/credit card personalization and ATM acquiring services.

BENEFIT nature of business is to serve the banking sectors in Bahrain through a number of services, ATM/POS, BCRB, BCTS, EFTS, PAYMENT GATEWAY, GCCNET DISPUTE SYSTEM, etc. In addition, SINNAD is also established as a 3rd party processing company to serve the Banks.

Please refer to Audited financials under note 19.

7.6 Communication

The Company is not publicly listed; however, the Company's website is updated with the Annual Report as well as shareholders have access to any information required through the CE. The annual report for 2022 will be published on the website after the AGM meeting.

7.7 Material Transactions for Board Approval

The Board approves a yearly budget along with capital expenditure for projects in accordance with the Company's authority matrix endorsed by the Board defining the authority limits and thresholds of the Board and Management.

7.8 Board Access to Advice and Counsel

The Board may seek for any advice and counsel through a formal Board or Committee meetings or through informal contact directly with the CE.

The information needed for the Board's decision-making will be found within the Company. The Board have full access to the Company's documents and records and may seek for external independent expert advice if needed.

7.9 Internal Control

The Company's Internal Auditor reviews internal control processes & procedures, and KPMG is the Company's External Auditor. The Internal Auditor findings and correction plans are presented to the Audit Committee.

7.10 Compliance

The Company promotes for a healthy compliance culture through reinforcing its efforts to further develop the compliance framework, which oversees adherence to applicable laws and regulations.

7.11 Financial Preparation

The Audit Committee on a quarterly basis review the audited financial with external auditors and management, and accordingly seek the Board's approval.

7.12 Remuneration Policy for Board of Directors and Executive Management

The Board members' remuneration shall be decided by the Board while sitting fees are recommended by NRGC for the Board approval. Executive Management remuneration shall be decided by the NRGC. Remuneration paid to Executive Management is available to eligible shareholders upon specific request.

8. Other Information

The statutory Auditors of the Company are KPMG Fakhro Bahrain, 2022 audit fees is BHD 13,125 and non-audit services fees are BHD 29,075.

9. Sustainability & Corporate Social Responsibility

For the purpose of supporting social welfare and contributing back to society, this year, BENEFIT has allocated around BHD 199,241. BENEFIT focused on the continuous development and sustainability of the community by contributing to different sectors mainly education, healthcare, youth empowerment, women empowerment and sustainable development to be in line with the Kingdom of Bahrain Sustainability Development Goals.

10. Status of Compliance with Corporate Governance Guidelines

The Company has been continuously improving its governance policies and practices to achieve full compliance with the High-Level Controls (HC) Module issued by CBB. The module is based on the comply or explain approach, wherein the Company has to explain in case of non-compliance with a valid justification.

As part of its commitment to adherence with the CBB regulations, the Company has provided the following explanation related to the guidance items:

- HC-1.3.2 states that the Board should have a minimum of three members and no more than five members. BENEFIT Board comprises ten directors (three appointed by major shareholders, three elected by the remaining shareholders, and four independent directors) and one CBB Observer which is more than the maximum number of directors (five) as per CBB rulebook and this is due to the complexity and business nature of the Company, the ultimate structure for the Company and as advised by the Central Bank of Bahrain.
- HC-3.2.2 states that the majority of the Audit Committee directors should be independent including the Chairman. The Audit Committee consists of an independent chairperson, one executive director and one non-executive director. Given the experience, financial literacy, and knowledge of the members, they were the most suited members to be part of the Committee. Indeed, the Committee successfully managed to fulfil and meet its responsibilities with complete independence.

General Assembly Meeting

MINUTES	15 FEBRUARY 2022	10:00 AM
MEETING CALLED BY	The Benefit Company	
TYPE OF MEETING	General Assembly Meeting for 2021	
ATTENDEES	As per attendees list	

The Chairman Mr. Mohamed Ebrahim Al Bastaki chaired the meeting and welcomed the Shareholder representatives, Central Bank of Bahrain and Ministry of Industry, Commerce and Tourism representatives, and confirmed we have a quorum of 99% at the meeting.

Agenda topics

1. APPROVE THE MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING OF THE COMPANY HELD ON 29TH MARCH 2021.

The Chairman advised the Shareholders the minutes of the previous meeting held on 29 March 2021 was distributed along with the agenda for their reference. There were no comments or questions raised and the minutes were approved.

Resolution 1 – The minutes of the Annual General Meeting dated 29 March 2021 was approved by the Shareholders.

2. DISCUSS AND APPROVE THE REPORT OF THE BOARD OF DIRECTORS ON THE COMPANY'S BUSINESS FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2021.

The Chairman gave a brief update on the Board of Director's report on the Company's business for the Financial year ended 31st December 2021.

Resolution 2 – The Report of the Directors for the Financial year ended 31st December 2021 was approved by the Shareholders.

3. REVIEW THE EXTERNAL AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2021.

KPMG read the external auditor's report on the company's consolidated financial statement for the Financial year ended 31st December 2021.

Representative of NBB queried whether the performance of the Company during 2021 was below or above budget. The Chairman explained performance is below budget as we have expected fees to increase but they did not due to the fees reduction imposed as a COVID-19 measure by the Central Bank of Bahrain.

Resolution 3 – The External Auditors Report for the Financial year ended 31st December 2021 was approved by the Shareholders.

4. DISCUSS AND APPROVE THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2021.

The Chairman briefed the shareholders on the Company's consolidated financial statement for the financial year ended 31st December 2021 and advised that a copy of the financial statement was distributed for reference.

The Chairman further announced that as required by Article 189 of the Companies Commercial Law, the Board of Directors have reviewed the transactions relating to Directors of the Company or it's managers, whether direct or indirect, and such transactions have been approved by the Board of Directors and summarized in note 19 of the consolidated financial statement under related party transactions. Including the external auditors report to this effect. There were no further comments or questions raised and the financial statement were approved.

Representative of NBB further queried whether the company predicts that the Company's performance will get back to 2020. ME explained that the figures are dependent on the fees and the overall COVID-19 related situation, however, the fees of the purchase transactions have increased as of January 2022. NBB also enquired on the amount saved from purchasing Benefit's new headquarter. The CFO advised that the total saving from purchasing the new premises is BD180K.

Resolution 4 – The Shareholders approved the consolidated Financial Statement for the Financial Year Ended 31st December 2021.

Resolution 5 – The Shareholders approved the Related Party Transactions as required by Article 189 of the Commercial Companies Law.

5. DISCUSS AND APPROVE THE BOARD OF DIRECTORS RECOMMENDATION FOR THE FOLLOWING APPROPRIATIONS OF THE YEAR 2021 NET PROFIT, SUBJECT TO THE APPROVAL OF THE COMPETENT AUTHORITIES:

Chairman advised the Shareholders; that the Board of Directors have recommended the following appropriation of the net profit of the year 2021 after obtaining the approval of the Competent Authorities:

- a. Distribution of cash dividends to the Shareholders amounting to BD 311,040 at 10% of the paid-up capital.
- b. Transfer of BD 40,000 to the Charity Reserve.
- c. Transfer of BD 654,493 to Retained Earnings.

NBB representative raised a query on why dividends were lower compared to previous years especially when the Company has high liquidity. The Chairman explained that dividends for technology companies are usually within this average rate as most of the Company returns are reinvested in new projects and enhancements of the infrastructure. Chairman also appreciated the support of the shareholders in this regard. The Acting Chief Executive explained that the company nature is required to maintain high liquidity for the daily financial settlements for local and GCC transactions. Furthermore, Acting Chief Executive highlighted that there were projects in 2020-2021 which were essential to contribute to enhance the transactions processing infrastructure for achieving the cashless society goal.

The Chairman has also encouraged the shareholders to outsource their card services to Sinnad Company as this will in turn generate revenue to the shareholders.

Resolution 6 – The above recommended appropriation of the Net Profit for 2021 was approved by the Shareholders.

6. APPROVAL OF RECOMMENDATION TO ALLOCATE BD 87,300 AS REMUNERATION FOR THE MEMBERS OF THE BOARD OF DIRECTORS FOR 2021, SUBJECT TO THE APPROVAL OF THE COMPETENT AUTHORITIES.

The Chairman advised the shareholders of the recommendation to allocate BD 87,300 as remuneration for the Board of Directors for 2021. There were no comments or questions raised and the allocation was approved.

Resolution 7 – The Shareholders approved the Directors remuneration in the sum of BD87,300 for the year 2021.

7. APPOINTMENT/ELECTION OF TEN BOARD OF DIRECTORS AND ONE CBB OBSERVER FOR THE TERM OF THREE YEARS (FEBRUARY 2022- MARCH 2025), SUBJECT TO CENTRAL BANK OF BAHRAIN'S APPROVAL.

The Chairman announced the appointment of the new Board of Directors in the following structure:

- a. Three members were appointed by the three major Shareholders;
 - Mr. Yaser Abdul Jalil Ali Al Sharifi - appointed by National Bank of Bahrain B.S.C
 - Dr. Adel Abdulla Salem - appointed by Bank of Bahrain and Kuwait B.S.C
 - Mr. Nabeel Kazim - appointed by Ahli United Bank B.S.C
- b. Three members were elected by the rest of the Shareholders;

The Chairman requested the approval of the Shareholders to designate Keypoint as a Share Registrar along with the Corporate Secretary to count the votes under the supervision of the representatives of the Ministry of Industry, Commerce and Tourism and the National Bank of Bahrain. The Chairman then announced that there are 6 nominees appointed by the rest of the shareholders, and therefore, the shareholders must vote for the nominees by cumulative voting through a secret ballot.

The Share Registrar handed the results of the secret ballot to the Chairman where he announced the following results:

Mr. Khaled Abi Khalil – 3105 Shares
 Mr. Christopher Russell – 2397 Shares
 Mr. Ameer A.Ghani Dairi – 2021 Shares
 Mr. Abdulkarim Turki – 1238 Shares
 Mr. Ahmed A.Rahim – 472 Shares
 Mr. Abdulrazaq Abdulkhalek Abdulla – 460 Shares

Based on the above results, the three elected members are:

Mr. Khaled Abi Khalil, Mr. Christopher Russell, and Mr. Ameer A.Ghani Dairi

- c. Four independent members has been approved in principle by the Central Bank of Bahrain;
 - Mr. Mohamed Ebrahim AlBastaki
 - Ms. Hadyah Fathalla
 - Mrs. Muna AlHashemi
 - Mrs. Sawsan Abulhassan

General Assembly Meeting *continued*

- d. One CBB observer has been appointed by the Central Bank of Bahrain;
Mr. Yousef AlFadhel

Chairman further advised that their appointment and election shall be effective from 15 February 2022, subject to the approval of the Central Bank of Bahrain.

Resolution 8 – The Shareholders approved the Board of Directors appointments and elections.

8. DISCUSS AND APPROVE THE CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31ST DECEMBER 2021 AND THE COMPANY'S COMPLIANCE AS PER THE REQUIREMENTS OF THE CENTRAL BANK OF BAHRAIN AND THE MINISTRY OF INDUSTRY, COMMERCE & TOURISM.

The Chairman advised the Corporate Governance report for the year ended 31st December 2021 was prepared and has ensured that all the Corporate Governance and standards were met. There were no comments or questions raised by the Shareholders. The Corporate Governance report is part of the Annual Report which will be available on the Company's Website.

Resolution 9 – The Shareholders approved the Corporate Governance report for the year ended 31st December 2021.

9. DISCHARGE THE MEMBERS OF THE BOARD OF DIRECTORS OF THE COMPANY FROM ANY LIABILITY RESULTING FROM ALL ACTIONS TAKEN DURING THE FINANCIAL YEAR ENDED 31ST DECEMBER 2021.

The Shareholders were asked to absolve the Board of Directors from any liability related to their conduct during the year ended 31st December 2021. There was no question raised by the Shareholders.

Resolution 10 – The Shareholders absolved the Board of Directors from their any liability during the year ended 31st December 2021.

10. APPROVE THE BOARD OF DIRECTORS RECOMMENDATIONS ON THE RE-APPOINTMENT OF KPMG AS EXTERNAL AUDITORS FOR THE YEAR 2022, SUBJECT TO THE APPROVAL OF THE CENTRAL BANK OF BAHRAIN, AND TO AUTHORISE THE BOARD OF DIRECTORS TO DETERMINE THEIR REMUNERATION.

The Board of Directors recommended to re-appoint KPMG as external auditors for the year 2022, subject to the approval of the Central Bank of Bahrain, and to authorize the Board of Directors to determine their fees. There were no comments or questions raised by the Shareholders.

Resolution 11 – The Shareholders approved the recommendation to re-appoint KPMG as external auditors for the year 2022 and authorized the Board of Directors to determine their fees.

11. ANY OTHER MATTERS IN ACCORDANCE WITH ARTICLE 207 OF THE COMMERCIAL COMPANIES LAW.

There were no other matters raised by the Shareholders

The Chairman concluded the Annual General Meeting by thanking His Majesty King Hamad bin Isa Al Khalifa, and His Royal Highness Prince Salman bin Hamad Al Khalifa Crown Prince and Prime Minister for their guidance and support.

The Chairman also thanked all the Shareholders, Central Bank of Bahrain and the Ministry of Industry, Commerce, and Tourism for their attendance and participation.

The Chairman then thanked the previous Board of Directors for their effort, contribution and value-added input to the Company, the Chairman also welcomed the new Board of Directors and added that the Board of Directors is committed as always to support the government in achieving their goals and vision. The Chairman also thanked Management and Staff for the good achievements.

There being no other issues for discussion the meeting was closed at 10:50am.



Mohamed Ebrahim Al Bastaki
Chairman



Abdulwahed Al Janahi
Chief Executive

Extraordinary General Meeting

MINUTES	15 FEBRUARY 2022	11:00 AM
MEETING CALLED BY	The Benefit Company	
TYPE OF MEETING	Extraordinary General Meeting for 2021	
ATTENDEES	As per attendees list	

The Chairman Mr. Mohamed Ebrahim Al Bastaki chaired the meeting and welcomed the Shareholder representatives, Central Bank of Bahrain and Ministry of Industry, Commerce and Tourism representatives, and confirmed we have a quorum of 96% at the meeting.

Agenda topics

1. RATIFY MINUTES OF THE EXTRAORDINARY GENERAL MEETING HELD ON 27 MARCH 2019

The Chairman advised the Shareholders the minutes of the previous Extra Ordinary Meeting held on 27 March 2019 was distributed with the agenda for their reference. There were no comments or questions raised and the minutes were approved.

Resolution 1 – The minutes of the Extraordinary General Meeting dated 27 March 2019 was approved by the Shareholders.

2. APPROVAL OF THE NECESSARY AMENDMENTS ON THE MEMORANDUM AND ARTICLE OF ASSOCIATION OF THE COMPANY, SUBJECT TO THE CENTRAL BANK OF BAHRAIN'S APPROVAL AND ANY OTHER COMPETENT AUTHORITY.

The Chairman advised that the Memorandum and Article of Association will be amended to reflect the following:

- To be in line with Article 188 of the Commercial Companies Law.
- To Permit conducting Virtual AGM and EGM as per Resolution No. 63 of 2021.
- To add an additional Object to the Company for the purpose of authorizing the Board to enter into lending agreements with the company's subsidiaries.

There were no comments or questions raised.

Resolution 2 – The amendments to the Memorandum and Articles of Association were approved by the Shareholders.

3. AUTHORIZING AND DELEGATING POWERS TO THE CHAIRMAN, MR. MOHAMED EBRAHIM AL BASTAKI AND/OR THE CHIEF EXECUTIVE OF THE COMPANY, MR. ABDULWAHED ABDULRAHMAN ALJANAHI TO SIGN THE AMENDED MEMORANDUM AND ARTICLES OF ASSOCIATION ON BEHALF OF THE SHAREHOLDERS BEFORE THE NOTARY PUBLIC.

The Chairman requested the approval of the Shareholders to authorize and delegate powers to the Chairman, Mr. Mohamed Ebrahim Al Bastaki and the Chief Executive of the Company, Mr. Abdulwahed Abdulrahman AlJanahi to sign the amended Memorandum and Articles of Association on behalf of the shareholders before the Notary Public. There were no comments by the Shareholders.

Resolution 3 – The authorization and delegation of powers were approved by the Shareholders.

There were no further issues for discussion and the Chairman concluded the meeting at 11:15am.



Mohamed Ebrahim Al Bastaki
Chairman



Abdulwahed Al Janahi
Chief Executive

Report of the Directors

for the year ended 31 December 2022

The Directors are pleased to submit their report about the activities of The Benefit Company (“BENEFIT” or “the Group”) for the year ended 31 December 2022, together with the audited consolidated financial statements for the year then ended.

Business Review

During the year 2022, the Group began the execution of its upcoming 3-year strategy and business plan. The focus of the new strategy is on initiatives that further enhance the electronic payment infrastructure, provide more access to credit, support the digitization of Government and other Strategic entities, as well as expand key capabilities internationally.

In terms of the payment infrastructure, the Group focused on extending the EFTS interoperability to support cross border instant payments and the inclusion of Payment Service Providers on its platform. In addition, it enhanced Fawateer service to support partial direct debit and introduced a new instant payment scheme for business and commerce transaction.

EFTS transactions experienced significant growth in 2022 with over 245 million transactions recorded in Fawri+ service in comparison to 141 million transactions in 2021, which is a growth of 74%. Further, around 11 million transactions were carried out on Fawri with a growth rate of 14% as compared to 2021. Fawateer service has noticed a substantial growth in 2022 as well, with 12 million transactions representing a 31% growth rate compared to 2021.

BENEFIT also completed integrating its Trust Service Provider (TSP) license and scope of services to support Beyon Connect OneBox and OneSign services. This partnership aims to extend the implementation and adoption of digital signatures within Bahrain outside the scope the electronic cheque.

The eKYC service continued to expand through the facilitation of the customers’ digital onboarding within the insurance sector, exchange houses, payment service providers and Fintech players besides banks and financing companies. This has resulted in recording a growth of %108 in the eKYC transactions and enhancing customer experience while meeting the regulatory requirement. BENEFIT also introduced a biometric authentication Identity and Verification service to support remote client authentication.

In 2022, the Group also worked on enhancing the BCRB statistical reports, insights and data services for its members through making them more dynamic and API based. It also upgraded its infrastructure, business intelligent tools and scorecard capabilities accordingly. A major milestone for BCRB was the integration with SIMAH, the Saudi Credit bureau, for cross border sharing of credit information.

As part of the continuous efforts to ensure the stability of the Group’s IT infrastructure which is considered as the national payments’ infrastructure in Bahrain, BENEFIT successfully shifted its complete IT operations to Batelco TIER III Datacentre Facility. It is a leading-edge data centre environment managed by the latest support and Network management tools.

Consolidated financial position and results

The consolidated financial position of the Group as of 31 December 2022, together with the consolidated results for the year ended is set out in the accompanying consolidated financial statements. The Group has reported a net profit of BD 1.79 million for the year ended 31 December 2022 attributable to the equity shareholders of the Group, as compared to a net profit of BD 715 thousand for 2021. Total equity at 31 December 2022 amounted to BD 23.4 million (31 December 2021: BD 22.2 million).

Recommended Appropriations and Remuneration for 2022

Based on the results, the Board of Directors is recommending for the approval by the shareholders the following appropriations from the profit of the year:

	2022 (BD)	2021 (BD)
Dividends	311,040	311,040
Charity reserve	40,000	40,000
Total appropriations	351,040	351,040

The appropriations above are subject to approvals of the Central Bank of Bahrain and the shareholders.

Board of directors' remuneration details

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others*	Total			
First: Independent Directors:													
Mohammed Ebrahim	22,500	9,000	-	-	31,500	-	-	-	-	-	-	31,500	-
Hadiyah Fathalla	15,000	8,700	-	-	23,700	-	-	-	-	-	-	23,700	-
Sawsan Abu Al Hassan	15,000	7,500	-	-	22,500	-	-	-	-	-	-	22,500	-
Muna AlHashimi	15,000	7,200	-	-	22,200	-	-	-	-	-	-	22,200	-
Second: Non-Executive Directors:													
Khalid Abi Khalil	15,000	7,200	-	-	22,200	-	-	-	-	-	-	22,200	-
Christopher Russell	12,822	4,200	-	-	17,022	-	-	-	-	-	-	17,022	-
Tala Fakhro - NBB	2,219	1,200	-	-	3,419	-	-	-	-	-	-	3,419	-
Abdulrazaq AbdulKhaleq	2,219	1,500	-	-	3,719	-	-	-	-	-	-	3,719	-
Yousif AlFadhel - CBB Observer	15,000	6,600	-	-	21,600	-	-	-	-	-	-	21,600	-
Third: Non-Executive Directors:													
Yasser Sharif - NBB	12,822	4,800	-	-	17,622	-	-	-	-	-	-	17,622	-
Adel Salem - BBK	15,000	5,400	-	-	20,400	-	-	-	-	-	-	20,400	-
Ameer A. Ghani	12,822	5,400	-	-	18,222	-	-	-	-	-	-	18,222	-
Nabeel Kadhemi - AUB	8,260	4,200	-	-	12,460	-	-	-	-	-	-	12,460	-
Ahmed A. Rahim	2,219	1,200	-	-	3,419	-	-	-	-	-	-	3,419	-
Umkhulthoom Alabbasi - AUB	2,219	600	-	-	2,819	-	-	-	-	-	-	2,819	-
Total	168,102	74,700	-	-	242,802	-	-	-	-	-	-	242,802	-

Note: All amounts must be stated in Bahraini Dinars.

Other remunerations:

* It includes in-kind benefits – specific amount – remuneration for technical, administrative and advisory works (if any).

** It includes the board member's share of the profits – Granted shares (insert the value) (if any).

* Other disclosures required in the template issued by the MOIC such as fixed salaries, variable remunerations and expense allowances amounted to nil during 2022.

Report of the Directors for the year ended 31 December 2022

- Top 6 executives remuneration including CE and CFO:

Executive Management	Total salaries and allowances (BD)	Total paid remuneration (Bonus) in 2022 (BD)	Any other cash/ in kind remuneration for 2022 (BD)	Aggregate amount (BD)
Top 6 remunerations for executives, including CE and CFO	796,209	215,950	-	1,012,159

Outlook for 2023

BENEFIT will continue working on its 3-year strategy for the upcoming year with an aim of providing more innovative services to the industry, such as open banking, and personal finance manager (PFM), which will serve as two strategic services that will create a leap in the customer experience of BenefitPay. These services will allow customers to track and manage their bank accounts' activities in an innovative real-time manner.

As part of the internationalization direction, BENEFIT will avail cross border remittance through initiating the process of connecting regional and international money transfer networks. The service will bring three main values to the end customers, lower prices, faster and convenient transfers.

Another enhancement on the EFTS platform will be the participation of Payment Services Providers (PSPs) in EFTS through allowing their customers to perform transfers through the PSPs' stored value accounts and/or any member bank IBAN. Moreover, BENEFIT will initiate its interoperability project with BUNA, the Arab region RTGS and payment network under the Arab Monetary Fund, with its member bank and CBB targeting to go live within 2023 or early 2024.

Further, the implementation of the Direct Trading System (DTS) project is expected to be initiated in 2023 with CBB. The DTS project is considered a vital national project granting retail market investors with low tickets access to government securities and bonds at both the primary and secondary market.

As part of its commitment towards supporting SMEs, the Group will work on facilitating SME digital onboarding and access to finance through SME eKYC and Credit Rating services. It will also avail the required financial services for Buy Now Pay Later (BNPL) players to operate in the local market and increase access to credit and the consumer purchase power.

Consumer financing marketplace is also planned to be launched during 2023, in order to create a competitive platform for different credit offerings by credit providers in the market and fair comparison opportunity by customers to get what best fits their financial needs.

Acknowledgements

The Board of Directors of BENEFIT would like to reassure its Shareholders that the Group will continue playing its strategic role in the Kingdom of Bahrain and will introduce more innovative solutions in line with the Group's vision.

The Board of Directors takes this opportunity to express their gratitude and sincere appreciation to His Majesty King Hamad bin Isa Al Khalifa, the King of Bahrain; to His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince, Prime Minister, and Deputy Supreme Commander; to Government ministries and institutions and the Central Bank of Bahrain, for their guidance and support to the Group throughout its journey to position the Kingdom of Bahrain to be among the advanced countries in the financial services sector, digital payments and fintech services. The Board also expresses its thanks to its stakeholders and customers, for their trust and confidence, to the Shareholders for their support, and to its management and employees for their hard work, dedication, and contribution to the success of the Group.



MOHAMMED EBRAHIM ALBASTAKI
Chairman



SAWSAN ABULHASSAN MOHAMED
Director

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Independent auditors' report

To the Shareholders of

The Benefit Company BSC (c)

P.O. Box 2546

Al Seef, Kingdom of Bahrain

Opinion

We have audited the consolidated financial statements of The Benefit Company BSC (c) (the "Company") and its subsidiary (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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

The board of directors is responsible for the other information. The other information obtained at the date of this auditors' report is the report of directors set out on pages 44-46.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 auditors' 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 Board of Directors for the Consolidated Financial Statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Standards, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group'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 the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the Board of Directors' 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors 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 Regulatory Requirements

As required by the Commercial Companies Law, and Volume 5 of the Central Bank of Bahrain (CBB) Rule Book, we report that:

- a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- b) the financial information contained in the report of the directors is consistent with the consolidated financial statements;
- c) we are not aware of any violations during the year of the Commercial Companies Law, the CBB and Financial Institutions Law No. 64 of 2006 (as amended), the CBB Rule Book (Volume 5, applicable provisions of Volume 6 and CBB directives) or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
- d) satisfactory explanations and information have been provided to us by management in response to all our requests.



KPMG Fakhro

Partner Registration Number 213

15 February 2023

Consolidated Statement of Financial Position

As at 31 December 2022

(Bahraini Dinars)

	Note	2022	2021
ASSETS			
Furniture and equipment	4	3,083,392	2,950,430
System software	5	1,999,369	2,734,835
Building	6	5,258,021	5,459,906
Capital-work-in-progress	7	697,228	238,119
Right-of-use assets	13	1,163,667	102,024
Other assets		139,168	139,168
TOTAL NON-CURRENT ASSETS		12,340,845	11,624,482
Cash and bank balances		1,412,880	4,278,329
Balance with Central Bank of Bahrain		5,467,971	4,017,719
Balance with other central banks		4,416,444	2,902,398
Deposits with banks		3,522,937	1,001,125
Trade receivables	8	1,096,708	909,443
Prepaid expenses and other receivables		444,933	667,129
TOTAL CURRENT ASSETS		16,361,873	13,776,143
TOTAL ASSETS		28,702,718	25,400,625
EQUITY AND LIABILITIES			
Share capital	1	3,110,400	3,110,400
Statutory reserve		1,612,138	1,612,138
General reserve		1,555,200	1,555,200
Charity reserve		102,949	262,190
Retained earnings		17,097,084	15,657,810
TOTAL EQUITY (page 52)		23,477,771	22,197,738
LIABILITIES			
Non-current portion of lease liability	14	944,080	57,591
Non-current portion of deferred income		117,263	170,884
Provision for employees' leaving indemnities	9	372,285	297,764
TOTAL NON-CURRENT LIABILITIES		1,433,628	526,239
Trade payables and accrued expenses	10	3,214,541	2,311,622
Current portion of lease liability	14	235,601	67,934
Current portion of deferred income		341,177	297,092
TOTAL CURRENT LIABILITIES		3,791,319	2,676,648
TOTAL EQUITY AND LIABILITIES		28,702,718	25,400,625

The consolidated financial statements have been approved by the Board of Directors on 15 February 2023 and signed on their behalf by::



MOHAMED EBRAHIM ALBASTAKI
Chairman



SAWSAN ABULHASSAN MOHAMED
Vice Chairman



ABDULWAHED ALJANAHI
Chief Executive

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

(Bahraini Dinars)

	Note	2022	2021
Revenue			
Switch	11	7,711,726	6,197,413
BCRB		997,344	941,408
BCTS		507,656	476,820
EFTS		1,920,753	1,580,498
eKYC		452,645	324,955
PKI-CA		285,120	71,280
WPS		155,850	-
Card services	12	1,771,216	1,661,679
Total operating revenue		13,802,310	11,254,053
Operating expenses			
Staff cost	16	5,346,565	4,653,209
Cost of provision of services	15	3,129,962	2,787,485
Depreciation and amortisation	4, 5, 6, 13	2,036,879	1,566,196
Other operating expenses	17	1,657,591	1,628,430
Total operating expenses		12,170,997	10,635,320
Operating profit		1,631,313	618,733
Interest income	18	58,963	15,808
Interest expense on lease liabilities		(22,911)	(9,603)
Other income		122,949	90,559
Profit for the year		1,790,314	715,497
Other comprehensive income for the year		-	-
Total comprehensive income for the year		1,790,314	715,497

The consolidated financial statements have been approved by the Board of Directors on 15 February 2023 and signed on their behalf by:



MOHAMED EBRAHIM ALBASTAKI
Chairman



SAWSAN ABULHASSAN MOHAMED
Vice Chairman



ABDULWAHED ALJANAHI
Chief Executive

The accompanying notes 1 to 25 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes In Equity for the year ended 31 December 2022

(Bahraini Dinars)

	Share Capital	Statutory reserve	General reserve	Charity reserve	Retained earnings	Total
At 1 January 2022	3,110,400	1,612,138	1,555,200	262,190	15,657,810	22,197,738
Profit and total comprehensive income for the year	-	-	-	-	1,790,314	1,790,314
Dividend declared in 2021	-	-	-	-	(311,040)	(311,040)
Charity paid during the year	-	-	-	(199,241)	-	(199,241)
Transfer to charity reserve	-	-	-	40,000	(40,000)	-
At 31 December 2022	3,110,400	1,612,138	1,555,200	102,949	17,097,084	23,477,771

	Share Capital	Statutory reserve	General reserve	Charity reserve	Retained earnings	Total
At 1 January 2021	3,110,400	1,612,138	1,548,642	391,746	15,299,911	21,962,837
Profit and total comprehensive income for the year	-	-	-	-	715,497	715,497
Dividend declared in 2020	-	-	-	-	(311,040)	(311,040)
Charity paid during the year	-	-	-	(169,556)	-	(169,556)
Transfer to charity reserve	-	-	-	40,000	(40,000)	-
Transfer to general reserve	-	-	6,558	-	(6,558)	-
At 31 December 2021	3,110,400	1,612,138	1,555,200	262,190	15,657,810	22,197,738

Consolidated Statement of Cash Flows for the year ended 31 December 2022

(Bahraini Dinars)

Note	2022	2021
Operating activities		
Cash received from switch operations	7,682,635	6,242,271
Cash received from BCRB operations	975,062	1,001,218
Cash received from card services	1,724,912	2,008,476
Cash received from BCTS operations	507,585	479,251
Cash received from EFTS operations	2,149,798	1,456,015
Cash received from eKYC operations	389,943	297,902
Cash received from PKI-CA operations	285,561	70,839
Cash received from WPS operations	35,895	-
Payments for operating expenses	(9,628,621)	(9,213,610)
Payment for directors' remuneration	(87,300)	(142,500)
Other receipts	34,389	-
Net cash generated from operating activities	4,069,859	2,199,862
Investing activities		
Purchase of furniture and equipment	(217,075)	(256,412)
Purchase of system software	(47,972)	(420,332)
Payments relating to building	-	(277,950)
Payments for capital-work-in-progress	(701,849)	(2,838,254)
Interest received	48,831	14,088
Net cash used in investing activities	(918,065)	(3,778,860)
Financing activities		
Dividend paid	(311,040)	(311,040)
Charity paid	(199,241)	(169,556)
Lease liabilities payment	(20,850)	(109,773)
Net cash used in financing activities	(531,131)	(590,369)
Net increase/ (decrease) in cash and cash equivalents	2,620,661	(2,169,367)
Cash and cash equivalents at the beginning of year	12,199,571	14,368,938
Cash and cash equivalents at end of the year	14,820,232	12,199,571
Represented by*:		
Cash and bank balances	1,412,880	4,278,329
Balance with Central Bank of Bahrain	5,467,971	4,017,719
Balance with other central banks	4,416,444	2,902,398
Deposits with banks with original maturity less than 90 days	3,522,937	1,001,125
	14,820,232	12,199,571

*The amount reported is net of expected credit loss of BD 2,348 (2021: BD 2,348).

The accompanying notes 1 to 25 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(Bahraini Dinars)

1. REPORTING ENTITY

The Benefit Company BSC (c) (the "Company") is registered with the Ministry of Industry and Commerce since 29 October 1997 under registration number 39403.

The Company has been granted with a licence for ancillary services from the Central Bank of Bahrain ("CBB") to provide services relating to payment system and other related financial services for the benefit of the commercial banks and their customers in the Kingdom of Bahrain. The Bahrain Credit Reference Bureau ("BCRB") operations commenced in Bahrain in August 2005. The Company launched the Bahrain Cheques Truncation System (the "BCTS") on 13 May 2012, Electronic Fund Transfer System (the "EFTS") on 5 November 2015 and Electronic Know Your Customer (eKYC) in 30 April 2019.

Share Capital

The Company's authorised capital is BD 5,400,000. The Company's issued and paid up capital is BD 3,110,400 comprising 31,104 shares of BD 100 each.

Subsidiary

The Company owns 100% (31 December 2021: 100%) in Sinnad W.L.L ("Subsidiary"). The Subsidiary has been incorporated and licensed by CBB to provide ancillary services to the financial sector in Bahrain and other countries. Its service includes debit and credit card hosting services, cards personalisation and other ATM acquiring services.

This is the audited consolidated financial statements of the Company and its Subsidiary (together referred to as the "Group") as at and for the year ended 31 December 2022.

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and in conformity with the Commercial Companies Law.

b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis.

c) Functional and presentation currency

The consolidated financial statements are presented in Bahraini Dinars (BD), which is also the Group's functional currency.

d) Russia-Ukraine conflict

The current ongoing conflict between Russia-Ukraine has triggered a global economic disruption and has, amongst other impacts, led to increased volatility in financial markets and commodity prices due to disruption of supply chain which may affect a broad range of entities across different jurisdictions and industries.

The management has carried out an assessment of its portfolio and has concluded that it does not have any direct exposures to / from the impacted countries. However, potential for indirect exposures continue to exist. At this stage it is difficult to quantify the full impact of this conflict since it depends largely on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets. The management will continue to closely monitor impact of this evolving situation on its operation to assess indirect impact, if any. As at 31 December 2022 the Group does not have a material impact of this conflict.

e) New standards, amendments and interpretations effective from 1 January 2022

A number of new standards, amendments and interpretations to standards are effective from 1 January 2022. However, these standards, amendments and interpretations to standards did not have significant impact on the consolidated financial statements.

f) New standards, amendments and interpretations issued but not yet effective

A number of new standards, amendments and interpretations to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted for annual periods beginning on 1 January 2022. However, the Group has not early applied the new standards, amendments and interpretations in preparing these consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(Bahraini Dinars)

2. BASIS OF PREPARATION (Continued)

f) New standards, amendments and interpretations issued but not yet effective (Continued)

The new standards, amendments and interpretations to standards are not expected to have a significant impact on Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been consistently applied by the Group and are consistent with those applied in the previous year.

a) Financial instruments

(i) Classification of financial assets and financial liabilities

Financial assets are classified into three principal classification categories: measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. Financial liabilities are classified into amortized cost or at fair value through profit or loss.

(ii) Initial recognition, measurement and subsequent measurement

The financial assets and liabilities are initially recognised on trade date when the Group becomes party to the contract. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Financial assets and liabilities are subsequently remeasured at amortised cost.

(iii) Impairment of financial assets

The Group measures expected credit loss on financial assets carried at amortised cost using simplified approach as allowed by the standard to determine impairment of financial assets.

b) Revenue recognition

(i) Services

Revenue arises mainly from provision of services relating to switch, BCRB, BCTS, EFTS, and eKYC. Revenue also arises from the provision of services relating to debit and credit card personalisation and hosting and ATM acquiring services ("card services"). In addition, the Group's revenue includes sale of plastic cards and stationery.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The Group often enters into transactions involving a range of the Group's services and products. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations and customer obtain control of goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations or if the Group has a right to an amount of consideration that is unconditional before the Group transfers a good or service to the customers and reports these amounts as deferred income in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

(ii) Interest Income

Interest income is recognised using the effective interest rate method.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(Bahraini Dinars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Basis of consolidation

i. Subsidiary

Subsidiary is an investee controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

ii. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

iii. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transactions gains and losses) arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

d) Building, furniture, equipment, software and capital work-in-progress

Owned assets

Building, furniture, equipment and software are stated at cost less accumulated depreciation, accumulated amortization and impairment losses, if any. The cost of the assets includes the cost of bringing them to their present location and condition. Intangible assets are recorded at the consideration paid for obtaining right to use the assets. Capital work-in-progress (CWIP) comprises the direct cost incurred for hardware, software and equipment that are not yet ready for their intended use on the reporting date. The cost of additions and major improvements are capitalised.

Subsequent measurement

Expenditure incurred to replace a component of an asset that is accounted for separately, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the asset. All other expenditure is recognised in profit or loss as an expense as incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. When an asset is sold or discarded, the respective cost and accumulated depreciation relating thereto are eliminated from the statement of financial position, the resulting gain or loss being recognised in profit or loss.

Depreciation and amortization

Depreciation is applied on a straight-line basis over the useful life of assets estimated by the management. Depreciation for assets purchased / sold during a period is proportionately charged.

Intangible assets are amortized over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Group for its use. The Management estimates the useful lives for the various fixed assets as follows:

System hardware	1 – 7 years
System software	3 – 10 years
Computer equipment	2 – 5 years
Furniture, fixtures and office equipment	3 – 8 years
Vehicles	5 years
Building	30 years

All depreciation and amortization are charged to profit or loss.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(Bahraini Dinars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, bank balances, balance with the Central Bank of Bahrain and other central banks, and bank deposits maturing within 3 months or less from the acquisition date and that are subject to insignificant risk of changes in fair value.

f) Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment.

g) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

h) Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

i) Dividends

Dividends are recognised as a liability in the period in which they are declared.

j) Government grants

Government grants are recognized when there is reasonable assurance that the entity will comply with the relevant conditions and the grant will be received. Grants are recognised as other income in profit or loss on a systematic basis as the Group recognizes as expenses the costs that the grants are intended to compensate. Grants that relate to the acquisition of an assets are recognised in profit or loss as the assets is depreciated or amortised.

k) Employees' Benefits

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organisation ("SIO") scheme to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's contribution to this scheme, which represents a defined contribution scheme under International Accounting Standard 19 – Employee Benefits, is expensed as incurred.

Expatriate employees are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector, based on length of service and final remuneration. Provision for this unfunded commitment which represents a defined benefit plan under International Accounting Standard 19 – Employee Benefits, has been made by calculating the notional liability had all employees left at the reporting date.

Employee savings scheme

The Group has a voluntary employees saving scheme. The employees and employers contribute monthly on a fixed-percentage-of-salaries-basis to the scheme.

l) Foreign currency transactions

- I. Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional' currency). The consolidated financial statements are presented in Bahraini Dinars, which is the Group's functional and presentation currency.
- II. Transactions in foreign currencies are translated to Bahraini dinars, at the foreign exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to Bahraini dinars at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated into Bahraini dinars at the foreign exchange rates ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in profit or loss.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(Bahraini Dinars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Critical accounting estimates and judgments in applying accounting policies

The preparation of these consolidated financial statements in conformity with IFRSs require management to make judgements, estimates and assumptions that affect the application of the Group'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 in the period in which the estimates are revised and in any future periods affected.

The area in which significant accounting estimates and judgments were used in applying accounting policies is disclosed in note 3 (b).

n) Statutory reserve

The Commercial Companies Law requires 10 percent of net profit to be appropriated to a statutory reserve, which is not normally distributable except in accordance with Article 224. Appropriations may cease when the reserve reaches 50 percent of the paid-up share capital.

o) Board members' remuneration

Board members' remuneration is recognized in the statement of profit or loss and other comprehensive income on an accrual basis.

p) Right-of-use assets and lease liabilities

The Group 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, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payment made at or before the commencement date, less any lease incentives received;
- any initial direct cost incurred by the lessee; and
- estimated cost to dismantle and to remove the underlying asset, or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liability is measure as the present value of the future lease payments that are not paid at the commencement date. The lease payments are discounted based on the Group's incremental borrowing rate. Lease liability comprises the following:

- fixed payments, including in-substance fixed payments;
- amounts expected to be payable under a residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Lease liabilities are carried at amortized cost using effect interest rate method. Lease liabilities are reduced by repayment of the principal amount while the finance charge component of the lease payment is charged directly to the statement of profit or loss and other comprehensive income.

It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and for leases of low-value assets.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(Bahraini Dinars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Value added tax (VAT)

Expenses and assets are recognised net of the amount of VAT; except, incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

When receivables and payables are stated with the amount of VAT included.

The gross amount of VAT recoverable from, or payable to, the taxation authority are included as part of receivables and payables in the consolidated statement of financial position.

4. FURNITURE AND EQUIPMENT

	System hardware	Computers	Furniture, Fixtures, Office Equipment & Vehicle	2022 Total	2021 Total
Cost					
At 1 January	5,612,498	588,500	630,579	6,831,577	4,351,673
Additions	216,058	64,355	20,879	301,292	200,698
Transferred from CWIP	678,899	-	910	679,809	2,294,660
Transferred from Building	-	-	12,964	12,964	-
Disposals	-	-	-	-	(2,870)
Write-off	-	-	-	-	(12,584)
Reclassification	301,455	(301,455)	-	-	-
At 31 December	6,808,910	351,400	665,332	7,825,642	6,831,577
Depreciation					
At 1 January	3,398,909	243,955	238,283	3,881,147	3,338,434
Charge for the year	714,760	55,994	90,349	861,103	557,333
Disposals	-	-	-	-	(2,036)
Write-off	-	-	-	-	(12,584)
Reclassification	28,908	(28,908)	-	-	-
At 31 December	4,142,577	271,041	328,632	4,742,250	3,881,147
Carrying value at 31 December	2,666,333	80,359	336,700	3,083,392	2,950,430

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(Bahraini Dinars)

5. SYSTEM SOFTWARE

	2022	2021
At 1 January	2,734,835	2,301,092
Transferred from capital work-in-progress	34,866	803,762
Additions during the year	130,391	445,254
Amortisation charge for the year	(900,723)	(815,273)
At 31 December	1,999,369	2,734,835

6. BUILDING

	2022	2021
At 1 January	5,459,906	-
Additions during the year	-	-
Transferred from capital work-in-progress*	-	5,551,592
Transfer to furniture and equipment	(12,964)	-
Depreciation charge for the year	(188,921)	(91,686)
At 31 December	5,258,021	5,459,906

* During the previous year, the Group completed the construction of its headquarter and has relocated to the new building.

7. CAPITAL WORK-IN-PROGRESS

	2022	2021
At 1 January	238,119	6,039,325
Additions during the year	1,173,784	2,848,808
Transfers during the year	(714,675)	(8,650,014)
At 31 December	697,228	238,119

8. TRADE RECEIVABLES

	2022	2021
Gross receivables	1,116,194	966,427
Less: Impairment allowance (expected credit loss)	(19,486)	(56,984)
	1,096,708	909,443

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(Bahraini Dinars)

8. TRADE RECEIVABLES (Continued)

The movement on impairment allowance is as follows

	2022	2021
At 1 January	56,984	56,984
Reversal during the year	(37,498)	-
	19,486	56,984

9. PROVISION FOR EMPLOYEES' LEAVING INDEMNITIES

	2022	2021
At 1 January	297,764	258,340
Add: Charge for the year	74,521	39,424
At 31 December	372,285	297,764
Total number of employees at 31 December:		
Bahrainis	164	164
Expatriates	15	13
At 31 December	179	177

For the year ended 31 December 2022, the Group's contribution for employees under SIO scheme amounted to BD 364,138 (2021: BD 301,835). The Group also has an employees' saving scheme, in accordance with which the participating employees and the Group contribute monthly on a fixed percentage of relating basis. The Group's contribution to the employees' saving scheme amounted to BD 191,202 (2021: BD 166,920). All contributions are deposited to a separate bank account, and does not form part of the operating bank balances of the Group in the consolidated statement of financial position. As at 31 December 2022 these amounted to BD 1,732,864 (2021: BD 1,371,651).

10. TRADE PAYABLES AND ACCRUED EXPENSES

	2022	2021
Staff related payables	892,820	687,509
Trade payables	477,809	165,860
Accrual for directors' remuneration	168,102	157,171
VAT payable (net)	82,793	51,263
Payables for card processing	18,942	15,000
Other accrued expenses	1,574,075	1,234,819
At 31 December	3,214,541	2,311,622

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(Bahraini Dinars)

11. SWITCH

	2022	2021
Bahrain ATM	2,460,058	2,696,921
Bahrain POS	2,605,438	1,660,979
Payment gateway	740,389	712,366
GCC POS	988,899	426,484
GCC ATM	541,699	363,832
Telecom bill payment	136,445	193,392
Benefitpay	220,701	128,018
AMEX	18,097	15,421
	7,711,726	6,197,413

12. CARD SERVICES

A. Disaggregation of revenue

In the following table, card service revenue is disaggregated by major products and service lines and timing of revenue recognition.

	2022	2021
Revenue by major products and service line		
Income from card processing	1,305,117	1,208,743
Income from development and customizations	174,274	273,047
Income from card procurement and fulfilment	235,383	145,170
Income from call centre operations	56,442	34,719
	1,771,216	1,661,679

	2022	2021
Revenue by timing of recognition		
Services rendered at a point in time	1,479,391	1,388,632
Services rendered over time	291,825	273,047
	1,771,216	1,661,679

B. Contract balances

The following table provides information about contract liabilities from contracts with customers.

	2022	2021
Contract liabilities (included in current portion of deferred income)	80,796	62,436

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(Bahraini Dinars)

12. CARD SERVICES (Continued)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the customer. The contract liabilities primarily relate to the advance consideration received from customers for which revenue is recognised over time as the related performance obligations are fulfilled or when the rights of the receipts become unconditional. For the year ended 31 December 2022, card services income includes BD 57,444 (2021: BD 114,681) included in the contract liability balance at the beginning of the year.

13. RIGHT-OF-USE ASSETS

	2022	2021
Balance at beginning of the year	102,024	158,932
Additions for the year, net	1,147,775	38,889
Remeasurement of lease liabilities, net *	-	6,107
Amortisation charge for the year	(86,132)	(101,904)
	1,163,667	102,024

* During the previous year, the Group has reassessed the lease term of two contracts that was previously included in the initial measurement of the lease liabilities and determined that it is reasonably certain to exercise the option to extend the lease term of one contract and not renew the other. The carrying value of its right-of-use assets has been adjusted for remeasurement of lease liabilities with net impact of 2022: Nil (2021: BD 6,107).

14. LEASE LIABILITIES

	2022	2021
(i) Maturity analysis – contractual undiscounted cash flow		
Less than one year	326,390	138,722
One to five years	1,106,480	42,520
Total undiscounted lease liabilities	1,432,870	181,242
(ii) Current portion of lease liabilities	235,601	67,934
Non-current portion of lease liabilities	944,080	57,591
Total discounted lease liabilities	1,179,681	125,525

Effective interest on lease liabilities ranges from 7.5% to 8.5% (2021: 7.5%)

	2022	2021
(iii) Amounts recognised in profit or loss		
Leases under IFRS 16		
Interest on lease liabilities	22,911	9,603
Depreciation	86,132	101,904
Expenses relating to short term leases	41,185	29,228
Total expenses recognised in profit or loss	150,228	140,735
(iv) Amounts recognised in statement of cashflow		
Total cash outflow for lease liabilities	20,850	109,773

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(Bahraini Dinars)

15. COST OF PROVISION OF SERVICES

	2022	2021
License and support	1,033,761	900,168
Maintenance cost	831,025	518,562
Cost of card services*	243,727	493,773
Communication lines	353,886	290,823
GCC NET telecom charges	20,446	18,873
Other processing costs	647,117	565,286
	3,129,962	2,787,485

* Cost of card services includes direct cost relating to debit card, credit card personalisation and hosting services.

16. STAFF COSTS

	2022	2021
Salaries and other employees' benefits	4,431,599	3,830,131
Social Insurance Organization	365,892	301,835
Saving Scheme Contribution	181,530	166,920
Employees end of service benefits	75,188	39,424
Others	292,356	314,899
	5,346,565	4,653,209

17. OTHER OPERATING EXPENSES

	2022	2021
Legal and professional expenses	653,673	610,019
Public relation and marketing	351,005	431,306
Occupancy costs	234,083	133,095
Directors' remuneration	98,232	127,164
Directors' sitting fees	85,600	81,100
Entertainment	55,368	36,331
Travel and conferences	55,875	15,205
Telephone and fax	4,138	6,126
Other expenses	119,617	188,084
	1,657,591	1,628,430

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(Bahraini Dinars)

18. INTEREST INCOME

	2022	2021
Interest on bank deposits	52,228	9,287
Interest on current accounts	6,735	6,521
	58,963	15,808

19. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

a) Transactions and balances with key management personnel

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel compensation is as follows:

	2022	2021
Salaries and short term employee benefits	1,221,522	1,103,545
Long term employee benefits	149,057	128,982
Directors' remuneration	168,102	127,164
Directors' sitting fees	85,600	81,100
Provision for employees' leaving indemnities	298,810	246,425

b) Transactions and balances with and from related parties

		2022	2021
Bank balances	i	1,328,772	4,279,854
Deposits with banks	i, ii	3,522,937	1,001,125
Trade receivables	i	382,535	451,613
Other assets	ii	113,254	133,290
Lease liability	iv	18,604	51,085
Deferred income	iii	83,598	73,344

c) Transactions and balances with and from related parties

		2022	2021
Interest income	i	58,963	15,808
Card service income	ii	642,894	563,989
Bank charges	i	5,215	1,253
Occupancy costs	iv	65,640	54,120

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(Bahraini Dinars)

19. RELATED PARTY TRANSACTIONS (Continued)

c) Transactions and balances with and from related parties (Continued)

- (i) The Group has dealings with several banks in Bahrain who are also shareholders of the Group. These transactions are in the nature of provision of services in relation to payment systems, internet banking, card services and Credit Reference Bureau. Bank balances and fixed deposits are kept with four of the major shareholders of the Group.
- (ii) The Subsidiary has entered into contracts with certain shareholders of the Parent company for the provision of services related to debit/credit card personalisation and ATM acquiring services.
- (iii) Deferred income represents advance billing to shareholders where the services are yet to be provided by the Group. It is recognised as income when the related services are performed.
- (iv) Up to Q3 2022, the Group, in the normal course of business occupied offices on various floors of NBB Tower which is owned by a shareholder of the Group. Subsequently, the Group has relocated to its new headquarter building except for certain floors that would continue to be rented for foreseeable future.

All transactions were approved by the Board of Directors under Article 189(b) of the Commercial Companies Law in the financial year ended 31 December 2022 where the chairman, directors or managers had a direct or indirect interest in the contracts or transactions which have been approved by the Board.

20. CAPITAL COMMITMENTS AND CONTINGENCIES

Capital commitments and contingencies as on 31 December 2022 by the Group are BD 742,388 (2021: BD 1,607,887).

21. APPROPRIATIONS AND BOARD REMUNERATIONS

The Board of Directors has recommended the following appropriations from profit for the year and board remunerations which are subject to approval by the shareholders in the Annual General Meeting:

	2022	2021
Cash dividends	311,040	311,040
Charity reserve	40,000	40,000

The Board has recommended the distribution of cash dividends of BD 311,040 (2021: BD 311,040) from the retained earnings. Further, the Board has also recommended BD 168,102 as the directors' remuneration for the year 2022 (2021: BD 87,300).

22. SUBSIDIARY

The table below provides details of the subsidiary of the Group. The share capital of the subsidiary consists solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business:

Name of the entity	Place of business	Proportion of ownership and voting power held by the Group (2022)	Proportion of ownership and voting power held by the Group (2021)	Principal activities
Sinnad W.L.L	Bahrain	100%	100%	Debit and credit cards hosting and cards personalisation services

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(Bahraini Dinars)

23. FINANCIAL RISK MANAGEMENT

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Financial instruments consist of financial assets and financial liabilities.

Financial assets consist of cash and bank balances, deposits with banks, balance with the Central Bank of Bahrain, balances with other central banks, trade receivables, and other receivables.

Financial liabilities consist of payables and accrued expenses.

Overview

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

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management. Further, quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has appointed the Chief Executive Officer who is responsible for developing and monitoring the risk management policies for the Group.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk on its bank balances, deposits with banks, balance with the Central Bank of Bahrain, balance with other central banks trade and other receivables.

The Group considers a financial asset to be in default when:

- the group considers a financial asset in default when internal or external information indicates that the group is unlikely to receive the outstanding amounts in full before taking into account any credit enhancements held by the Group. A financial assets is written off when there is no reasonable expectations of recovering the contractual cashflows or
- the trade receivables is more than 90 days past due from the due date.

The Group seeks to limit its credit risk with respect to customers by means of the following policies:

- Credit risk is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures laid down by the Group.
- Cash is placed with banks with good credit ratings.

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure credit risk at the reporting date was:

	2022	2021
Bank balance	1,412,880	4,279,854
Deposits with banks	3,522,937	1,001,125
Balance with Central Bank of Bahrain	5,467,971	4,017,719
Balance with other central banks	4,416,444	2,902,398
Trade receivables	1,096,708	909,443

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(Bahraini Dinars)

23. FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (Continued)

The Group's credit risk on bank balances, deposits with banks and trade receivables are limited since these are maintained either with reputed banks having high credit ratings or sovereign. The Group's credit risk on the remaining exposures is minimal as all switch fee income is received from financial institutions and other central banks, which are transferred to the Group's account with the Central Bank of Bahrain within a week of rendering the service.

Ageing of trade receivables:

	2022	2021
0 - 30 days	528,959	513,646
31 - 90 days	302,509	173,406
91 - 180 days	158,623	167,447
181 - 365 days	125,996	106,837
More than 365 days	107	5,091
Gross receivables	1,116,194	966,427
Impairment allowance	(19,486)	(56,984)
	1,096,708	909,443

The Group does not hold any collateral against the above receivables.

The Group believes that amounts past due by more than 90 days amounting to BD 284,726 (2021: BD 279,375) are collectible in full, based on historic payment behaviour and since these amounts are due from reputed banks in Bahrain and other countries.

The Group's exposure to credit risk is influenced mainly by the individual credit characteristics of each customer.

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Group's operations and investments.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

2022	Carrying Amount	Contractual cash flows	6 months or less	More than 6 months
Trade payables and accrued expenses	3,291,008	3,291,008	3,291,008	-
Provision for employees' leaving indemnities	372,285	372,285	-	372,285
Lease liabilities	1,166,295	1,432,870	165,120	1,267,750
	4,829,588	5,096,163	3,456,128	1,640,035

2021	Carrying Amount	Contractual cash flows	6 months or less	More than 6 months
Trade payables and accrued expenses	2,311,622	2,311,622	2,311,622	-
Provision for employees' leaving indemnities	297,764	297,764	-	297,764
Lease liabilities	125,525	181,242	138,722	42,520
	2,734,911	2,790,628	2,450,344	340,284

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(Bahraini Dinars)

23. FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk

Market risk is the risk that changes in market prices – e.g. interest rates, equity prices, foreign exchange rates and credit spreads – will affect the Group's income or the value of its holdings of financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Group's solvency while optimising the return on risk.

i. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The majority of Group's switch transactions are in other GCC currencies. Except for the Kuwaiti Dinar, the other GCC currencies are pegged to the US Dollar; hence there is no significant movement in the exchange rates between the GCC currencies. The group is charging a mark-up on GCC switch transaction in order to cover up the currency losses. Such mark-up is classified as operation revenue.

Change in market foreign exchange rates is not expected to have a significant impact on the operations of the Group.

ii. Interest rate risk

Interest rate risk is the risk that the value limited of a financial instrument will fluctuate due to changes in market interest rates. The Group is exposed to limited interest rate risks on its short-term deposit.

	2022	2021
Effective interest rate on short-term deposit (BD)	1.48%	1.55%

Change in market interest rate will not have a significant impact on the carrying value of the deposits due to the short term characteristics of the deposit.

d) Operational risk

Operational risk is the risk of direct or indirect loss arising from wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risk – e.g. those arising from legal and regulatory requirements and generally accepted standards of the corporate behaviour. Operational risks arise from all the Group's operations.

The Group's objective to manage operational risk so as to balance the avoidance of financial losses and damages to the Group's reputation with overall cost effectiveness and innovation. In all cases, Group policy requires compliance with all applicable legal and regulatory requirements.

e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as total shareholders' equity. The Group's consolidated return on equity was 7.6 percent in 2022 (2021: 3.2 percent).

There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

(Bahraini Dinars)

23. FINANCIAL RISK MANAGEMENT (Continued)

f) Fair value and classification 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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. Differences may therefore arise between book values under the historical cost method and fair value estimates.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The fair value of the Group's financial assets and liabilities are not materially different from their carrying amounts due to their short-term nature

At 31 December 2022 and 2021, all the Group's financial assets and financial liabilities have been classified and measured at amortised cost

24 SEASONALITY

The Group does not have income of a seasonal nature.

25 COMPARATIVES

The comparative figures have been regrouped where necessary, in order to conform to the current year presentation. The regrouping did not affect previously reported profit for the year or total equity of the Group.