



Building Connections

Annual Report 2013



The BENEFIT Company

P.O. Box 2546, Manama
Kingdom of Bahrain

Tel: +973-17500400

Fax: +973-17500401

Email: TBCINFO@benefitco.com.bh

www.benefitco.com.bh



His Royal Highness
Prince Khalifa bin Salman
Al Khalifa
Prime Minister



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



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



Contents

Introduction	4
First Gulf Coaxial Submarine Cable	6
Vision & Mission	8
Company Profile	9
Bahrain International Airport	10
Chairman's Statement	12
King Fahad Causeway	14
CEO Statement	16
Board of Directors	18
Management Team	20
Information Superhighway	22
Five Years Growth	24
BENEFIT	26
Corporate Governance	28
Annual General Assembly Meeting Minutes	40
Extraordinary Annual General Meeting Minutes	43
Report of the Directors	45
Independent Auditors' Report to the Shareholders	49
Consolidated Statement of Financial Position	50
Consolidated Statement of Comprehensive Income	51
Consolidated Statement of Changes of Equity	52
Consolidated Statement of Cash Flows	53
Notes	54

First Gulf Coaxial Submarine Cable



Bahrain International Airport



King Fahad Causeway



Information Superhighway



BENEFIT



Introduction

Building Connections

We live in an increasingly connected world.

The shrinking of distances through the power of technology has opened avenues for businesses to thrive. Individuals and organisations that were once separated by geography are now seamlessly able to collaborate on ventures, achieve common objectives and accomplish mutually beneficial results.

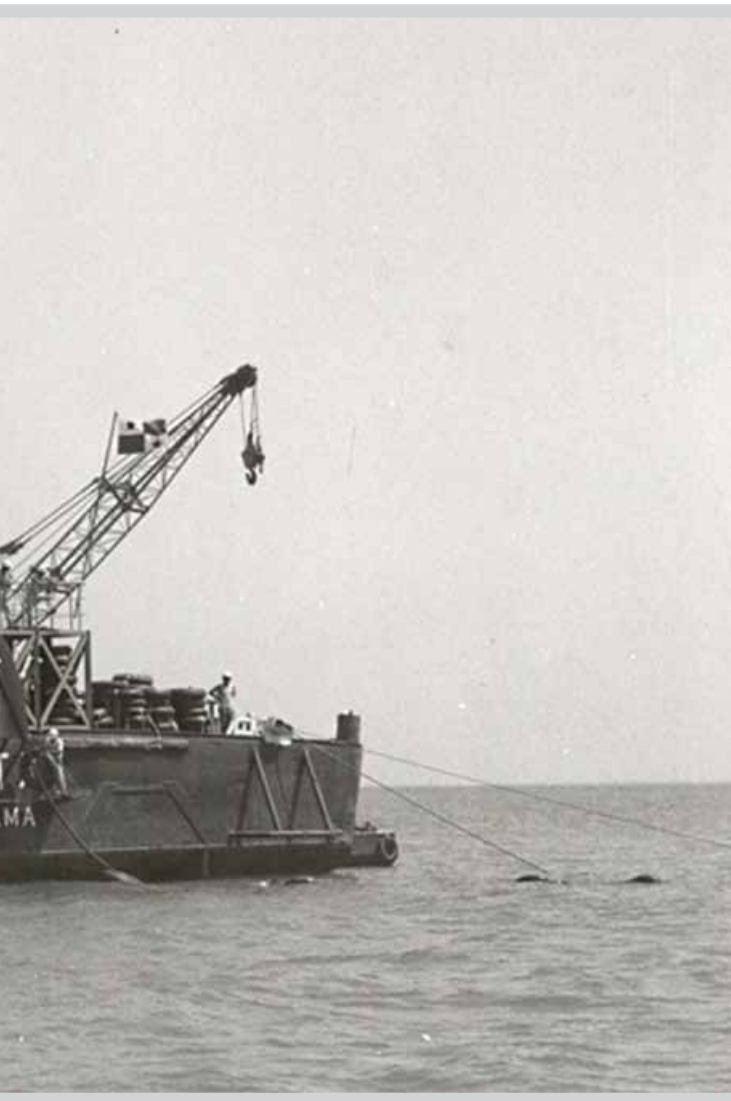
The power to transform possibilities into action has become that much more feasible. Connectivity provides that bridge to link disparate elements together and lead them towards a singular goal. And in the process provide a vehicle for a healthy exchange of ideas and expansion of goodwill.

Bahrain's status as a regional financial hub has been bolstered with a steady yet determined focus to build just such connections. With a rich legacy of interaction with the outside world for much of its history, Bahrain has constantly been at the forefront of moulding new ways of building bridges across diverse limitations and strengthening bonds.

The BENEFIT Company follows this rich legacy, and today, stands at the threshold of this evolution. As the leader in electronic payments & fund transfer, business process outsourcing and risk management, the company has contributed in building last connections between the financial sector in Bahrain with their local, regional and international customers and establishing a shared business platform.

Building Connections: First Gulf Coaxial Submarine Cable





The world made its first tentative steps towards globalisation with the introduction of the telegraph in 1839. The ability to communicate across vast distances using a series of Morse codes was considered revolutionary at the time, and helped connect continents with the power of the written word.

Submarine cables were considered to be the ideal vehicle for the transmitting of telegraphic messages, and it was in 1850 that the first commercial cable was laid across the English Channel. Thereafter, countries within Europe were connected, and later by 1866 the more ambitious transatlantic submarine cable link was established.

With telegraphy playing a fundamental role in bridging different nations closely together, Bahrain was absorbed into the telegraphic revolution when in 1863 the city of Bombay (now Mumbai) in India was connected to the Gulf using submarine cable and this link was further extended to London in 1870 at the behest of the British government.

Bahrain soon found itself at the centre of this telecommunication breakthrough, and discovered that geography was no longer a limiting factor for international connections.

VISION

To be a leader in the Electronic Payments and fund transfer and Business Process service and support in the financial and non-financial sectors by adding value to the shareholders and community in the region.

MISSION

Provide innovative Payment Capabilities, Information Management Solutions and Business Process Outsourcing services that add value to the financial sector and other stakeholders to manage their business effectively.

Company Profile

“The BENEFIT Company was formed to enable the financial sector in Bahrain to forge strong and lasting connections with their customers spread across a wide geographical base.”

The BENEFIT Company was formed to enable the financial sector in Bahrain to forge strong and lasting connections with their customers spread across a wide geographical base. And also, help steer these connections towards enriching the value quotient in all of their interactions with member banks and other stakeholders.

As the key conduit for all electronic financial transactions throughout Bahrain, BENEFIT's success has been made possible through a combination of skilled workforce, cutting edge technology, focused strategic planning and initiatives, and determination to provide the most modern financial service for those residing in Bahrain.

BENEFIT was established in November 1997 by 17 commercial banks as the National ATM and Point of Sale switch of Bahrain. It was initially licensed by the Central Bank of Bahrain (CBB) to be 'the provider of ancillary services for the financial sector,' and soon expanded to cover markets outside Bahrain. The company's mandate was very simple – to improve, to enhance, to add value and to enable the local and regional financial industry to thrive on a global scale.

BENEFIT's range of services include operating Automated Teller Machines (ATM), Point of Sale (POS), GCCNet supported by the GCC countries within the GCC region, the GCCNet Dispute Management System, Credit Reference Bureau (CRB) for corporate and individuals customers, Telecom Bill Payment (Tele BP), Direct Debit (DD), Payment Gateway (PG), Internet Banking (IB), Bahrain Cheque Truncation System (BCTS) and Amex Cards withdrawal. In addition to varieties of outsourcing services offerings to local and region markets related to bank's ATM processing, bank's POS processing and Cards issuing and management through BENEFIT's subsidiary "SINNAD".

BENEFIT remains committed to strengthen Bahrain's position as the financial hub of the region. And hence continues to provide robust infrastructural support for the financial industry – enabling the banking community to seamlessly connect with their customers and help them achieve their goals.

At the heart of BENEFIT's success story is the contribution of its highly qualified staff – 94 per cent of whom are Bahraini. Once again, highlighting the triumph of the company's Bahrainisation policies and the world class talent available amongst young Bahrainis.

BENEFIT is administered by a Board of Directors who represent the shareholders. The company's paid-up capital is to the value of BHD 2.16 million.

The original 17 shareholders have now become 14 as a result 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
- Bahrain Islamic Bank
- Citibank
- Alsalam Bank
- BMI Bank
- Arab Bank
- Future Bank
- Ithmaar Bank
- Habib Bank
- United Bank Limited

Building Connections: Bahrain International Airport





With the dawn of the 20th Century, air travel provided one of the fastest and most convenient ways of criss-crossing the globe. If earlier forms of transportation took days and months to reach one's required destination, one could now accomplish the same journey in a matter of hours.

Air travel ensured that vast distances are connected with remarkable ease and that a global village becomes a reality.

Bahrain embraced this global vision much earlier and took pioneering steps in the field of aviation. The first scheduled commercial airliner was a flight from London to Delhi, which touched down in Bahrain in 1932. The aircraft was a Handley Page H.P.42 named Hannibal, and this regularly scheduled service saw the birth of the region's first international airport.

Over the years, Bahrain's airport continued to play a key role in connecting not just the island but also the region with the outside world. As a major hub for many airlines, the airport helped in opening up the region to travellers from across the world.

With the success of the airport in making Bahrain and the region an integral part of the global village, a new era began in accelerating greater connectivity with markets beyond the region.

Chairman's Statement



Abdul Razak Abdulla Hassan Al Qassim
Chairman

The year 2013 has proved to be another good year for BENEFIT as the company continued to maintain its position as a key provider for value added services for the financial and banking industry in Bahrain.

Our commitment to Bahrain's prosperity remains the cornerstone of our operations and underlines the core objective behind our work in developing cutting edge technology for the industry. Our long-term focus lies in bolstering the portfolio of services provided by the banking community and strengthening Bahrain's reputation as the financial hub of the region.

It is a matter of pride for all of us that, today, many of Bahrain's residents are increasingly adopting electronic payments for their financial transaction in the Kingdom and outside. And consequently, it is translating into the delivery of wider array of services that meet the requirement of a diverse customer base and boost earnings for our member banks and clients.

The impact on our operations has been encouraging. It has enabled the company to register another successful year with a growth rate of 7.4 percent in net profit as compared to 2012; while operating income, assets and equity grew by 2.5 percent, 19.5 percent and 21.8 percent respectively.

“Our commitment to Bahrain’s prosperity remains the cornerstone of our operations and underlines the core objective behind our work in developing cutting edge technology for the industry. Our long-term focus lies in bolstering the portfolio of services provided by the banking community and strengthening Bahrain’s reputation as the financial hub of the region.”

On the back of these positive results, BENEFIT remains confident of beginning the implementation phase of its strategic blueprint for the next three years. With focus on long-term growth and launch of high quality products and services, the corporate strategic direction is expected to further accelerate the company’s journey in developing and adding value to Bahrain’s financial sector as well as improve the efficiency and effectiveness of financial transactions and their flow in Bahrain.

In 2013, the Board of Directors gave its approval for the three-year road map that defined new services to be introduced as part of this strategy. Some of the products have already been launched in the current year while others are ready to go live in 2014. Some of these services are the automated clearing-house project, mobile payment, GCC Point-of-Sales and Corporate Credit Reference Bureau.

The goal of this strategic direction is to enable BENEFIT to better serve the people and organizations of Bahrain, connect them with the best that the world has to offer, and most crucially, boost the Kingdom’s primacy in developing state-of-the-art financial services that remain consistently customer focused and cost competitive.

In 2013, we worked closely with the Central Bank of Bahrain, Point-of-Sale acquirers, and Debit Cards Issuing banks on the GCC Point-of-Sale in giving tangible shape to this goal.

The mobile payment application has been another priority focus and our work with telecom companies in developing this service will no doubt speed its adoption amongst member banks. The Corporate Credit Reference Bureau is another vital service that BENEFIT has developed in close cooperation with the Central Bank of Bahrain.

Hence, our performance in 2013 was guided by a conscious decision to prepare the groundwork for the future. It will support our aim in making BENEFIT more market driven as well as a key contributor in enhancing the delivery of electronic services in generating customer satisfaction.

Our role as a shared business platform for the financial and banking community places the company in a unique position of building connections across a wide spectrum. These connections will serve to boost opportunity for our clients as they are able to engage directly with their customers about the services offered.

As a Bahraini company, we are committed towards the career of our staff and invest in developing their skills and professional competencies. In 2013, BENEFIT has sent 32 Employees to training and conferences for which the company has spent more than BHD 9,000/-.

BENEFIT’s portfolio of high quality services remain the nerve centre of Bahrain’s financial industry as it provides them with the springboard to perform and achieve excellence. Banks increasingly rely on BENEFIT’s solid infrastructure of shared services, and take advantage of the role the company plays in helping banks enhance their cost efficiency.

While the services offered by BENEFIT directly target banks and financial institutions, the ultimate beneficiaries are individuals and businesses. Hence it remains committed towards the betterment of the entire community and bringing value to every financial transaction that takes place.

The success we achieved in 2013 was possible due to the trust shown by member banks and clients, the guidance given to us by the Central Bank of Bahrain, the encouragement expressed by our shareholders, and the consistent support we have received from our employees.

We are also indebted to the leadership and the people of the Kingdom of Bahrain who will always remain our inspiration.

On our part, we will continue to play an invaluable role in building connections between customers and our clients, and add value to all financial transactions in Bahrain.

Building Connections: King Fahad Causeway





Geographical limitations are not always the end of the story but sometimes they can be just the beginning. These limitations often provide an opportunity to connect elements separated by natural chasms and bring them together in a powerful demonstration of defying the impossible.

The construction of the King Fahad Causeway between the kingdoms of Bahrain and Saudi Arabia was one such monumental effort that finally enabled the island of Bahrain to be physically linked to the Arabian mainland.

For centuries, Bahrain has had rich cultural and mercantile association with countries around the world but it could be accessed only by ship. It was in the 1960s that the rulers of both Bahrain and Saudi Arabia resolved to construct a bridge and end this isolation once and for all.

For the next few years, feasibility studies, economic and financial analysis as well as ecological implications were examined to see how viable the project would be. And finally, it was in 1986 that the causeway was inaugurated in the presence of His Highness the Late Amir Shaikh Isa bin Salman Al Khalifa and the Custodian of the Two Holy Mosques, King Fahad bin Abdul Aziz.

Upon completion, the King Fahad Causeway proved to be an engineering feat as it comprised a 25 km long and 23 m wide four-lane road that was built using 350,000 m³ of concrete along with 47,000 tonnes of reinforced steel – connecting nations and bridging ties.

CEO Statement



Abdulwahid Janahi
Chief Executive Officer

Year 2013 marked a crucial juncture in BENEFIT's history. It was a year in which we launched a new strategic direction for the company that would pave the way in strengthening core competencies, bolstering performance levels and achieving results. Most importantly, the strategy aims to increase BENEFIT's capabilities in fulfilling its mandate – that is, to provide value added service to the banking and financial sector in Bahrain.

Our new direction demonstrates a more focused and pro-active approach in reinforcing BENEFIT as a reliable partner for its member banks and clients, strengthening connections with customers and end users, and delivering results that boost customer satisfaction.

With the approval given by the Board of Directors in 2013, the implementation process will begin in 2014 and will spread over three years. We believe that it forms the right mix for transforming BENEFIT into a company that is responsive to the needs of the market, develop products and services that meet clients' requirements, and empower customers with greater freedom in undertaking financial transaction at their own convenience.

“While BENEFIT look towards the future with confidence, I am also pleased to say that the year gone by has also has been proved to be a success in delivering tangible results. Growth rate in net profits for 2013 was 7.4 percent compared to 2012. Income and sales for the year was BHD 5,950,832.”

As part of the implementation process, the focus of the strategy involved recognising BENEFIT’s competencies – that is, what the company does and stands for; appreciating its leadership role in the sector it operates; and, look for ways in which BENEFIT can add value to electronic payments and fund transfers.

At the heart of this strategy are three pillars that ensure BENEFIT’s commitment to fulfil its mandate remains undiluted and is given a sharper focus: a) connecting financial transactions (eg: Local ATMs and, Point of Sale (POS), Payment Gateway, Telecom Bill Payment, GCCnet ATM and POS transactions etc), b) customer information segment (eg: Credit Reference Bureau), and c) business outsourcing (eg: SINNAD, ATM and POS processing, debit and credit cards issuing and management, fraud management, internet banking, etc).

What is crucial in all of these initiatives is to see how we can add value to our stakeholders, and increase the efficiency of the services they offer to their customers and end users. And towards this end, we are exploring the possibility of increasing more options in outsourcing so that our clients can focus on their core business.

One of the services that we aim to offer in 2014 is the Automated Clearing House for electronic fund transfer that has many more services offered under its umbrella such as salary transfer, direct debit and

direct credit for single and bulk transactions, and bill payments. It is certainly one of the major services that we aim to offer and are confident that it will add greater value in customer satisfaction.

While BENEFIT look towards the future with confidence, I am also pleased to say that the year gone by has also been proved to be a success in delivering tangible results. Growth rate in net profit for 2013 was 7.4 percent compared to 2012. Income and sales for the year was BHD 5,950,832.

BENEFIT is proud to be considered as the hub for the GCCNet ATM disputes, and this has been extended to cover the GCC Point-of-Sale as well. As part of our commitment to bolster the financial service segment in Bahrain and the GCC region, we are constantly working with other countries in the GCC to improve the network and communication of the GCCNet and look for ways to add many more value added services.

It is also a matter of pride that American Express considers BENEFIT to be their main hub for the GCC region whereby Amex cards can be used at ATMs all across the GCC. This strategic relation with American Express is another strong indicator of Bahrain’s credentials as the financial centre of the Gulf region.

At the heart of any successful initiative talented and skilled people are required to implement them. At BENEFIT we are extremely privileged to have 94 per cent Bahraini employees who have contributed in raising the company’s profile in the region and turned it into a success story.

We believe that the right environment is crucial for achieving both productivity and profits. And it is our constant aim to ensure that employees are given the right opportunities to learn and grow as well as create the right ambience for success to be accomplished.

In conclusion, we believe that 2013 provided the springboard for implementing the ambitious three-year corporate strategic direction. We are confident that it will pave the way for enabling BENEFIT to deliver on its potential, improve further in 2014 and achieve positive results.

On behalf of the management, I would like to thank our Board of Directors and employees for their tireless efforts in helping BENEFIT meet its goals. I would also like to express my thanks and appreciation to our shareholders, Central Bank of Bahrain, other member banks, and stakeholders.

Board of Directors



Abdul Razak Abdulla Hassan Al Qassim

Chairman

Chairman of Nomination &
Remuneration Committee

NBB

CEO and Board Member



Reyadh Yousif Sater

Vice Chairman

Chairman of Audit & Corporate
Governance Committee

Member of Nomination &
Remuneration Committee

BBK

Deputy CE, Head of Business Group



Abdulla Hussain

Director

Chairman of Executive Committee

NBB

EAGM, Customer Services and IT



Hana Sarwani

Director

Member of Audit & Corporate Governance
Committee

HSBC

Chief Operating Officer



Mohammed Malik

Director

Member of Executive Committee

BBK

GM, Retail Banking



Stefan Corera

Director

SCHB

Chief Information Officer,
Bahrain Group Technology & Operations



Khalid Juma

Director

Member of Nominations
& Remuneration Committee
NBB
General Manager
Operations & Administration



Abdul Razaq Abdul Khaliq

Director

Member of Audit & Corporate
Governance Committee
BISB
Assistant General Manager -
Central Operations



G.P.V. Rao

Director

Member of Executive Committee
AUB
Group Head of Technology,
Financial Services



Ahmed Abdulrahim

Director

Member of Executive Committee
Ithmaar Bank
CEO



Yousif Al Fadhel

Director

CBB
Director, IT Directorate

Management Team



Abdulwahid Janahi
Chief Executive Officer

Abdulwahid Janahi, Chief Executive Officer joined the BENEFIT Company in 10th April 2005 with BSc in Focus and Marketing from St. Edward University in Austin and a MBA from University of Bahrain. Mr. Janahi brings to the company a total of 28 years of experience in the financial industry field covering marketing, telecom, and business development.



Adel Salem
DGM Business Support

Adel Salem, Deputy GM Business Support joined the BENEFIT Company in 1st of May 2007 with a certificate in Computer Science from University of Bahrain and an MBA from University of Glamorgan in the United Kingdom. Mr. Salem brings to the company a total of 27 years of experience in the telecom and banking industries.



Yousif AlNefaiei
DGM Business Development

Yousif AlNefaiei, Deputy GM Business Development joined the BENEFIT Company in 30th March 2006 with BSc in Computer Science from University of Bahrain and a MSc. Degree in Information Systems from Brunel University of London in the United Kingdom. Mr. AlNefaiei brings to the company a total of 19 years of experience in the information technology and banking industries.



Hessa Hussain
Head of CRB

Hessa Hussain, Head of Bahrain's Credit Reference Bureau joined the BENEFIT Company in 15th February 2005 with a BSc in Computer Engineering from the American University of Sharjah. Miss. Hussain brings to BENEFIT a total of 9 years of experience in Credit Reference Bureau in addition to 5 years in information technology.



Building Connections: Information Superhighway





Technology is shaping today's world in ways one cannot imagine. Old paradigms are being replaced as new ones maintain a tentative presence with the possibility of being changed anytime. This technological revolution is redefining how we connect with each other, how we interact with the world around us, and how these connections deliver results.

As the world hurtles faster on the information superhighway, change appears to be the sole constant as new developments in telecommunication begin impacting people's lives and their lifestyles.

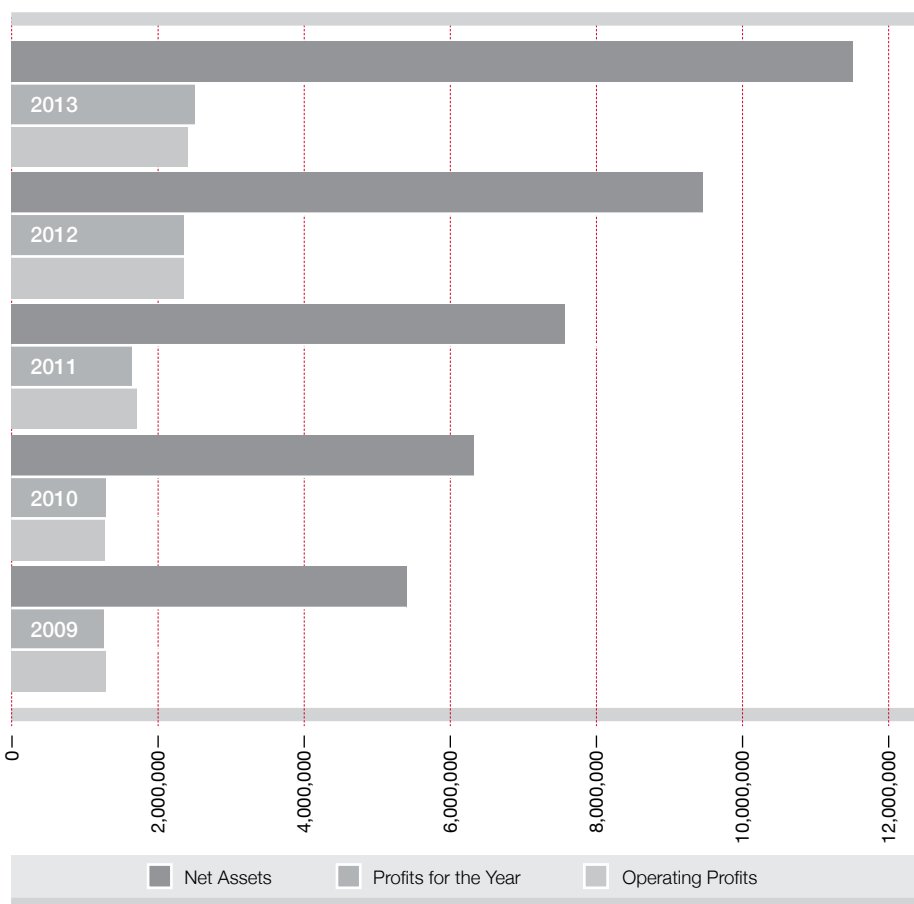
These changes can be seen in consumption habits, entertainment channels, modes of transport, communication vehicles, leisure options, healthcare, retail and commerce, business and much more.

Bahrain has always been a regional pioneer in telecommunication and was quick to adapt to this revolution when it became one of the first countries in the region to join the World Wide Web in the 1990s.

With investments in ultra fast fibre optic cables, state-of-the-art technology to greater deregulation and opening up of the telecommunication sector along with introduction of diverse services, Bahrain played a key role in connecting its residents with the best the world had to offer and propel the nation into the 21st Century.

5 Year Growth

Bank/Institution	2009	2010	2011	2012	2013
Operating Profits	1,282,798	1,311,710	1,723,907	2,362,464	2,422,407
Profits for the Year	1,238,399	1,323,437	1,660,372	2,341,975	2,514,867
Net Assets	5,390,575	6,359,012	7,569,384	9,461,359	11,526,226



BENEFIT's objective is to continue adding value to the financial sector and the community of Bahrain through its services. Such philosophy and objectives provide a solid foundation for the company's development and growth. Over the last five years, BENEFIT's operation and services have experienced a healthy growth and return on investment for the shareholders.

In 2013, BENEFIT finalized its new strategy for the coming three years. The strategic initiatives that BENEFIT intends to launch shall empower Bahrain's financial sector and the community through providing innovative payment services. The company is committed to transform and automate payments and fund transfer in the Kingdom in an attempt to enhance the payments efficiencies and operations. Such strategic initiatives are the GCC POS, Corporate Credit Reference Bureau, Electronic Fund Transfer System, and the Electronic Bill Payments Presentment.

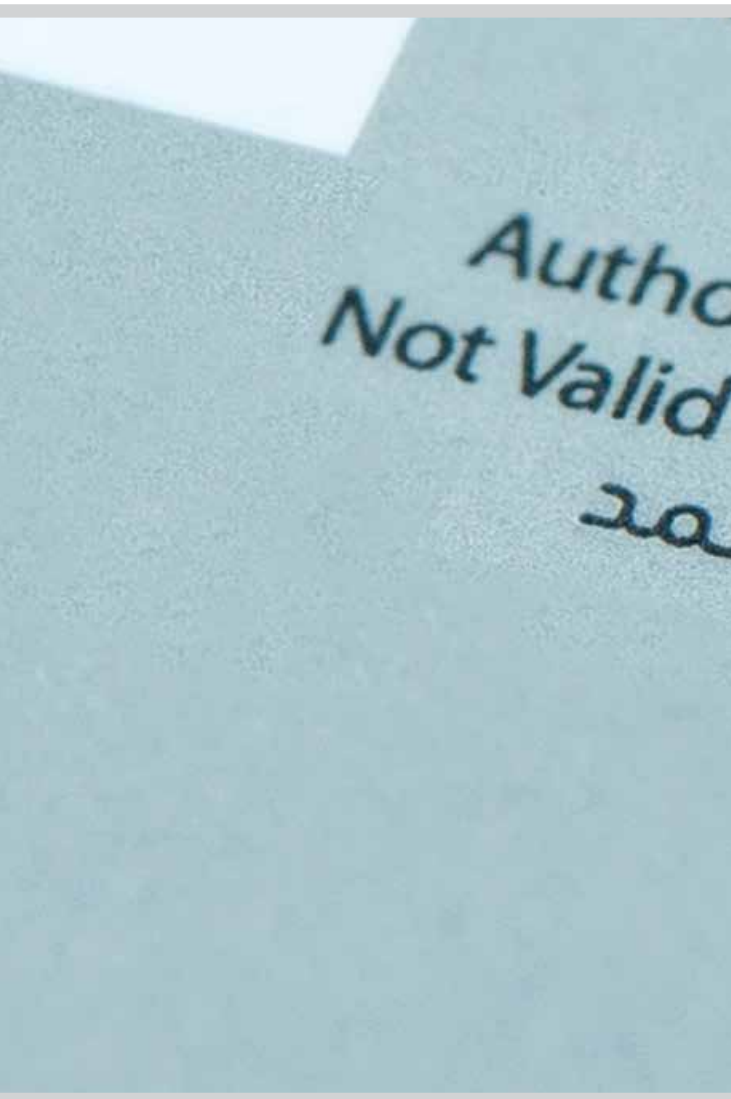
BENEFIT will continue to invest towards the betterment of Bahrain to support its position as one of the main financial hubs in the region. The company is looking forward to the coming five years where it shall provide more value adding services and strengthen its role in the financial sector and the overall economy of Bahrain.

“Over the last five years, BENEFIT’s operation and services have experienced a healthy growth and return on investment for the shareholders.”



Building Connections: BENEFIT





The history of Bahrain can be defined as a constant narrative of a nation that has thrived on building lasting connections with diverse communities and the world beyond.

These connections have enriched its social, cultural and economic landscape and enabled the Kingdom to be recognised as an attractive destination for business and leisure.

With the formation of the BENEFIT Company in 1997 as the sole channel for all of Bahrain's electronic financial transactions for ATM and POS, a new era was born in setting the stage for value added connections to strengthen the financial and banking industry.

Consequently, BENEFIT has succeeded in transforming the way people in Bahrain do business as more and more consumers are discovering the freedom and convenience of conducting transactions without cash.

With the support of state-of-the-art technology available at all times, BENEFIT has also enabled members of the banking community to remain well connected with their customers and bolster the quality of service they offer.

The objective for these efforts remains the same – to work alongside those in the financial and banking industry as partners in their success, and to be increasingly recognised as developers of a shared business platform.

But more importantly, BENEFIT remains committed towards boosting Bahrain's reputation as the region's financial hub.

Corporate Governance

1. BENEFIT's CORPORATE GOVERNANCE REPORT 2013

The BENEFIT Company since its inception has acted as a bridge between banks, customers, and companies. BENEFIT shall continue as always to add value to the Banking Industry and the community of Bahrain through building strong connections. BENEFIT's philosophy has always been to conduct its business and operations with the highest integrity and maximum efficiency from the Board and throughout all levels; thus, BENEFIT is committed to adopt the best corporate governance practices and is in full compliance with the rules and regulations of the Central Bank of Bahrain (CBB).

The company adopts strong working values in all areas of its business conduct under the supervision of the Board. Accordingly, the Board has formed an Audit & Corporate Governance Committee, Executive Committee, and a Nomination and Remuneration Committee.

2. SHAREHOLDERS' INFORMATION

There was an increase in the capital in 2013, and the shareholders details are as below.

No.	Bank/Institution	No. of Shares	% of Shares
1	National Bank of Bahrain BSC	7,524.90	34.84%
2	Bank of Bahrain & Kuwait	4,752.00	22.00%
3	Ahli United Bank BSC	2,376.00	11.00%
4	Standard Chartered Bank	1,944.00	9.00%
5	HSBC Bank Middle East Limited	1,512.00	7.00%
6	Bahrain Islamic Bank B.S.C.	1,044.90	4.84%
7	Citibank N.A.	648.00	3.00%
8	Al Salam Bank	502.20	2.33%
9	BMI Bank B.S.C. (c)	216.00	1.00%
10	Arab Bank Plc	216.00	1.00%
11	Future Bank B.S.C. (c)	216.00	1.00%
12	Ithmaar Bank B.S.C. (c)	216.00	1.00%
13	Habib Bank Limited	216.00	1.00%
14	United Bank Limited	216.00	1.00%

3. BOARD OF DIRECTORS INFORMATION

3.1 Board Composition

The Board of Directors comprises of 8 appointed and 2 elected members representing 14 Banks and one director from CBB as an observer. The Directors of the Board are appointed for a 3 year term which will be completed by 14th April, 2016. The Board consists of members with a wide range of experience in the Banking sector.

No.	Director Name	Position in the Board
1	Abdul Razak Abdulla Hassan Al Qassim	Chairman
2	Reyadh Yousif Sater	Vice Chairman
3	Khalid Juma	Director
4	Abdulla Hussain	Director
5	Mohammed Malik	Director
6	G.P.V. Rao	Director
7	Stefan Corera	Director
8	Hana Sarwani	Director
9	Abdul Razaq Abdul Khaliq	Director
10	Ahmed Abdulrahim	Director
11	Yousef Al Fadhel	Director

3.2 Directors' Roles and Responsibilities

The Board operates by delegating part of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs including appointing the Chairman, Vice Chairman, proposing Members candidates for election to the Board, and constituting committees of the Board.

The primary role of the Board is the protection and enhancement of the organization's assets. The Board provides direction to the affairs of the organization to ensure its development and financial sustainability and to enhance the value of its products and services. The Board is responsible for the overall quality of the company performance and succession planning required to attain the organization's major strategic and operational objectives; whereas it functions independently from the management. The duties and responsibilities of the Board can be summarized as below.

- Legal and Primary Oversight
- Setting the Corporate Direction
- Managing Performance
- Financial Control
- Managing Risk
- Policies and Procedures Compliance
- Reporting and Communication

Corporate Governance (continued)

3.3 Directors Remuneration

The proposed remuneration for the members of the Board of Directors is BHD 77,000 for the year 2013 (BHD 77,000 : 2012).

3.4 Directors' Meeting Fees

The subcommittees received sitting fees for attending the meetings of Audit & Corporate Governance Committee, Executive Committee, and Nomination & Remuneration Committee for a total amount of BHD 19,500 for 2013.

3.5 Directors' Profile

- **Abdul Razak Abdulla Hassan Al Qassim**

BENEFIT Chairman
Chairman of Nomination and Remuneration Committee

- o CEO and Board Member of National Bank of Bahrain
- o Total of 46 years experience
- o Chairman of Bahrain Islamic Bank
- o Chairman of Bahrain Association of Banks
- o Board Member, Chairman of the Executive Committee, and Member of Donation Committee of BATELCO
- o Board Member of Umniah
- o Board Member of Dhiraagu, Maldives
- o Board Member of Sure Jersey Limited
- o Board Member of Sure Guernsey Limited
- o Board Member of Sure Isle of Man Limited

- **Reyadh Yousif Sater**

BENEFIT Vice Chairman
Chairman of Audit & Corporate Governance Committee
Member of Nomination and Remuneration Committee

- o Deputy CE, Head of Business Group of BBK
- o Total of 37 years experience
- o Board Member and Chairman of the Audit Committee of Credimax

- **Khalid Juma**

BENEFIT Board Director
Member of Nomination and Remuneration Committee

- o GM, Operations & Administrations Group of National Bank of Bahrain
- o Total of 42 years experience

- **Abdulla Hussain**

BENEFIT Board Director
Chairman of Executive Committee

- o EAGM Customer Services and IT of National Bank of Bahrain
- o Total of 24 years experience

- **Mohammed Malik**
BENEFIT Board Director
Member of the Executive Committee
 - General Manager, Retail Banking of BBK
 - Total of 27 years experience
 - Board Member of Credimax
 - Chairman of Invita - Kuwait
- **G.P.V. Rao**
BENEFIT Board Director
Member of the Executive Committee
 - Group Head of Technology and Financial Services of Ahli United Bank
 - Total of 24 years experience
- **Stefan Corera**
BENEFIT Board Director
 - Chief Information Officer of SCHB
 - Total of 20 years experience
- **Hana Sarwani**
BENEFIT Board Director
Member of the Audit and Corporate Governance Committee
 - Chief Operating Officer of HSBC Bank
 - Total of 17 years experience
- **Abdul Razaq Abdul Khaliq**
BENEFIT Board Director
Member of the Audit and Corporate Governance Committee
 - AGM Central Operations of Bahrain Islamic Bank
 - Total of 38 years experience
 - BISB representative in the ICC National Committee in the Kingdom of Bahrain
 - Co-Vice Chair of ICC Bahrain Trade Finance Forum
 - Member of the BISB Fund Management Board
- **Ahmed Abdulrahim**
BENEFIT Board Director
Member of the Executive Committee
 - CEO of Ithmaar Bank
 - Total of 38 years experience
 - Board Member of Faisal Bank Limited (Pakistan)
 - Board Member of Family Bank
 - Board Member Injaz Bahrain
- **Yousif AlFadhel**
BENEFIT Board Director
 - Director, IT Directorate of Central Bank of Bahrain
 - Total of 27 years experience

Corporate Governance (continued)

3.6 Committees of the Board

The Board has, as a minimum, the below standing committees:

- **The Audit & Corporate Governance Committee:**

For the company and its subsidiaries (if any), the Audit & Corporate Governance Committee shall assist the Board of Directors in overseeing the responsibilities for the financial reporting process, the system of internal control, the audit process, monitoring financial risks, Corporate Governance and compliance with the laws [CBB and Ministry of Industry & Commerce] and regulations and the company's code of conduct (if any).

- **The Executive Committee:** The Executive Committee (ExCo) provides a forum for Senior Management to discuss projects and strategies and examine various strategic issues of the company. The purpose of the ExCo is to help speed up the decision making process, support and enable the senior management of the company to perform its functions as per the company goals and strategy, and express views and provide guidance on any particular strategic or major issue affecting the business. In particular, the ExCo is to review and make timely decisions and recommendations to the Board

- Execute any actions mandated by the Board of Directors,
- Review Strategic business direction, plans and budgets of the company and make any necessary decisions;
- Discuss matters affecting shareholders' interests in the company;
- Assess high potential acquisitions, joint ventures or disposal of assets.

- **The Nomination and Remuneration Committee:**

The Nomination and Remuneration Committee reviews the board composition and succession planning and assists the Board in finding, evaluating and recommending candidates for the Board. Furthermore, the committee assess management performance and compensation packages.

Each standing committee of the Board will have a written mandate of the Committee Charter. The Board may also create ad hoc Board committees to deal with specific projects. At least one member of the Board shall be appointed to each committee established by the Board. These committees need not to be comprised of Board members exclusively.

During the establishment of a committee, the Board shall designate the Committee Chairman and each committee whether comprised exclusively of Board members or not shall have the power to fix its quorum at not less than a majority of its members.

4. BOARD AND ITS COMMITTEES MEETINGS AND ATTENDANCE

4.1 Board & its Committees Attendance

Name of Director	Board		Executive Committee		Audit & Corporate Governance Committee		Nomination & Remuneration Committee		Total	
	Total No. of Meetings	Meetings Attended	Total No. of Meetings	Meetings Attended	Total No. of Meetings	Meetings Attended	Total No. of Meetings	Meetings Attended	Total No. of Meetings	Meetings Attended
Abdul Razak Abdulla Hassan Al Qassim Chairman	6	5					2	2	8	7
Reyadh Yousif Satar Vice Chairman	6	6			5	5	2	2	13	13
Khalid Juma Director	6	6					2	1	8	7
Abdulla Hussain Director	6	6	14	14					20	20
Mohammed Malik Director	6	4	14	12					20	16
G.P.V. Rao Director	6	6	14	5					20	11
Stefan Corera Director	6	4							6	4
Hana Sarwani Director	6	4			5	5			11	9
Abdul Razaq Abdul Khaliq Director	6	5			5	5			11	10
Ahmed Abdulrahim Director	6	5	14	12					20	17
Yousif Al Fadhel Director	6	5							6	5

Corporate Governance (continued)

4.2 Dates of Board Meeting & Attendance Details

Members	13 Feb 2013	9 May 2013	2 Jul 2013	26 Aug 2013	18 Nov 2013	10 Dec 2013
Abdul Razak Abdulla Hassan Al Qassim - Chairman	✓	✓	✓	x	✓	✓
Reyadh Yousif Sater - Vice Chairman	✓	✓	✓	✓	✓	✓
Khalid Juma – Director	✓	✓	✓	✓	✓	✓
Abdulla Hussain - Director	✓	✓	✓	✓	✓	✓
Mohammed Malik - Director	x	✓	✓	✓	x	✓
G.P.V. Rao - Director	✓	✓	✓	✓	✓	✓
Stefan Corera - Director	Not appointed yet	x	✓	✓	✓	✓
Hana Sarwani - Director	✓	✓	✓	x	✓	x
Abdul Razaq Abdul Khaliq - Director	✓	✓	✓	x	✓	✓
Ahmed Abdulrahim - Director	Not appointed yet	✓	✓	✓	✓	✓
Yousif Al Fadhel - Director	✓	✓	✓	x	✓	✓

4.3 Dates of Executive Committee Meeting & Attendance

Members	7 Mar 2013	14 May 2013	16 May 2013	19 May 2013	22 May 2013	26 May 2013	2 Jun 2013	4 Jun 2013	9 Jun 2013	25 Jun 2013	4 Sep 2013	1 Oct 2013	21 Nov 2013	28 Nov 2013
Abdulla Hussain - Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mohammed Malik - Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	x	x
G.P.V. Rao - Member	✓	x	✓	x	x	x	x	x	x	x	✓	✓	✓	✓
Ahmed Abdulrahim - Member	Not appointed yet	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

4.4 Dates of Audit & Corporate Governance Committee Meeting & Attendance

Members	30 Jan 2013	13 Mar 2013	24 Apr 2013	28 Jul 2013	5 Nov 2013
Reyadh Yousif Sater - Chairman	✓	✓	✓	✓	✓
Hana Sarwani - Director	✓	✓	✓	✓	✓
Abdul Razaq Abdul Khaliq - Director	✓	✓	✓	✓	✓

4.5 Dates of Nomination & Remuneration Committee Meeting & Attendance

Members	18 Feb 2013	30 Dec 2013
Abdul Razak Abdulla Hassan Al Qassim - Chairman	✓	✓
Reyadh Yousif Sater - Member	✓	✓
Khalid Juma - Member	Not appointed yet	✓

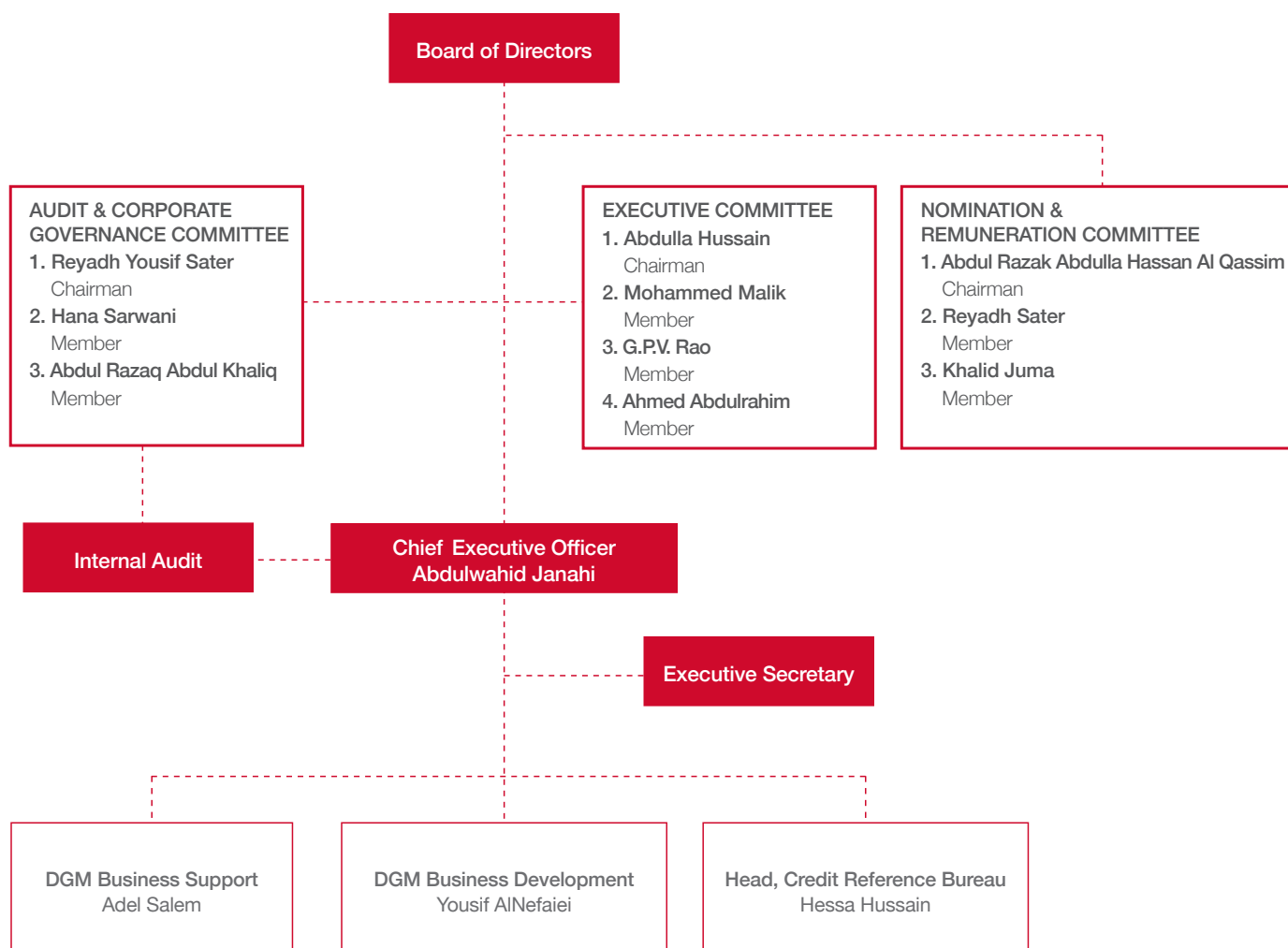
5. AGM & EGM MEETING

The Annual General and the Extraordinarily General Meetings were held on 27 March 2013.

Corporate Governance (continued)

6. MANAGERIAL & ORGANIZATIONAL STRUCTURE

BENEFIT developed its management and organizational structure that clearly define the roles, duties, and reporting lines among its departments. BENEFIT has three main departments which are Business Support, Business Development, and Credit Reference Bureau. The structure also includes an internal audit committee which has direct access to the CEO and Board of the company through the Audit and Corporate Governance Committee.



7. DIRECTORS CODE OF CONDUCT

This Code sets ethical standards for the Directors and key officers of the company and reflects the Directors and key officers' intention to ensure their duties and responsibilities to the company are performed with the utmost integrity and professionalism.

8. WHISTLE BLOWER POLICY

The company is committed to integrity and ethical behavior and accordingly has adopted 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 unfavorably impact the company, its customers, Shareholders, employees, investors, or the public at large. The policy provides all employees sufficient protection for such.

9. CONFLICTS OF INTEREST

The company is governed by CBB regulations and the Corporate Governance policy shall avoid situations that may result in conflicts of interest. Thus, all Directors must fully disclose any business interest (public or private) and any other matters which may lead to potential or actual conflicts of interest. The Directors owe their first duty to the company, yet in circumstances where other roles (whether serving as Directors or trustees of another organization) potentially conflict with the company's interests, the Director will advise and seek approval from the Chairperson in accordance with this Code. Similarly, Directors will not use their role within the company for political interests at any time, or if there is a conflict of interest with a third party or for community interests unless authorized by the company. Moreover, they must not take advantage of the position as a Director to gain, directly or indirectly, a personal advantage, or an advantage for any associated person. They shall disclose any benefits from personal business as well as any issue that may conflict with the company's benefit or may cause a conflict of interest to the company.

10. PERFORMANCE INCENTIVE

The Board has formed a Nomination and Remuneration Committee to evaluate the performance linked incentive structure for key management personnel, please refer to the audited financials note 16 (a).

11. RELATED PARTY TRANSACTIONS

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

SINNAD (BENEFIT subsidiary) has entered into contracts with certain shareholders of BENEFIT for the provision of services related to debit/credit card personalization and ATM acquiring services. In accordance with an understanding between SINNAD and Network International ("NI"- 49% shareholder of the Subsidiary), SINNAD has outsourced work related to ongoing projects to NI. In consideration of the services provided by NI, SINNAD will pay the agreed costs of providing such services to NI.

Please refer to the audited financials note 16 (b).

Corporate Governance (continued)

12. RELATED PARTY TRANSACTIONS (IFRS)

BENEFIT nature of business is to serve the banking sectors in Bahrain through a number of services, ATM/POS, CRB and others. In Addition, SINNAD is established as a 3rd party processing company to serve the Banks.

13. COMMUNICATION

BENEFIT company is not publicly listed; however, BENEFIT company website is updated with the Annual Report as well as BENEFIT shareholders have access to any information required i.e. related to financial and others through the CEO. The Annual Report for 2013 will be updated on the website after the AGM meeting.

14. MATERIAL TRANSACTIONS FOR BOARD APPROVAL

The Board approves a yearly Budget along with Capital Expenditure for projects [if any] in accordance with the company's authority matrix endorsed by the Board defining the authority limits and threshold of the Board and Management.

15. NEW APPOINTMENT OF DIRECTORS

The Board members are appointed directly by the shareholders from the Banking sector. Any new member appointed will be made aware of the company business by the Nomination & Remuneration Committee.

16. INTERNAL CONTROL

Ernst & Young is BENEFIT Internal Auditor by which they review internal control processes & procedures, and KPMG is the company's External Auditor.

17. FINANCIAL PREPARATION

The Audit & Corporate Governance Committee on a quarterly basis review the audited financial with the External Auditors and management, and accordingly seek the Board approval. In addition, the Audit & Corporate Governance Committee is presented with the Internal Auditors findings and correction plan.

18. REMUNERATION POLICY FOR BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Board members remuneration shall be decided by the Board while Senior Management remuneration shall be decided by the Nomination & Remuneration Committee. Remuneration paid to senior management is available to eligible shareholders upon specific request along with the necessary indemnity, in keeping the information confidential as per the company's procedures.

19. OTHER INFORMATION

The statutory Auditors of the company are KPMG Fakhro Bahrain, 2013 fees is BHD 11,200 and the Internal Audit function has been outsourced to Ernst & Young.

20. BOARD APPOINTMENT

All Board members have signed the Board of Directors appointment letter.

21. BOARD EVALUATION

BENEFIT has in place a Performance Evaluation for the Board and its Committees.

22. NON-COMPLIANCE WITH HC MODULE OF CBB RULEBOOK

BENEFIT abides by the new Code of Corporate Governance issued by Central Bank of Bahrain (CBB) and Ministry of Commerce for all banks in Bahrain. CBB has introduced amendments in the High-Level Control Module (HC Module) of its Rulebook. BENEFIT complies with all the rules and guidelines defined in HC Module except those mentioned below which are in the process of being adapted:

- As per the HC Module, one-third of the Board shall consist of Independent Directors. Currently, BENEFIT has no Independent Directors and is in discussion with CBB on the process of finalizing such. Nevertheless, BENEFIT has one CBB observer in its Board of Directors.

BENEFIT Annual General Assembly Meeting Minutes

Meeting: AGM - 27.03.13
Minutes: 27 March 2013, 10:00
am, The BENEFIT
Company
Meeting Called By: The BENEFIT Company
Type of Meeting: Annual General Assembly
Meeting for 2012
Attendees: As Per Attendees List
Apologies: As Per Attendees List

The Chairman, Mr. Abdul Razak Abdulla Hassan Al Qassim chaired the meeting. He welcomed the shareholders representatives, the Central Bank of Bahrain and the Ministry of Industry and Commerce, and confirmed that 95.68% of the shareholders were present at the meeting.

AGENDA TOPICS

1.0 Minutes of AGM Meeting Held on 26 March 2012 **Abdulwahid Janahi**

Discussion:
The CEO of The BENEFIT Company read the minutes of the Annual General Assembly Meeting dated 26 March 2012. No questions were raised.

Resolution 1 - AGM/13: The minutes of the Annual General Assembly Meeting dated 26 March 2012 was approved by the Shareholders.

2.0 Directors Report Ended 31 December 2012 **Abdul Razak Abdulla Hassan Al Qassim**

Discussion:
The Chairman advised the Directors report has already being approved and forwarded to the Shareholders. He asked if there were any queries, no questions were raised.

3.0 External Auditors Report to the Shareholders for the Year 2012 **Jaafar Alqubaiti**

Discussion:
Mr. Jaafar Alqubaiti of KPMG read the Independent Auditors Report making reference that the audit evidence they have obtained is sufficient and appropriate to provide a basis for their audit opinion. The consolidated financial statements of The BENEFIT Company for the year ended 31 December 2012 is in accordance with International Financial Reporting standards, there were no questions raised and the report was approved.

Resolution 2 - AGM/13: The External Auditors report for the year 2012 was approved by the Shareholders.

4.0 Financial Statement for the Year 2013 **Abdul Razak Abdulla Hassan Al Qassim**

Discussion:

The company's financial statement for the year ended 2012 was reviewed and no questions were raised, the report was then approved.

Resolution 3 - AGM/13: The financial statements for the year ended 2012 was approved by the Shareholders.

5.0 Recommended Appropriation of the Net Profit for 2012 **Abdul Razak Abdulla Hassan Al Qassim**

Discussion:

The Chairman advised the Shareholders that the Board of Directors have recommended the appropriation of the Net Profit of the year 2012 as follows:

- To distribute cash dividends to the shareholders in the amount of BHD 450,000 which is equal to 25% of the paid up capital.
- To transfer BHD 180,000 to the statutory reserve in order to reach 50% of the issued and paid up capital as stipulated by the Bahrain Commercial Companies Law.
- To transfer BHD 1,679,868 to the Retained Earnings account.

Resolution 4 - AGM/13: The recommended appropriation for 2012 was approved by the Shareholders.

6.0 Approval of Bonus Share **Abdul Razak Abdulla Hassan Al Qassim**

Discussion:

The Chairman advised the Shareholders the Board of Directors have recommended a bonus share issue in the ratio one share for every 5 shares [1:5] – 20% of the issued and paid up capital.

Resolution 5 - AGM/13: The Shareholders approved the recommendation of bonus share issue in the ratio of 1:5.[20% of the issued and paid up capital]

7.0 Absolution of Directors Legal Liability **Abdul Razak Abdulla Hassan Al Qassim**

Discussion:

The Shareholders were asked to absolve The BENEFIT Company Board of Directors from their legal liability for the year 2012 and this motion was approved. There were no questions raised.

Resolution 6 - AGM/13: The Shareholders approved to absolve the BENEFIT company's Board of Directors from their legal liability for the year 2012.

8.0 Directors Remuneration **Abdul Razak Abdulla Hassan Al Qassim**

Discussion:

The Shareholders were advised the Board of Directors recommended Directors Remuneration in the sum of BHD 77,000 for the year 2012. There were no questions raised.

Resolution 7 - AGM/13: The Shareholders approved the Directors Remuneration for the year 2012.

BENEFIT Annual General Assembly Meeting Minutes (continued)

9.0 Appointment and Nomination of Board of Directors for the Next Three Years

Abdul Razak Abdulla Hassan Al Qassim

Discussion:

The Chairman advised the Shareholders have appointed 8 Directors and 2 Directors have been nominated for the coming three year term from 15 April 2013 to 14 April 2016. The two Directors with the majority of votes who have been nominated are Mr. Abdul Razaq Abdul Khaliq and Mr. Ahmed Abdulrahim. BMI Bank have nominated one representative Mr. Isa Messeh. The two Board members that will be confirmed to the Board will be Mr. Abdul Razaq Abdul Khaliq and Mr. Ahmed Abdulrahim. There were no questions raised by the Shareholders.

Resolution 8 - AGM/13: The Shareholders approved the appointment and nomination of the Board of Directors for a three year term effective from 15 April 2013 to 14 April 2016 subject to CBB and MOIC approval.

10.0 Appointment of The External Auditor Abdul Razak Abdulla Hassan Al Qassim

Discussion:

The Chairman advised the shareholders on The Board's recommendation to re-appoint the company's External Auditors KPMG for the year 2013.

Resolution 9 - AGM/13: The shareholders approved the appointment of KPMG as the company's External Auditors for the year 2013 subject to CBB approval and authorized the Board of Directors to agree on their fees.

11.0 Corporate Governance Report for 2013

Abdulwahid Janahi

Discussion:

The CEO provided a brief update on Corporate Governance to the Shareholders. He advised CBB has introduced amendments in High-Level Control Module (HC Module) of its Rulebook. BENEFIT complies with all the rules and guidelines defined in HC Module except for the following which are in the process of being adapted:

- Letter of Appointment for the Board of Directors which is currently being finalised.

- Independent Directors – the Chairman advised we are in discussion with CBB regarding the appointment of independent Directors as we are a closed company owned by the banks and also due to the structure of the company we do not feel this is required.
- Board Evaluation Process – this is in the process of being finalised.

There was no questions raised and the report was approved.

Resolution 10 - AGM/13: The Shareholders approved the Corporate Governance report for 2012.

The Chairman thanked the Shareholders, CBB and Ministry of Industry and Commerce for their continuous support to the company and is looking forward to a successful year in 2013.

There being no other issues for discussion the meeting was closed at 10:30am.

Abdul Razak Abdulla Hassan Al Qassim
Chairman

Abdulwahid Janahi
Chief Executive Officer

Benefit Extraordinary Annual General Assembly Meeting Minutes

Meeting: EAGM - 27.03.13
Minutes: 27 March 2013, 10:30 am, The BENEFIT Company
Meeting Called By: The BENEFIT Company
Type of Meeting: Extraordinary Annual General Assembly Meeting for 2012
Attendees: As Per Attendees List
Apologies: As Per Attendees List

The Chairman, Mr. Abdul Razak Abdulla Hassan Al Qassim chaired the meeting and confirmed that 95.68% of the shareholders were present at the meeting. The subjects listed in the agenda were discussed and all items were approved.

AGENDA TOPICS

1.0 Minutes of EAGM Meeting Held on 26 March 2012 **Abdulwahid Janahi**

Discussion:

The CEO of The BENEFIT Company read the minutes of the Extraordinary Annual General Assembly Meeting dated 26 March 2012. No questions were raised.

Resolution 1 - EAGM/13: The minutes of the Extraordinary Annual General Assembly Meeting dated 26 March 2012 was approved by the Shareholders.

2.0 Transfer of Bahraini Saudi Bank Shares to Al Salam Bank

Abdul Razak Abdulla Hassan Al Qassim

Discussion:

Shareholders were advised Bahraini Saudi Bank shares to be transferred to Al Salam Bank Bahrain and Bahraini Saudi Bank name to be replaced with Al Salam Bank Bahrain and to amend the MoA and AoA accordingly. This motion was approved.

Resolution 2 - EAGM/13: The transfer of shares from Bahraini Saudi Bank to Al Salam Bank Bahrain and the Shareholder name to be replaced with Al Salam Bank Bahrain was approved by the Shareholders.

3.0 Change of Shareholder Name Shamil Bank to Ithmaar Bank

Abdul Razak Abdulla Hassan Al Qassim

Discussion:

The Shareholder's Shamil Bank name to be changed to Ithmaar Bank. The MoA and AoA to be amended accordingly. No questions were raised and the motion was approved.

Resolution 3 - EAGM/13: The change in the Shareholder's name from Shamil Bank to Ithmaar Bank was approved by the Shareholders and the MoA and AoA to be amended accordingly.

BENEFIT Extraordinary Annual General Assembly Meeting Minutes (continued)

4.0 Increase in Paid Up Capital

Abdul Razak Abdulla Hassan Al Qassim

Discussion:

The Board of Directors have recommended to increase the issued and paid up Capital of the company from BHD 1,800,000 to BHD 2,160,000. The Authorised Capital will remain the same at BHD 5,400,000. The MoA and AoA to be amended accordingly. No questions were raised and the motion was approved.

Resolution 4 - EAGM/13: The increase in the issued and paid up Capital of the company from BHD 1,800,000 to BHD 2,160,000 was approved by the Shareholders. The Authorised capital will remain at BHD 5,400,000.

5.0 Authorised Signatory

Abdul Razak Abdulla Hassan Al Qassim

Discussion:

To authorize the Chairman, Mr. Abdul Razak Abdulla Hassan Al Qassim and/or the Vice Chairman, Mr. Reyadh Yousif Sater and/or the CEO of the company, Mr. Abdulwahid Abdulrahman Janahi to sign on behalf of all the shareholders before the Notary Public all necessary documents for the above amendment to the Articles of Association. This was approved by the Shareholders.

Resolution 5 - EAGM/13: This authorization was approved by the Shareholders.

The Chairman thanked the Shareholders, CBB and MOIC for their continuous support to the company and we are looking forward to a successful year in 2013.

There being no other issues for discussion the meeting was closed at 10:35am.

Abdul Razak Abdulla Hassan Al Qassim
Chairman

Abdulwahid Janahi
Chief Executive Officer

Report of the Directors

for the year ended 31 December 2013

Business Review

2013 was a successful and an important year for the BENEFIT company, with the focal point being the finalization of its new corporate strategy and direction for the company.

The consolidated operating profit grew by 2.5% to reach BHD 2,422,407 in 2013, compared to BHD 2,362,464 in 2012. The consolidated net profit showed a stronger growth of 7.4% in 2013 to reach BHD 2,514,867 compared to BHD 2,341,975 in 2012.

BENEFIT is determined to continue providing essential payments and financial transaction services that will enrich and enhance customer satisfaction and service quality. In 2013, the company's Board and management have defined BENEFIT's strategic direction for the coming three years; with the aim of widening BENEFIT role and objective to provide value added services to the entire Kingdom. The company strategic direction defined three main pillars that will shape BENEFIT and its services in the coming years. Those pillars are Connecting Financial Transactions, Customer Information Segment and Business Outsourcing. The goal of the strategy is to boost the financial services and payments in Bahrain's financial industry to highest standards which, in turn will reflect on the overall economy.

Further, BENEFIT in 2013 has also worked closely with Central Bank of Bahrain [CBB] and its member banks of the GCC [Gulf Corporation Council] Point of Sale [POS] and Corporate Credit Reference Bureau [CRB]. The Corporate Credit Reference Bureau went live successfully in January 2014, while the GCC [Gulf Corporation Council] Point of Sale [POS] is scheduled to go live in 2014. The company has also worked with the telecom companies on BENEFIT's mobile payments as an extension to the National Payment Gateway [PG] BENEFIT is hosting.

As part of BENEFIT's commitment to the community, a survey was carried out on the ATM fees for cross bank transactions, which lead to a 50% reduction in the fee charged to end customers, as agreed and decided by Central Bank of Bahrain [CBB]. The new reduced fees will be in effect from April 2014, and the ATM transaction volumes is expected to increase in the coming few years.

To ensure continuity and stability of the services provided by BENEFIT, the company undergoes regular business continuity tests throughout the year. The company practices switching over to disaster recovery several times per year through switching its main services which are Switch, Credit Reference Bureau [CRB] and Bahrain Cheque Truncation System [BCTS].

Our services and transaction volume continued to grow in the past year, and given the future plans and services we are expecting them to grow further. Overall, 2013 was a pivotal year for BENEFIT, shaping its roadmap and fulfilling its vision of being a leader in electronic payments and fund transfers.

Report of the Directors (continued) for the year ended 31 December 2013

Consolidated Financial Results

Particulars	2013 (BHD)	2012 (BHD)	Change
Operating profit	2,422,407	2,362,464	2.5%
Profit for the year	2,514,867	2,341,975	7.4%
Net assets	11,526,226	9,461,359	21.8%

Recommended Appropriations and Remuneration for 2013

The Board of Directors recommend the following appropriations from profit for the year and Board remuneration, which are subject to the shareholders' approval at the Annual General Meeting:

2013 (BHD)	
Dividends [25%]	540,000
Bonus Shares [1:5]	432,000
Statutory Reserve	216,000
Directors Remuneration	77,000
Total	1,265,000

Upon approval of the above recommendations, Shareholders' Equity Account balance will be as follows:

	BHD
Share Capital	2,592,000
Statutory Reserve	1,307,133
Retained Earnings	6,947,779
Non-controlling interest	139,314
Total Consolidated Shareholders' Equity	10,986,226

Outlook for 2014

In 2014 BENEFIT shall focus most of its efforts on implementing its new strategy. BENEFIT shall further examine a number of its strategic initiatives and services to draw a clear roadmap for the services scope and implementation plan. Such services include the Electronic Fund Transfer System for low value transactions [EFTS], Electronic Bill Payment Presentment [EBPP], Credit Reference Bureau [CRB] for Insurance and Telecom, Customer Information Repository, Risk Management Reporting and the Automated Teller Machine [ATM] Wholesale. This is in addition to maintaining and improving its current services and products. The company is devoted to provide Bahrain and its stakeholders with services that enhance Bahrain's banking community in terms of efficiency and productivity.

The service Electronic Fund Transfer System [EFTS] shall automate the fund transfer and payments in Bahrain which will significantly enhance the efficiency and speed of the cash flow in the Kingdom. Accordingly, this service shall provide banks, government entities, business and individuals a healthy economy and empower payment tools to further develop. The Electronic Fund Transfer System [EFTS] is a national project that will have an impact on all individuals and sectors in Bahrain and we are eager to start the project with Central Bank of Bahrain [CBB] and member banks. Another service that BENEFIT will closely look into is the Electronic Bill Payment Presentment [EBPP]. The Electronic Bill Payment Presentment [EBPP] shall present, aggregate and automate the payment of most bills issued. Such bills include utilities, fines, instalments and many more. This service shall provide considerable advantages to banks, bill originators and end customers.

Our objective is to continue building on our successes which shall ultimately shape BENEFIT's significant position in Bahrain and further enhance Bahrain's electronic transactions efficiency and growth. BENEFIT will continue to maintain a healthy and mutually beneficial relationship with its member banks, clients, regulator and shareholders.

The Directors, on behalf of the shareholders, take 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 Shaikh Khalifa bin Salman Al Khalifa - the Prime Minister, to His Royal Highness Shaikh Salman bin Hamad Al Khalifa - the Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister, Government ministries and institutions - especially the Ministry of Finance and the Central Bank of Bahrain, for their guidance, kind consideration and support.

Abdul Razak Abdulla Hassan Al Qassim

Chairman



Independent Auditors' Report to the Shareholders

The BENEFIT Company BSC (c), Kingdom of Bahrain

Report on the consolidated financial statements

We have audited the accompanying 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 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Responsibility of the board of directors for the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other regulatory requirements

As required by the Bahrain Commercial Companies Law and Volume 5 of the Central Bank of Bahrain (CBB) Rule Book, we report that the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith; the financial information contained in the directors' report is consistent with the consolidated financial statements; we are not aware of any violations of the Bahrain Commercial Companies Law and the Central Bank of Bahrain Law, 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 having occurred during the year that might have had a material adverse effect on the business of the Company or on its financial position; and satisfactory explanations and information have been provided to us by the management in response to all our requests.

Consolidated Statement of Financial Position

as at 31 December 2013
(Bahraini Dinars)

	Note	2013	2012
ASSETS			
Furniture and equipment	5	592,958	672,309
System software	6	804,013	853,806
Capital work in progress		45,055	85,597
TOTAL NON-CURRENT ASSETS		1,442,026	1,611,712
Cash and bank balances		3,046,113	1,511,438
Balance with Central Bank of Bahrain		1,142,099	2,078,610
Balance with other central banks		1,077,744	519,285
Deposits with banks		5,450,460	4,363,785
Trade receivables	4	153,500	218,775
Prepaid expenses and other receivables		65,108	55,933
TOTAL CURRENT ASSETS		10,935,024	8,747,826
TOTAL ASSETS		12,377,050	10,359,538
EQUITY AND LIABILITIES			
Share capital	1	2,160,000	1,800,000
Statutory reserve		1,091,133	906,137
Retained earnings		8,135,779	6,640,386
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		11,386,912	9,346,523
Non controlling interest		139,314	114,836
TOTAL EQUITY (page 52)		11,526,226	9,461,359
LIABILITIES			
Provision for employees' leaving indemnities	7	75,712	60,865
TOTAL NON-CURRENT LIABILITIES		75,712	60,865
Payables and accrued expenses	8	722,966	786,514
Deferred income	9	52,146	50,800
TOTAL CURRENT LIABILITIES		775,112	837,314
TOTAL EQUITY AND LIABILITIES		12,377,050	10,359,538

ABDUL RAZAK ABDULLA HASSAN AL QASSIM
Chairman

REYADH YOUSIF SATER
Vice Chairman

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2013
(Bahraini Dinars)

	Note	2013	2012
Switch income	10	3,623,359	3,137,189
CRB income		861,115	862,928
BCTS income	11	600,169	602,025
Card services income	12	719,130	503,614
Internet banking income		115,600	79,039
Dispute management income		31,459	31,459
Total operating revenue		5,950,832	5,216,254
Staff cost		1,505,596	1,321,576
Card services processing cost	15	398,284	267,116
Processing costs for other services	13	643,852	529,721
Depreciation and amortisation	5,6	482,240	390,760
Legal and professional expenses		132,583	37,105
Other operating expenses	14	365,870	307,512
Total operating costs		3,528,425	2,853,790
Operating profit		2,422,407	2,362,464
Foreign exchange loss		(10,036)	(9,190)
Interest income	17	89,986	73,483
Other income		12,510	-
BCTS setup costs		-	(84,782)
Profit for the year		2,514,867	2,341,975
Other comprehensive income for the year		-	-
Total comprehensive income for the year		2,514,867	2,341,975
Attributable to:			
- Equity holders of the parent company		2,490,389	2,315,310
- Non controlling interest		24,478	26,665
		2,514,867	2,341,975

ABDUL RAZAK ABDULLA HASSAN AL QASSIM
Chairman

REYADH YOUSIF SATER
Vice Chairman

Consolidated Statement of Changes in Equity

for the year ended 31 December 2013

(Bahraini Dinars)

2013	Total equity attributable to shareholders of the parent Company				Non controlling Interest	Total equity
	Share capital	Statutory reserve	Retained earnings	Total		
At 1 January 2013	1,800,000	906,137	6,640,386	9,346,523	114,836	9,461,359
Total comprehensive income for the year	-	-	2,490,389	2,490,389	24,478	2,514,867
Bonus shares issued	360,000	-	(360,000)	-	-	-
Dividend declared for 2012	-	-	(450,000)	(450,000)	-	(450,000)
Transfer to statutory reserve	-	184,996	(184,996)	-	-	-
At 31 December 2013	2,160,000	1,091,133	8,135,779	11,386,912	139,314	11,526,226

2012	Total equity attributable to shareholders of the parent Company				Non controlling Interest	Total equity
	Share capital	Statutory reserve	Retained earnings	Total		
At 1 January 2012	1,800,000	900,695	4,780,518	7,481,213	88,171	7,569,384
Total comprehensive income for the year	-	-	2,315,310	2,315,310	26,665	2,341,975
Dividend declared for 2011	-	-	(450,000)	(450,000)	-	(450,000)
Transfer to statutory reserve	-	5,442	(5,442)	-	-	-
At 31 December 2012	1,800,000	906,137	6,640,386	9,346,523	114,836	9,461,359

Consolidated Statement of Cash Flows

for the year ended 31 December 2013
(Bahraini Dinars)

	2013	2012
Operating activities		
Cash received from switch operations	3,654,819	3,169,920
Cash received from CRB operations	870,137	903,145
Cash received from card services	743,124	509,109
Cash received from BCTS operations	601,221	602,499
Cash received from internet banking operations	148,152	72,725
Payments for operating expenses	(3,044,097)	(2,093,713)
Payment for directors' remuneration	(70,000)	(55,000)
Net cash generated from operating activities	2,903,356	3,108,685
Investing activities		
Purchase of furniture and equipment	(105,082)	(107,496)
Purchase of software	(192,472)	(364,793)
Payments for capital work in progress	(15,000)	(85,598)
Placement of deposits with banks	(1,086,675)	(770,649)
Interest received	89,986	73,483
Proceeds from sale of asset	12,510	-
Net cash used in investing activities	(1,296,733)	(1,255,053)
Financing activities		
Dividend paid	(450,000)	(450,000)
Net cash used in financing activities	(450,000)	(450,000)
Net increase in cash and cash equivalents	1,156,623	1,403,632
Cash and cash equivalents at beginning of year	4,109,333	2,705,701
Cash and cash equivalents at end of the year	5,265,956	4,109,333
Cash and bank balances	3,046,113	1,511,438
Balance with Central Bank of Bahrain	1,142,099	2,078,610
Balance with other central banks	1,077,744	519,285
	5,265,956	4,109,333

Notes

to the 31 December 2013 consolidated financial statements (Bahraini Dinars)

1. STATUS AND OPERATIONS

The Benefit Company BSC (c) ("the Company") is registered with the Directorate of Commerce and Companies Affairs 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 to provide payment systems, Bahrain Cheque Truncation and other related financial services for the benefit of the commercial banks and their customers in the Kingdom of Bahrain. The Credit Reference Bureau (CRB) operations commenced in Bahrain in August 2005. The Company launched the Bahrain Cheques Truncation System ("the BCTS") on 13 May 2012.

Share Capital

The Company's authorised capital is BD 5,400,000. The Company's issued and paid up capital is BD 2,160,000 comprising 21,600 shares of BD 100 each.

Subsidiary

The Company owns 51% in 'SINNAD WLL' ("Subsidiary"), while Network International ("NI") holds the remaining 49% shareholding. The Subsidiary has been incorporated to provide debit and credit card hosting services, cards personalisation and other ATM acquiring services. The consolidated financial statements comprise the financial statements of the Company and its subsidiary (together referred to as the "Group").

2 BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the Bahrain Commercial Companies Law 2001.

b) Basis of presentation

The consolidated financial statements are prepared on the historical cost basis except for financial liabilities stated at amortized cost on an effective interest rate basis. The accounting policies have been consistently applied by the Group and are consistent with those applied in the previous year, except as described in note 2d below.

c) Functional and presentation currency

The consolidated financial statements are presented in Bahraini Dinars, which is the Group's functional and presentation currency.

d) New Standards, amendments and interpretations effective on or after 1 January 2013

The following standards, amendments and interpretations, which became effective as of 1 January 2013 are relevant to the Group:

- **IAS 1 (amendment) - Presentation of items of other comprehensive income**

The amendments to IAS 1 require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss.

The adoption of this amendment had no significant impact on the consolidated financial statements.

- **IAS 19 – Employee benefits (2011)**

IAS 19 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two.

The adoption of this amendment had no significant impact on the consolidated financial statements.

Notes

to the 31 December 2013 consolidated financial statements (Bahraini Dinars)

2 BASIS OF PREPARATION (continued)

- **Amendments to IFRS 7 on offsetting financial assets and financial liabilities (2011)**

Disclosures – Offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7) introduces disclosures about the impact of netting arrangements on an entity's financial position. Based on the new disclosure requirements the Group has to provide information about what amounts have been offset in the statement of financial position and the nature and extent of rights of set off under master netting arrangements or similar arrangements.

The adoption of this amendment had no significant impact on the consolidated financial statements.

- **IFRS 10 - Consolidated financial statements and IAS 27 Separate Financial Statements (2011)**

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. This new control model focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. The Group has amended its accounting policy on consolidation in line with requirements of IFRS 10 and has re-assessed its consolidation conclusion.

The reassessment of control and consolidation requirements had no significant impact on the consolidated financial statements.

- **IFRS 12 - Disclosures of interests in other entities**

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires the disclosure of information about the nature, risks and financial effects of these interests.

As a result of IFRS 12, the Group has expanded its disclosures about its interests in its subsidiary. Refer to note 20.

- **IFRS 13 - Fair value measurement**

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. It unifies the definition of fair value as 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. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7.

As a result, the Group has included additional disclosures in this regard. Please refer to note 22. In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

- **Improvements to IFRSs (2011)**

Improvements to IFRS issued in 2011 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. There were no significant changes to the current accounting policies of the Company as a result of these amendments.

Notes

to the 31 December 2013 consolidated financial statements (Bahraini Dinars)

2 BASIS OF PREPARATION (continued)

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2014, and have not been applied in preparing these consolidated financial statements. Those which are relevant to the Group are set out below. The Group does not plan to early adopt these standards.

• IFRS 9 - Financial Instruments

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions to the standard relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 was issued in November 2009, amended in October 2010 and November 2013 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets and financial liabilities and hedge accounting.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised. However, application of IFRS 9 is permitted. The adoption of this standard is not expected to have a significant impact on the Group.

• Amendments to IAS 19R: Employee Benefits

IAS 19 Employee Benefits (Amendments to IAS 19R) apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service.

The amendments are effective for annual periods beginning on or after 1 January 2014. Early application is permitted.

The Group is not expecting a significant impact from the adoption of these amendments.

• Amendments to IAS 32 on offsetting financial assets and financial liabilities (2011)

Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32) clarify the offsetting criteria IAS 32 by explaining when an entity currently has a legally enforceable right to set off and when gross settlement is equivalent to net settlement.

The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Earlier application is permitted.

The Group is not expecting a significant impact from the adoption of these amendments.

f) Early adoption of standards

The Group did not early adopt new or amended standards in 2013.

3 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

i. Subsidiary

"Subsidiaries" are all investees 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.

Notes

to the 31 December 2013 consolidated financial statements (Bahraini Dinars)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered. The company recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity, and when specific criteria have been met for each of the company's activities as described below:

(i) Sale of services

The company provides a number of services to banks in Bahrain. Revenue from provision of services relating to switch, credit reference bureau, Bahrain cheque transaction system, card services and internet banking is recognised when the related service is performed.

(ii) Interest Income

Interest income is recognised using the effective interest rate method.

c) Furniture, equipment and software

Owned assets

Furniture, equipment and software are stated at cost less accumulated depreciation and impairment losses, if any. The cost of the assets includes the cost of bringing them to their present location and condition. Direct costs are capitalized until the assets are ready for use. Intangible assets are recorded at the consideration paid for acquisition.

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 recognized in profit or loss.

Depreciation

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 – 6 years
System software	3 – 6 years
Computer equipments	2 – 5 years
Furniture, fixtures and office equipments	3 – 5 years
Vehicles	3 – 5 years

All depreciation is charged to profit or loss.

Notes

to the 31 December 2013 consolidated financial statements (Bahraini Dinars)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

d) 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.

e) 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 using the effected interest rate method, less provision for impairment.

f) 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.

g) Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount. All impairment losses are recognised in profit or loss.

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) Employees' Benefits

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organisation 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 Company has a voluntary employees saving scheme. The employees and employers contribute monthly on a fixed-percentage-of-salaries-basis to the scheme.

k) Foreign currency transactions

1. 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.

Notes

to the 31 December 2013 consolidated financial statements (Bahraini Dinars)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

l) Critical accounting estimates and judgments in applying accounting policies

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

Impairment of receivables

The Group reviews the carrying amounts of the receivables at each reporting date to determine whether the receivables have been impaired. The Group identifies the receivables, which have been impaired based on the age of the receivables, the receivables recoverable amount is estimated based on past experience and estimated cash flows.

m) Statutory reserve

The Bahrain Commercial Companies Law 2001 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.

4 TRADE RECEIVABLES

	2013	2012
Gross receivables	177,711	230,085
Impairment allowance	(24,211)	(11,310)
	153,500	218,775
The movement on impairment allowance is as follows:		
	2013	2012
At 1 January	11,310	-
Charge for the year	24,211	11,310
Amounts written off during the year	(11,310)	-
	24,211	11,310

Notes

to the 31 December 2013 consolidated financial statements
(Bahraini Dinars)

5 FURNITURE AND EQUIPMENT

	System hardware	Computers	Furniture, Fixtures, Office Equipment & Vehicle	2013 Total	2012 Total
Cost					
At 1 January	1,282,792	144,662	102,112	1,529,566	1,232,950
Additions	102,111	5,851	43,980	151,942	296,616
Disposal	-	-	(35,000)	(35,000)	-
At 31 December	1,384,903	150,513	111,092	1,646,508	1,529,566
Depreciation					
At 1 January	632,764	135,445	89,048	857,257	641,468
Charge for the year	211,300	6,493	13,500	231,293	215,789
Disposal	-	-	(35,000)	(35,000)	-
At 31 December	844,064	141,938	67,548	1,053,550	857,257
Carrying value at 31 December	540,839	8,575	43,544	592,958	672,309

6 SYSTEM SOFTWARE

	2013	2012
At 1 January	853,806	226,670
Additions	201,154	802,107
Amortised during the year	(250,947)	(174,971)
At 31 December	804,013	853,806

7 PROVISION FOR EMPLOYEES' LEAVING INDEMNITIES

The movement in the provision is as follows:

	2013	2012
At 1 January	60,865	42,461
Add: charge for the year	15,902	18,404
Less: paid during the year	(1,055)	-
At 31 December	75,712	60,865
Total number of employees at 31 December:		
Bahrainis	46	47
Expatriates	4	2
	50	49

Notes

to the 31 December 2013 consolidated financial statements
(Bahraini Dinars)

8 PAYABLES AND ACCRUED EXPENSES

	2013	2012
Trade payables	13,781	113,401
Payables for card processing	260,983	196,295
Accrual for bonus	159,704	149,160
Accrual for directors' remuneration	77,000	55,000
Other accrued expenses	211,498	272,658
	722,966	786,514

9 DEFERRED INCOME

Deferred income represents advance billing to clients where the services are yet to be provided by the Company is recognised as income as the related services are performed.

10 SWITCH INCOME

	2013	2012
Bahrain ATM	1,725,506	1,510,920
Bahrain POS	1,046,922	869,393
GCC ATM and POS	414,031	396,596
Telecom bill payment	215,814	151,778
Payment gateway	89,559	81,069
Membership fee	72,000	78,000
AMEX	34,945	31,003
Direct debit services	24,582	18,430
	3,623,359	3,137,189

11 BCTS INCOME

The BCTS project income for the year comprises:

	2013	2012
Implementation and set up fees	8,400	217,200
Annual maintenance	254,904	170,321
Transaction fees	324,659	198,721
Integration and maintenance	12,206	15,783
	600,169	602,025

Implementation and set up fees are one-off fees paid by each participating bank based on number of branches upon completion of the setup phase.

Notes

to the 31 December 2013 consolidated financial statements
(Bahraini Dinars)

12 CARD SERVICES INCOME

	2013	2012
Debit and credit card hosting	664,681	472,157
Debit and credit card personalisation	54,449	31,457
	719,130	503,614

13 PROCESSING COSTS FOR OTHER SERVICES

	2013	2012
License fees	156,864	102,899
System support and maintenance	263,360	186,289
Communication lines	138,193	121,118
GCC NET telecom charges	18,944	18,944
Other processing costs	4,444	5,330
BCTS participating banks' share	62,047	95,141
	643,852	529,721

14 OTHER OPERATING EXPENSES

	2013	2012
Rent	89,655	90,554
Travelling	25,881	22,498
Office maintenance	17,974	18,111
Marketing and public relation	31,397	35,596
Telephone and fax	9,884	10,151
Directors' sitting fees	19,500	11,400
Directors' remuneration	92,000	55,000
Vehicle expenses	6,466	5,940
Office insurance expenses	1,226	1,569
Impairment allowance for doubtful debts	24,211	11,310
Other expenses	47,676	45,383
	365,870	307,512

15 CARD SERVICES PROCESSING COST

This includes payments to Network International and other suppliers for debit and credit card personalisation and hosting services.

Notes

to the 31 December 2013 consolidated financial statements
(Bahraini Dinars)

16 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 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:

	2013	2012
Salaries and short term employee benefits	569,080	432,565
Termination benefits	12,179	16,587
Directors remuneration	92,000	55,000
Directors fees	19,500	11,400

b) Balances with and from related parties

	2013		
	Shareholders	Other related party	Total
Bank balances	3,045,857	-	3,045,857
Deposits with banks	5,450,460	-	5,450,460
Trade receivables	81,169 (i)	-	81,169
Payables	-	260,983	260,983

	2012		
	Shareholders	Other related party	Total
Bank balances	1,510,615	-	1,510,615
Deposits with banks	4,363,785	-	4,363,785
Trade receivables	132,816	12,360 (ii)	145,176
Payables	-	196,295	196,295

(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.

(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. In accordance with an understanding between Network International ("NI"- 49% shareholder of the Subsidiary) and the Subsidiary, the Subsidiary has outsourced work related to ongoing projects to NI. In consideration of the services provided by NI, the Subsidiary will pay the agreed costs of providing such services to NI.

Notes

to the 31 December 2013 consolidated financial statements
(Bahraini Dinars)

17 INTEREST INCOME

	2013	2012
Interest on bank deposits	89,986	73,483
	89,986	73,483

18 CAPITAL COMMITMENTS

Capital commitments as on 31 December 2013 by the Group are BD 405,817 (2012: BD 438,737).

19 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:

	2013	2012
Bonus shares	432,000	360,000
Cash dividends	540,000	450,000
Statutory reserve	216,000	180,000
Directors remuneration	77,000	77,000

The Board has recommended a bonus share issue in the ratio of one share for every five shares held by transferring BD 432,000 from the retained earnings. Further, the Board has also recommended a transfer of BD 216,000 to statutory reserve to bring the reserve balance to 50% of the paid up capital as stipulated by the Bahrain Commercial Companies Law.

20 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 and the proportion of ownership interests held equals to the voting rights held by 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	Proportion of ownership held by the NCI	Principal activities
Sinnad WLL	Bahrain	51%	49%	Debit and credit cards hosting and cards personalisation services

Notes

to the 31 December 2013 consolidated financial statements
(Bahraini Dinars)

21 NON CONTROLLING INTEREST

The table below summarises the information relating to the Group's subsidiary that has material non-controlling interest. ("NCI")

	2013	2012
NCI percentage	49	49
Assets	628,511	464,587
Liabilities	344,194	230,225
Net Assets	284,317	234,362
Carrying amount of NCI	139,314	114,836
Revenue	719,130	503,614
Profit	49,955	54,419
Total comprehensive income	49,955	54,419
Profit allocated to NCI	24,478	26,665
Cash flows from operating activities	188,996	162,493
Cash flows used in investing activities	(3,116)	(119)
Net increase in cash and cash equivalents	185,880	162,374

22 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, CRB receivables, prepaid expenses 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

Notes

to the 31 December 2013 consolidated financial statements
(Bahraini Dinars)

22 FINANCIAL RISK MANAGEMENT (continued)

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 are included management of capital. 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.

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 cash and bank balances, balance with the Central Bank of Bahrain, balance with other central banks, prepaid expenses and other receivables and CRB receivables.

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:

	2013	2012
Bank balance	3,045,857	1,510,615
Deposits with banks	5,450,460	4,363,785
Balance with Central Bank of Bahrain	1,142,099	2,078,610
Balance with other central banks	1,077,744	519,285
Trade receivables	153,300	218,775

The Group's credit risk on bank balances is limited since these are maintained with banks having high credit ratings. The Group's credit risk 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.

Notes

to the 31 December 2013 consolidated financial statements
(Bahraini Dinars)

22 FINANCIAL RISK MANAGEMENT (continued)

Ageing of receivables:

	2013	2012
0 - 30 days	119,808	117,458
31 - 180 days	46,549	93,727
181 – 365 days	11,354	18,900
Gross receivables	177,711	230,085
Impairment allowance	(24,211)	(11,310)
	153,500	218,775

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

The past due and impaired receivables amounted to BD 24,211 (2012: BD 11,310). The Group has provided for these balances in full. The Group believes that amounts past due by more than 30 days amounting to BD 33,692 (2012: BD 101,317), are not impaired and are collectible in full, based on historic payment behaviour and since these amounts are due from reputed banks in GCC.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. All the receivables are from banks in the Kingdom of Bahrain.

Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The management rigorously monitors the liquidity requirements of the Group and it ensures that sufficient funds are available. The Group has sufficient liquidity and thus does not resort to borrowings in the normal course of business.

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

2013	Carrying Amount	Contractual cash flows	6 months or less
Payables	274,764	274,764	274,764
	274,764	274,764	274,764
2012	Carrying Amount	Contractual cash flows	6 months or less
Payables	309,696	309,696	309,696
	309,696	309,696	309,696

Notes

to the 31 December 2013 consolidated financial statements (Bahraini Dinars)

22 FINANCIAL RISK MANAGEMENT (continued)

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.

Interest rate risk

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

The Group's short-term deposit is at a fixed interest rate and matures within 1-6 months.

	2013	2012
Effective interest rate on short-term deposit (BHD)	1.69%	1.76%
Effective interest rate on short-term deposit (USD)	1.12%	1.08%

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

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 22% percent in 2013 (2012: 25 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.

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 Company 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 2013, all the financial assets have been classified as loans and receivables and the financial liabilities of the Group are classified as financial liabilities measured at amortised cost.

23 COMPARATIVE FIGURES

The corresponding figures for the previous year have been regrouped where necessary, in order to make them comparable with the current year's figures. Such regrouping did not affect previously reported net profit or total equity.