

A future with more:

efficiency
immediacy
simplicity
expandability
accessibility

The Benefit of a Vision

ANNUAL REPORT 2014



The BENEFIT Company

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**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
and First Deputy Prime Minister



Contents

Introduction	5
Efficiency	7
Vision & Mission	8
Company Profile	9
Immediacy	11
Chairman's Statement	12
Simplicity	15
CEO Statement	16
Expandability	19
Board of Directors	20
Management Team	22
Accessibility	25
Five Years Growth	26
Delivering Growth	28
Corporate Governance	30
Annual General Meeting Minutes	42
Extraordinary General Meeting Minutes	45
Report of the Directors	46
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

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to deliver

growth

Introduction

The future is a territory waiting to be explored.

Its unformed contours are lined by the immense prospects of potentials yet to be realised. Its vast frontiers, too, stretch across the limitless expanse yet to evolve. And its cartography is spread across a giant canvas drawn from the boundaries of our imagination.

The world of business looks to the future for both growth and possibilities to spread beyond the comforts of the present. Results aren't measured by their impact on current resources but on how projections can be made on tomorrow's success and in bolstering efficiency for the long-term.

This future is not the result of an accident. It does not occur out of thin air or through a sleight of hands or the wave of a magic wand. It is the result of a vision that is tirelessly crafted within the organisation so that one can see the future today.

Vision is vital for any business to thrive. It is like a tiny seed that grows into a giant oak – a speck of an idea that blossoms into an action plan and provides the engine for growth. Vision provides organisations with the tools to map out the future, set the gateway for success, prepare barriers against any risky outcomes, and lay the groundwork for continued and unhindered prosperity.

The Kingdom of Bahrain, too, has been focused on its vision of creating one of the most investor friendly economies in the world. This vision has guided the policy decisions of the kingdom's leadership and in developing an environment that allows businesses to meet and exceed their potential. It is hardly surprising, then, that many companies have chosen Bahrain as their springboard for regional expansion and global operations.

The BENEFIT Company believes in this vision for Bahrain, and shares with the kingdom's leadership a desire to see Bahrain emerge as a powerful force in the world of business. Its products and services have been perfectly tailored to meet growing demand for greater ease and convenience in business processes, and in making technology an effective tool for efficiency, immediacy, simplicity, expandability and accessibility.

BENEFIT has remained a true visionary for the clients it serves and in the market it operates because of strong leadership in electronic payments and funds transfer in business process outsourcing and risk management. In doing so the company continues to bolster greater collaborative opportunities and to establish a shared business platform between the financial sector in Bahrain and its local, regional and international customers.

efficiency

immediacy

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accessibility



efficiency

Speed is a burst of energy that explodes in a fraction what we see as limitations, and sets in motion a kind of dynamism physics thought was impossible. It is a force that defies imagination through the quickness of its flow and the poetry of its kinetics.

But for speed to gain momentum, it needs to be harnessed and made agile. Its power is made that much more durable when there is consistency in its pace and a rhythm in its stride.

Such a vision for business provides a recipe for growth and an accelerated path for success. But when speed is duly harnessed, it provides for a more efficient approach in managing commercial operations. Understated. Even handed. Steady. And unyielding to random forces. Efficiency empowers businesses to stay on course to realise their vision.

Similarly, The BENEFIT Company has found strength in pursuing operational efficiency as a means of preparing the groundwork for customer satisfaction.

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

BENEFIT remains committed to strengthen Bahrain's position as a main financial hub in the region.

And hence continues to provide robust infrastructural support for the financial industry.

The BENEFIT Company was formed with a clear vision to raise Bahrain's profile as an economic powerhouse that is committed to provide ease, convenience and speed to both business processes and financial transactions. It further enables Bahrain's financial sector to seamlessly connect with customers spread across a diverse geographical base, enrich business relationships and boost interactions with member banks and other stakeholders.

As a provider of one of the most sophisticated tools for all electronic financial transactions throughout the Kingdom, BENEFIT's road to success has been paved by a combination of a skilled workforce, cutting edge technology, focussed strategic planning and initiatives, and a 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 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 and to enable the local financial industry to thrive.

BENEFIT's range of services include operation of Automated Teller Machines (ATM), Point of Sale (POS), GCCNet – supported by the GCC countries –, The GCCNet Dispute Management System, Bahrain Credit Reference Bureau (BCRB), Telecom Bill Payment (Tele BP), Direct Debit (DD), Payment Gateway (PG), Internet Banking (IB), Bahrain Cheque Truncation System (BCTS) and Amex Cards withdrawal.

BENEFIT remains committed to strengthen Bahrain's position as a main financial hub in the region. Therefore it continues to provide robust infrastructural support for the financial industry – enabling the financial and banking community to remain true to their vision to develop an environment that helps customers in achieving their goals.

At the heart of BENEFIT's success is the support given by its qualified staff – 94 percent of whom are Bahraini. This accomplishment demonstrates the success of the company's Bahrainisation policies and the world class talent available amongst young Bahrainis.

BENEFIT is administered by a Board of Directors who represents the shareholders. The Company's paid-up capital is to the value of BD 2.6 million (US\$ 6.8 million approx.).

The original 17 shareholders have now become 14 as a result of mergers and acquisitions in the retail banking sector.

1. National Bank of Bahrain
2. Bank of Bahrain and Kuwait
3. Ahli United Bank
4. Standard Chartered Bank
5. HSBC
6. Bahrain Islamic Bank
7. Citibank
8. Al Salam Bank
9. BMI Bank
10. Arab Bank
11. Future Bank
12. Ithmar Bank
13. Habib Bank
14. United Bank Limited

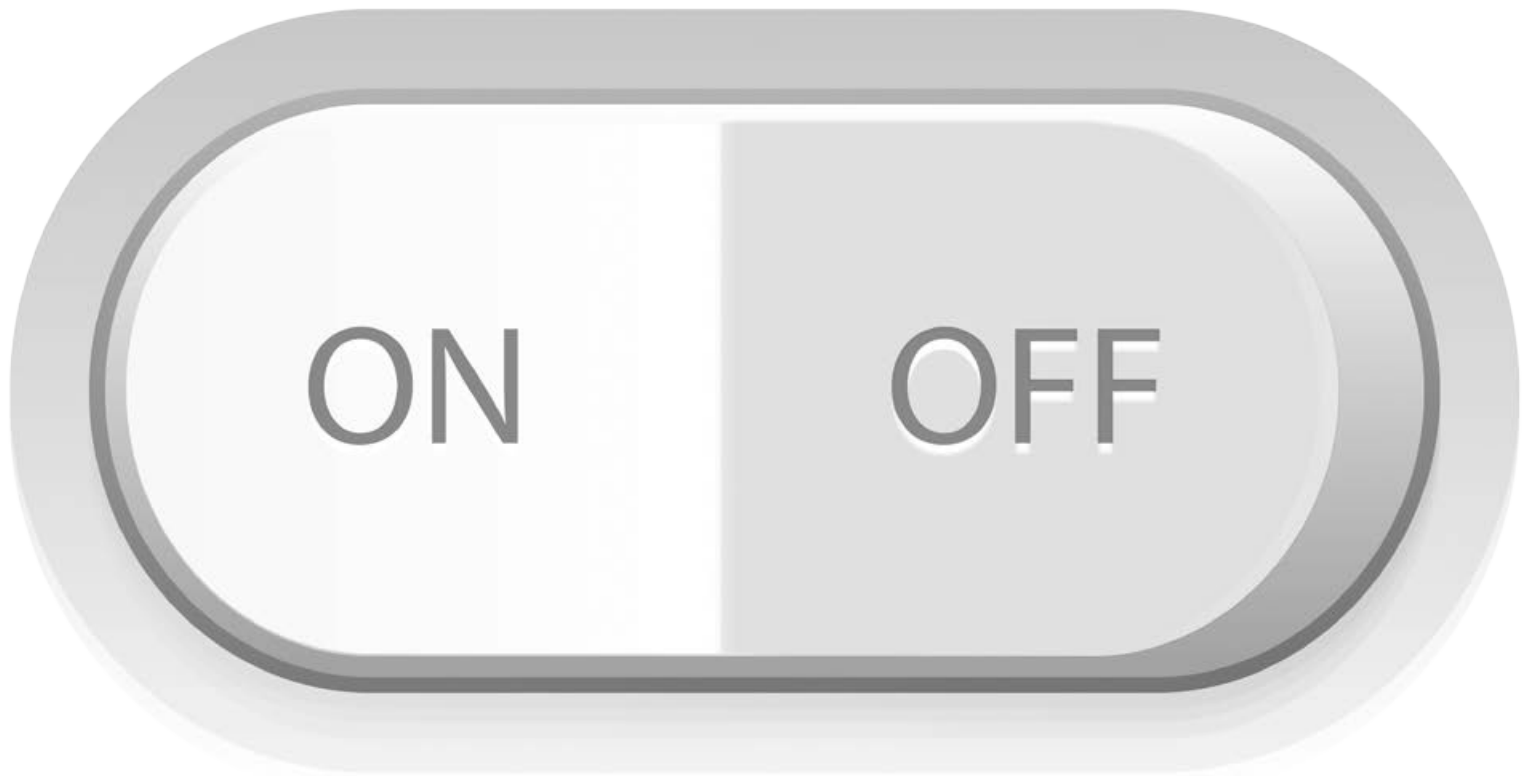
efficiency

immediacy

simplicity

expandability

accessibility



immediacy

There exists only a sense of nearness that renders remoteness redundant, and sets within its orbit what seemed far away and unreachable – bringing into closeness what appeared inaccessible and giving it a sense of immediacy.

This is a future that could be made possible when what was far away shrinks to become part of the here and now.

For businesses, it is also part of a vision to take customer service to the next level. Making it responsive to their needs. Making their concerns the top-most priority. And making sure that there is no delay in meeting their customers' demands and ensuring their satisfaction.

The BENEFIT Company has built its operations on the idea of making immediacy a key component of its products and services. After all, customers need to do their business today and cannot wait for tomorrow for what can be done now.

Chairman's Statement



**Abdul Razak Abdulla
Hassan Al Qassim**

Chairman

BENEFIT made good progress in 2014 on number of fronts that helped in accelerating the momentum for growth, advancing improved customer service amongst constituents, and consolidating the company's position as the principal provider of value added services for the banking and financial services community across the Kingdom of Bahrain.

The focus has always been to provide the financial sector with value added services that expedite commercial transactions, help in effective risk management, and boost the value quotient in every business activity. BENEFIT continues to provide value added services that form the foundation of interbank transactions, empowering banks to provide more efficient services to corporate and individual customers.

The impact on our bottom line has been highly encouraging as the 2014 results clearly reflect the financial strength of the company. We are pleased to report another successful year with a growth rate of 12 percent as compared to the results of 2013. Profitability remained steady while operating income, assets and equity grew by 7 percent, 20 percent and 20 percent respectively.

One of the major highlights of 2014 was the implementation of the first phase of the three-year strategy. As part of this strategy, certain services like GCC Point-of-Sales, Corporate Credit Reference Bureau, and mobile payments were launched in 2014. The GCC Point-of-Sales serves to add value to the financial community of Bahrain and extends the same benefits across the GCC. The Corporate Credit Reference Bureau provides financial institutions with an effective mechanism to mitigate potential losses as they are able to acquire a comprehensive overview of a customer's financial history at the click of a button. While, mobile payments place Bahrain at the cutting edge of current international trends in payments providing convenient payment methods to customers.

The focus has always been to provide the financial sector with value added services that expedite commercial transaction, help in effective risk management, and boost the value quotient in every business activity.

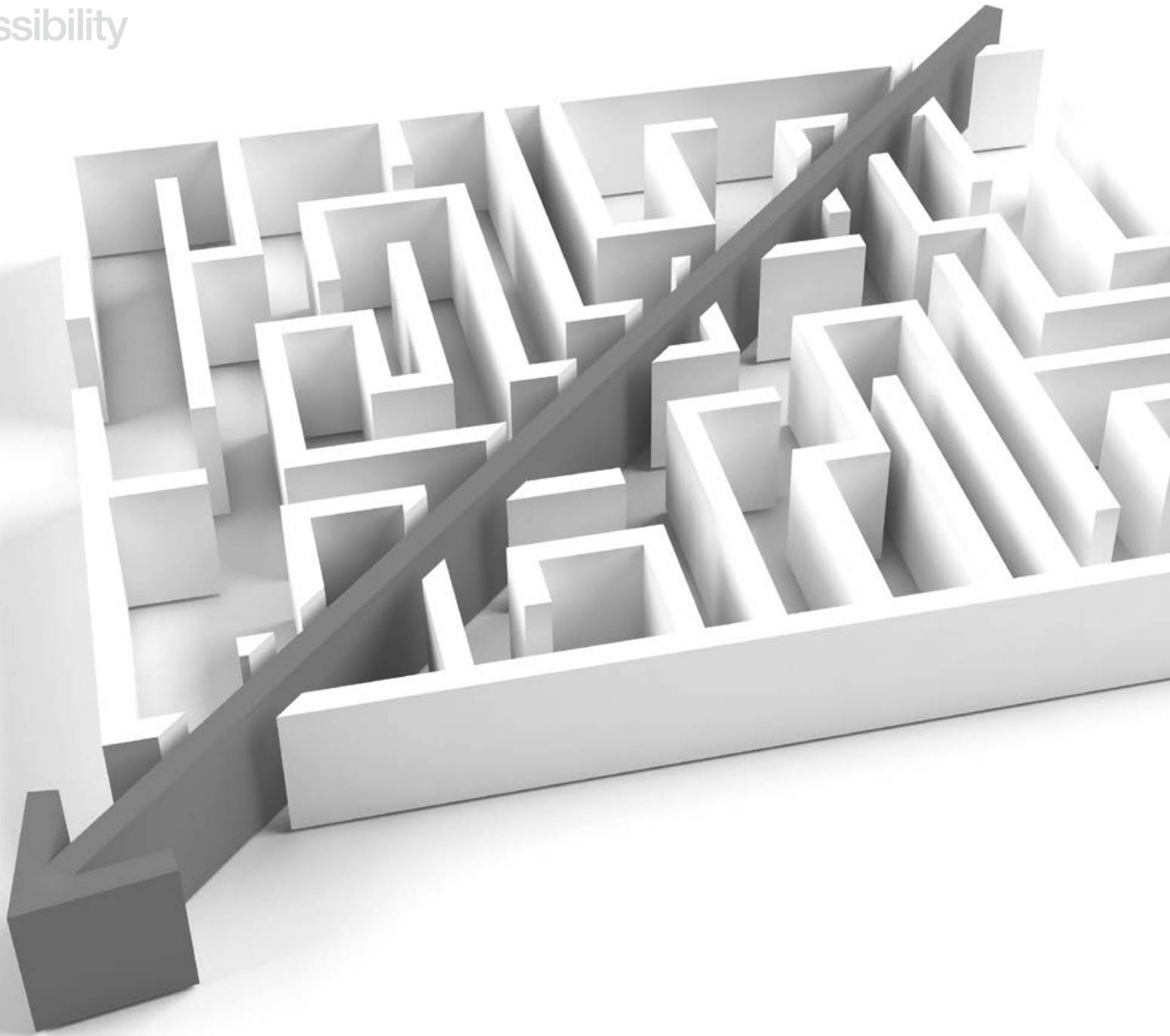
The Electronic Fund Transfer System (EFTS) – awarded to BENEFIT by The Central Bank of Bahrain – provides another step in adding greater convenience to monetary transactions. The system accelerates the flow of money between different sectors and stakeholders, and minimises possibilities of inefficiency in handling funds and their payment or transfer. At its root, the system combines two main strategic services, namely, automated clearing house and electronic bill payment presentment.

We recognise that our staff is our core asset, and are committed to their growth and development. Hence, we continue to invest in training and staff development that would enable them to produce excellent results for the company.

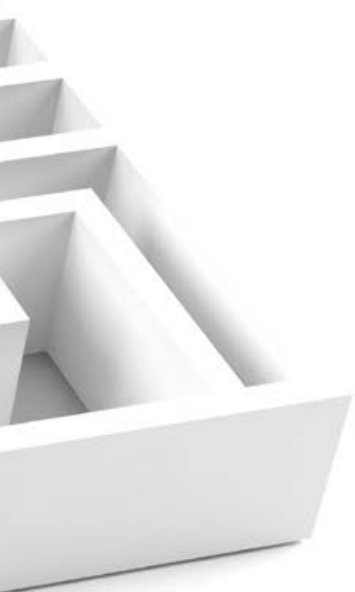
Finally, we thank our member banks and clients for their trust, and we are grateful for the guidance given to us by the Central Bank of Bahrain. We appreciate the encouragement of our shareholders and the support of our employees.

We are confident that the success achieved in 2014 will provide the springboard for bigger accomplishments in 2015.

efficiency
immediacy
simplicity
expandability
accessibility



simplicity



There is a certain simplicity about a straight line. Unyielding to the elements. Undistracted by any diversion. But moving straight ahead as if on a mission and with a commitment that demonstrates full and complete zeal.

Simplicity makes the complex comprehensible, and disentangles what may seem like a jagged piece of art. It involves smoothing of textures, ironing out the rough edges, making sense of the variables, and finding a thread of commonality in the entire mosaic.

For businesses, the challenge to be on the cutting edge is not only about simplifying processes but also in ensuring that clients, suppliers, end users and other stakeholders are able to easily comprehend the benefits of the business relationship.

The BENEFIT Company, too, has tailored its products and services towards greater simplicity with this very objective. And hence, the company clear about ensuring that ease and convenience always remain at the cornerstone of every activity.

CEO Statement



Abdulwahid Janahi
Chief Executive Officer

The year 2014 was a significant year as it ushered in the first phase of the three-year strategic direction that The BENEFIT Company launched at the beginning of the year.

The previous two years were marked with hectic activities in preparing the strategy ready for its official launch. We are pleased to say that the strategic blueprint is now in the implementation phase and the first year after its launch has been completed smoothly.

We felt that it was vital to get a new strategy in place for BENEFIT so that the company was better able to meet the challenges of the future, provide solutions that meet complex demands, and maintains a leadership position in the delivery of value added services for the banking and financial services industry.

We are glad to report that as a result of this new strategy, BENEFIT is now in a stronger position to be a reliable partner for its member banks and clients, and also, in bolstering Bahrain's reputation as an attractive destination to do business.

After all, we see our role as one that supports Bahrain's determination to be an investor friendly nation, and our products and services are aimed to give a tangible shape to this vision. Hence, we have deployed state-of-the-art technology to further invigorate the

three pillars upon which BENEFIT's activities operate: a) connecting financial transactions (eg: ATMs, local switch, point of sales, etc), b) customer information segment (eg; credit reference bureau), and c) business outsourcing (eg: SINNAD, debit and credit cards, internet banking, ATM and POS Wholesale, etc).

Our objective remains the same. We are keen on adding value to electronic payments and fund transfers. And strengthen BENEFIT's leadership in developing customer focused products and services, and empowering the same customers to have greater freedom and convenience in undertaking financial transactions.

One of the steps taken this year was to begin work on the Electronic Fund Transfer System (EFTS) in preparation for its debut in 2015. Awarded by the Central Bank of Bahrain, this project is focussed on providing fast and efficient funds transfer and payment system, and is powered to speed up the pace of monetary transactions between different stakeholders.

Three new services were introduced in 2014.

The Corporate Credit Reference Bureau enables lending institutions to arrive at a quick decision while granting loans as the system ensures that only authorised personnel will have easier

In terms of the financial results of 2014, I am also pleased to say that the year gone by has also been proved to be a success in delivering tangible results.

access to a potential customers' credit history. This service will remove one of the biggest hurdles that customers face when applying for loans, and will help both individual and corporate customers in arriving at a speedier resolution with regards to their financial goals.

BENEFIT has introduced mobile payment systems in conjunction with various telecom companies. This service is hugely popular worldwide, and has already gained popularity following its introduction in Bahrain. Currently bill payments are made via this platform but the possibilities for its application are immense.

The GCC Point-of-Sale offers one of the most cost effective solutions for merchants in Bahrain and the Gulf. As the operations are localised, the revenue for all point-of-sale transactions remains within the region. Customers are also able to take advantage of much lower rates when they make purchases using their debit card.

Another important development is that we have started the work in building our own dedicated data centre. A platform that will be utilised for the sophisticated hardware required for the data centre. As our operations become even more complex it is vital that such a massive data centre remains available for our operations.

We have also reduced the fees that we charge member banks for the ATM networks, and as a result, customers are now enjoying lower service fees for using any of the ATMs in our network.

In terms of the financial results of 2014, 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 for the Net Profit in 2014 was 12 percent compared to 7 percent in 2013. Income and profit for the year was BHD 2,816,297.

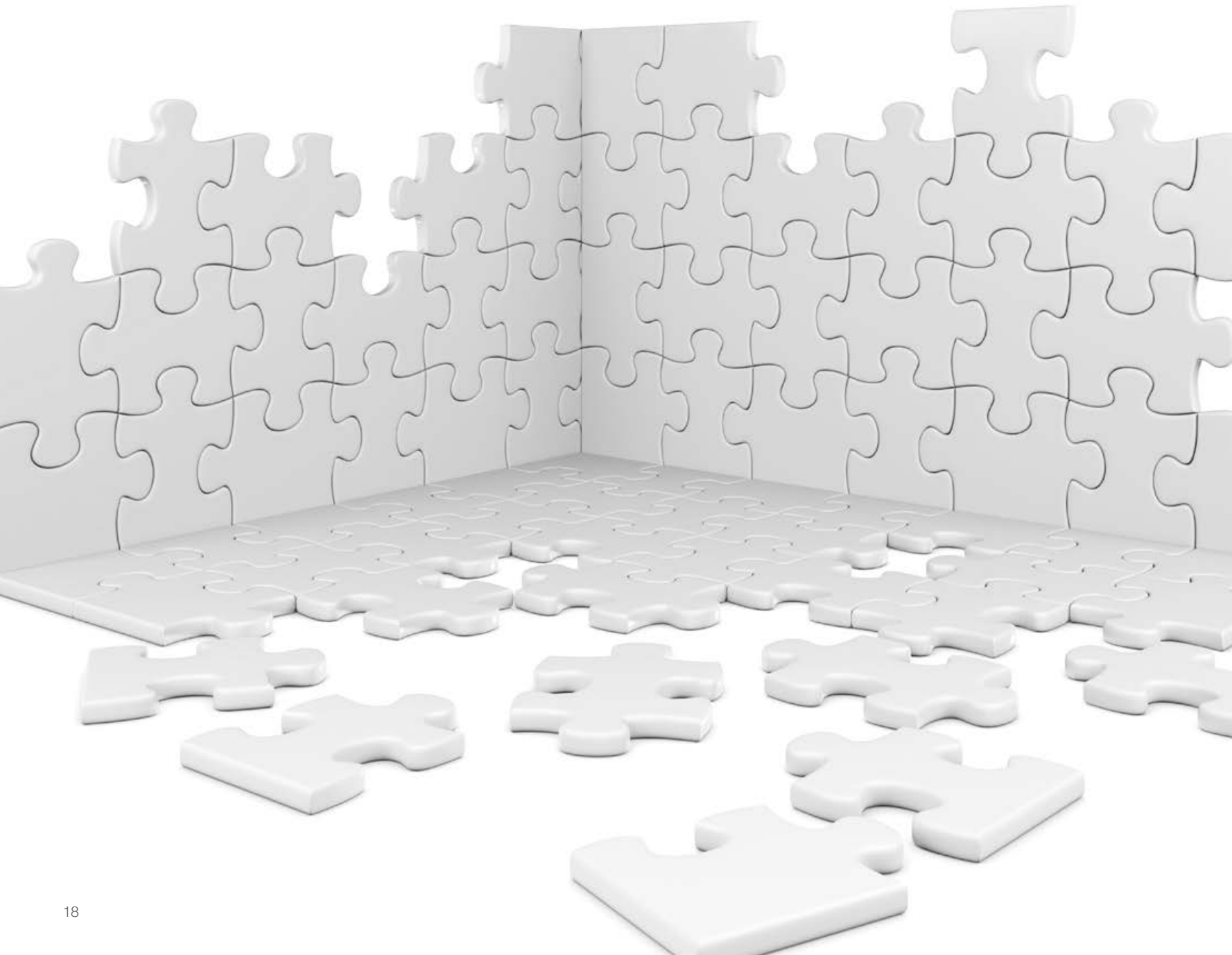
These results clearly indicate the strong fundamentals that undergird our performance. They provide the yardstick for success and the essential foundation for shaping growth plans for the year ahead.

However, for true success to bear fruit, the most vital ingredient is the contribution of skilled workforce whose dedication serves as the engine for growth in any organisation. We are proud of the support given to us by our employees whose tireless work provides the authorship for our success story. It is also a matter of pride that 94 percent of our employees are Bahraini nationals, and thus, demonstrating the success of BENEFIT's Bahrainisation programme.

Finally, I would like to thank the Chairman and Board of Directors for their support in giving the green light to the three-year strategic blueprint. It will, no doubt, steer the company towards a new level of growth and success, and pave the way towards even more positive results.

I would also like to thank all employees for their dedication and hard work in making 2014 such a successful year. It is also with pleasure that I extend my appreciation to all of our shareholders, Central Bank of Bahrain, member banks, and other stakeholders.

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expandability

It is in the nature of organic entities to grow. It remains their single most distinctive character trait, and provides one of the most simple and most enduring evidences of life.

This ability to grow from a tiny seed, develop a hunger for broadening one's horizons, enhancing one's resources to meet new challenges, and expanding into newer fields symbolises a key feature not only of life but commerce as well.

Businesses can no more be regarded as impersonal forces that act randomly. Like organic entities, they respond to new opportunities with the same enthusiasm, and are likewise energised when faced with possibilities for expansion.

The BENEFIT Company recognises that expandability is at the root of every business, and has ensured that products and services are tailored to meet those opportunities, and enable their clients or customers to thrive in their area of operation.



Board of Directors



Abdul Razak Abdulla Hassan Al Qassim

Chairman

Chairman of Nomination & Remuneration Committee

NBB
CEO and Board Member



Mohammed Malik

Vice Chairman

Member of Nomination & Remuneration Committee

BBK
GM, Retail Banking



Abdulla Hussain

Director

Chairman of Executive Committee

NBB
EAGM, Customer Services and IT



Matthew Deakin

Director

Executive Committee Member

HSBC
Chief Executive Officer



Mohammed Abdulla Isa

Director

Chairman of the Audit & Corporate Governance Committee

BBK
Chief Financial Officer



Stefan Corera

Director

Member of Audit & Corporate Governance Committee

SCHB
Chief Information Officer,
Bahrain Group Technology and Operations



Khalid Ali Juma

Director

Member of Nomination
& Remuneration Committee
NBB
General Manager
Support & Administration



Abdulrazak 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 Marketing from St. Edward University in Austin and a MBA from University of Bahrain. Mr. Janahi brings to the company a total of 29 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 28 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 20 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 10 years of experience in Credit Reference Bureau in addition to 5 years in information technology.

BENEFIT's commitment to its vision remains crucial as to how it conducts business and how it can best align its goals with that of Bahrain's national vision.



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accessibility

There is a certain magic in bringing within reach those elements that once seemed distant and unapproachable. And to make them easily accessible as if they were always in close proximity, this is what most enterprises are working very hard to achieve.

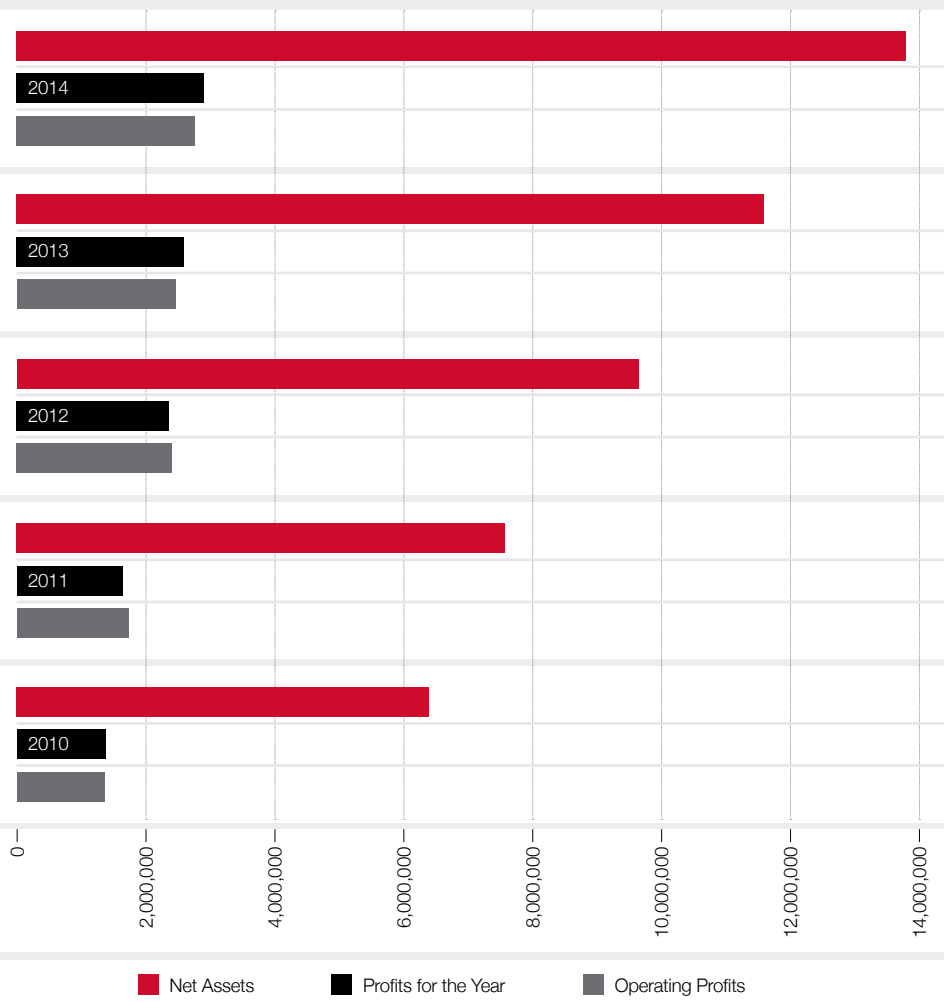
The accessibility of ideas, of people, of resources and of processes that can accomplish strategic goals is what drives most businesses. It is also an enduring vision of most businesses as each one works even harder to have easy access to that winning idea or formula for success.

But accessibility is not only about creating the path for achieving success. It is more than that. It provides the means to make it easier and simpler for businesses to conduct their operations, execute their strategies, and establish framework to earn customer satisfaction.

At the heart of The BENEFIT Company's operations is a vision to make it easier for clients and customers to do their business, achieve their goals, and to always have ready access to tools and resources that will make them taste success.

5 Year Growth

Bank/Institution	2010	2011	2012	2013	2014
Operating Profits	1,311,710	1,723,907	2,362,464	2,412,371	2,701,819
Profits for the Year	1,323,437	1,660,372	2,341,975	2,514,867	2,816,297
Net Assets	6,359,012	7,569,384	9,461,359	11,526,226	13,802,523

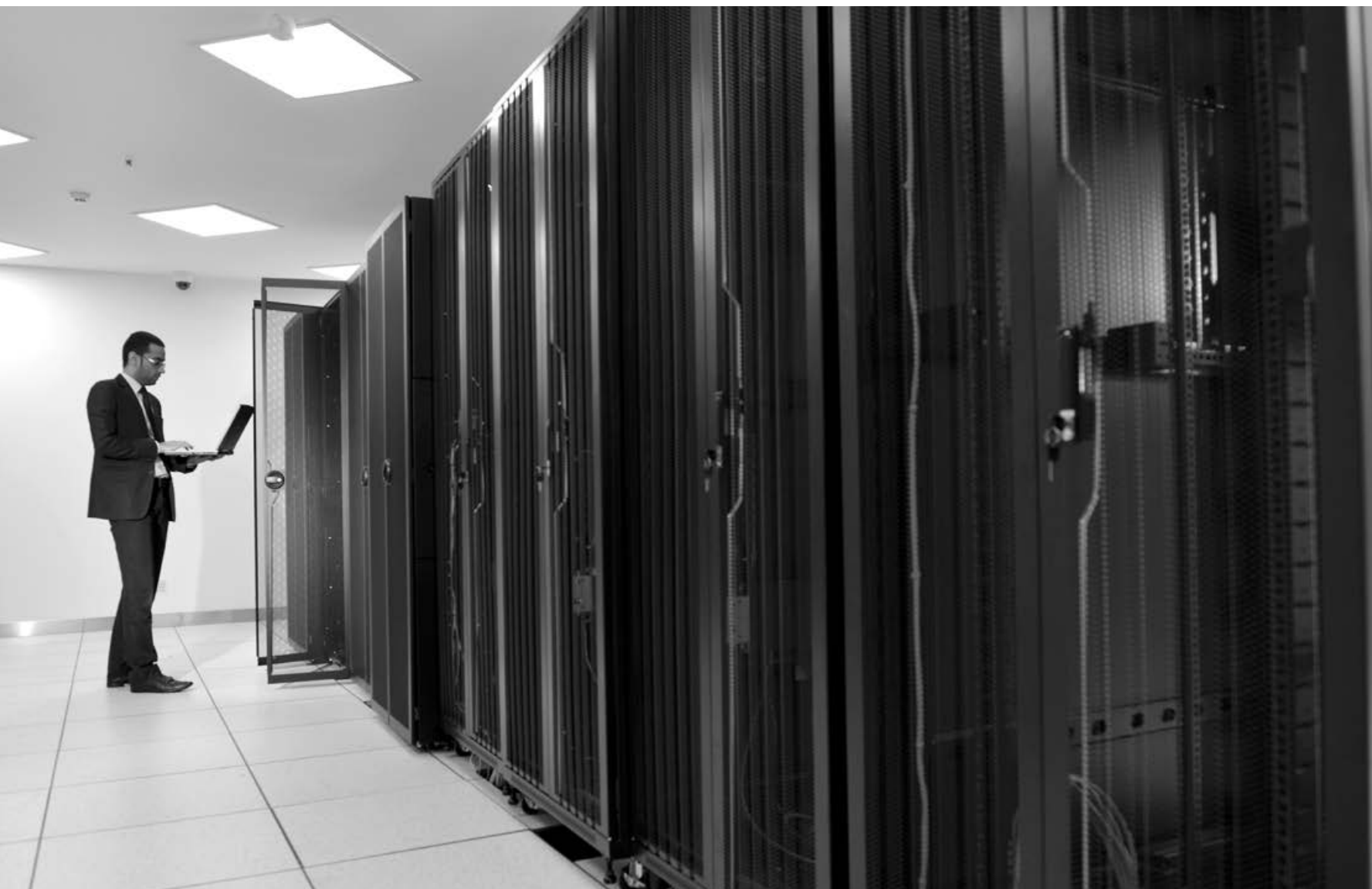


A vision to develop a sophisticated array of value added products and services that would serve to energise Bahrain's banking and financial services industry has remained a cornerstone of BENEFIT's operations. This vision has also provided the template for BENEFIT's growth-oriented and result-focused strategy aimed at revitalising the financial sector.

In the last five years, BENEFIT has experienced a steady growth in terms of revenue, profits, operations, products and services that have contributed to shareholders' satisfaction and a healthy return on their investments. The results further confirm the merits of the prudent approach taken in managing the company's overall operations, and the success arising from outlining a clear strategic plan for the organisation.

The first phase of the three-year strategic plan was unveiled in 2014 and it is expected that the plan will further bolster Bahrain's reputation as one of the main financial hubs of the Middle East. BENEFIT will continue to invest time, resources and personnel towards achieving this goal, and introduce more value added services that will strengthen the financial sector to be both robust and competitive. And ready to meet any challenges.

The results further confirm the merits of the prudent approach taken in managing the company's overall operations, and the success arising from outlining a clear strategic plan for the organisation.



delivering growth

The BENEFIT Company was formed with a vision.

This vision was shaped by a strategy with future growth in mind. It has been built on the pillars of efficiency, immediacy, simplicity, expandability and accessibility. And have proved to be a driving force behind the company's success.

BENEFIT's vision has found a parallel with Bahrain's own commitment to emerge as one of the world's most investor friendly nations. And BENEFIT has responded accordingly, has helped people in Bahrain to conduct their financial transactions and commercial activities with speed, ease and convenience.

As a main channel for electronic financial transactions in Bahrain, The BENEFIT Company remains firmly rooted in its quest to bolster value added services to the financial and banking sector. At the same time, the Company works towards strengthening Bahrain's reputation as one of the main financial hubs in the region.

The purpose is simple.

BENEFIT exists by providing value adding services to member banks and financial entities through enriching the way corporates and individuals in Bahrain conduct business, and by playing the role of a national company in delivering growth.





Corporate Governance

1. BENEFIT CORPORATE GOVERNANCE REPORT 2014

The BENEFIT Company since its inception has acted as a bridge between banks, customers, and business. 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 2014, and the shareholders details are as below.

No.	Bank/Institution	No. of Shares	% of Shares
1	National Bank of Bahrain BSC	9,032	34.84%
2	Bank of Bahrain & Kuwait	5,703	22.00%
3	Ahli United Bank BSC	2,851	11.00%
4	Standard Chartered Bank	2,333	9.00%
5	HSBC Bank Middle East Limited	1,814	7.00%
6	Bahrain Islamic Bank B.S.C.	1,254	4.84%
7	Citibank N.A.	778	3.00%
8	Al Salam Bank	602	2.32%
9	BMI Bank B.S.C. (c)	259	1.00%
10	Arab Bank Plc	259	1.00%
11	Future Bank B.S.C. (c)	259	1.00%
12	Ithmaar Bank B.S.C. (c)	259	1.00%
13	Habib Bank Limited	259	1.00%
14	United Bank Limited	259	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 Board of Directors was appointed for 3 years term and their term 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	Mohammed Malik	Vice Chairman
3	Khalid Ali Juma	Director
4	Abdulla Hussain	Director
5	Mohammed Abdulla Isa	Director
6	G.P.V. Rao	Director
7	Stefan Corera	Director
8	Matthew Deakin	Director
9	Abdulrazak Abdul Khaliq	Director
10	Ahmed Abdulrahim	Director
11	Yousif 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

Members of the Board of Directors' remuneration are BHD 84,000 for the year 2014. 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 14,700 for 2014.

3.4 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 44 years experience
- o Chairman of Bahrain Islamic Bank
- o Chairman of Bahrain Association of Banks
- o Deputy Chairman, Chairman of the Executive Committee, and Member of Nomination and Remuneration Committee of BATELCO
- o Deputy Chairman of Umniah Mobile Company (Jordan)
- o Deputy Chairman of Dhivehi Raajeyge Gulhn plc. (Dhiraagu), Maldives
- o Deputy Chairman of Sure Jersey Limited, Sure Isle Limited and Sure Isle of Man Limited
- o Board Member of the Crown Prince International Scholarship Programme
- o Board Member of Deposit and URIA Protection Board at Central Bank of Bahrain

- **Mohammed Malik**

BENEFIT Vice Chairman
Member of Nomination and Remuneration Committee

- o General Manager, Retail Banking of BBK
- o Total of 28 years experience
- o Board Member of Credimax
- o Chairman of Invita - Kuwait

- **Khalid Ali Juma**

BENEFIT Board Director
Member of Nomination and Remuneration Committee

- o GM, Support & Administrations Group of National Bank of Bahrain
- o Total of 43 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 25 years experience

- **Mohammed Abdulla Isa**
BENEFIT Board Director
Chairman of Audit & Corporate Governance Committee
 - Chief Finance Officer of Bank of Bahrain and Kuwait
 - Total of 23 years experience
 - Sico Board and NRCG Committee
 - UoB Audit Committee
- **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 25 years experience
- **Stefan Corera**
BENEFIT Board Director
Member of the Audit and Corporate Governance Committee
 - Chief Information Officer of SCHB
 - Total of 21 years experience
- **Matthew Deakin**
BENEFIT Board Director
Member of Executive Committee
 - Chief Executive Officer of HSBC Bank
 - Total of 31 years experience
 - Board member of Injaz Bahrain.
- **Abdulrazak Abdul Khaliq**
BENEFIT Board Director
Member of the Audit and Corporate Governance Committee
 - AGM Central Operations of Bahrain Islamic Bank
 - Total of 39 years experience
 - Co-Vice Chair of ICC Bahrain Trade Finance Forum
 - Member of the BISB Fund Management Board
 - BISB representative in the ICC National Committee in the Kingdom of Bahrain
- **Ahmed Abdulrahim**
BENEFIT Board Director
Member of the Executive Committee
 - CEO of Ithmaar Bank
 - Over 36 years of experience
 - Vice Chairman of Faysal Bank Limited (Pakistan).
 - Board member of Solidarity Group Holding
 - Board Member Injaz Bahrain
- **Yousif AlFadhel**
BENEFIT Board Director
 - Director, IT Directorate of Central Bank of Bahrain
 - Total of 28 years experience

Corporate Governance (continued)

3.5 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 the compliance with laws [CBB and Ministry of Industry & Commerce] and regulations and the company's code of conduct (if any).

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

Concurrent with 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.

BOARD AND ITS COMMITTEES

4.1 Board Meetings & 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	5	3					2	2	7	5
Reyadh Yousif Satar Vice Chairman till April 2014	1	1			1	1			2	2
Mohammed Malik Vice Chairman Starting May 2014	5	5	2	1					7	6
Khalid Ali Juma Director	5	5					2	2	7	7
Abdulla Hussain Director	5	5	9	9					14	14
Mohammed Abdulla Director Appointed May 2015	3	2			2	2			5	4
G.P.V. Rao Director	5	4	9	8					14	12
Stefan Corera Director	4	3			2	2			6	5
Hana Sarwani Director	1	1			2	2			3	3
Matthew Deakin Director Appointed May 2015	3	3	7	6					10	9
Abdulrazak Abdul Khaliq Director	5	5			4	4			9	9
Ahmed Abdulrahim Director	5	4	9	7					14	11
Yousif Al Fadhel CBB Representaive	5	4							5	4

Corporate Governance (continued)

4.2 Dates of Board Meeting & Attendance Details

Directors	17 Feb 2014	5 May 2014	19 Aug 2014	17 Nov 2014	11 Dec 2014
Abdul Razak Abdulla Hassan Al Qassim - Chairman	x	✓	✓	✓	x
Reyadh Yousif Sater - Vice Chairman till April 2014	✓	Resigned from the Board			
Mohammed Malik - Vice Chairman starting May 2014	✓	✓	✓	✓	✓
Khalid Ali Juma – Director	✓	✓	✓	✓	✓
Abdulla Hussain - Director	✓	✓	✓	✓	✓
Mohammed Abdulla - Director (Appointed May 2015)	Not appointed yet		✓	✓	x
G.P.V. Rao - Director	✓	✓	✓	✓	x
Stefan Corera - Director	✓	✓	✓	x	Resigned from the Board
Hana Sarwani - Director	✓	Resigned from the Board			
Matthew Deakin - Director (Appointed May 2015)	Not appointed yet		✓	✓	✓
Abdulrazak Abdul Khaliq - Director	✓	✓	✓	✓	✓
Ahmed Abdulrahim - Director	✓	✓	✓	x	✓ (on the phone)
Yousif Al Fadhel - CBB Representative	✓	✓	x	✓	✓

4.3 Dates of Executive Committee Meeting & Attendance

Directors	12 Jan 2014	4 May 2014	22 Jun 2014	13 Jul 2014	30 Sep 2014	10 Nov 2014	18 Nov 2014	26 Nov 2014	7 Dec 2014
Abdulla Hussain - Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓
Matthew Deakin - Director (Appointed May 2015)	Not appointed yet		✓	✓	✓	✓	✓	x	✓
Mohammed Malik - Director	x	✓	Appointed to Nomination and Remuneration Committee						
G.P.V. Rao - Director	✓	x	✓	✓	✓	✓	✓	✓	✓
Ahmed Abdurahim - Director	✓	✓	✓	x	✓	✓	✓	✓	x

4.4 Dates of Audit & Corporate Governance Committee Meeting & Attendance

Directors	29 Jan 2014	24 Apr 2014	23 Jul 2014	29 Oct 2014
Reyadh Yousif Sater - Chairman	✓	Resigned from the Committee		
Mohammed Abdulla - Chairman (Appointed May 2015)	Not appointed yet		✓	✓
Hana Sarwani - Director	✓	✓	Resigned from the Committee	
Stefan Corera - Director	Not appointed yet		✓	✓
Abdulrazak Abdul Khaliq - Director	✓	✓	✓	✓

4.5 Dates of Nomination & Remuneration Committee Meeting & Attendance

Directors	27 Feb 2014	2 Mar 2014
Abdul Razak Abdulla Hassan Al Qassim - Chairman	✓	✓
Reyadh Yousif Sater - Director	Resigned from the Committee	
Khalid Ali Juma - Director	✓	✓

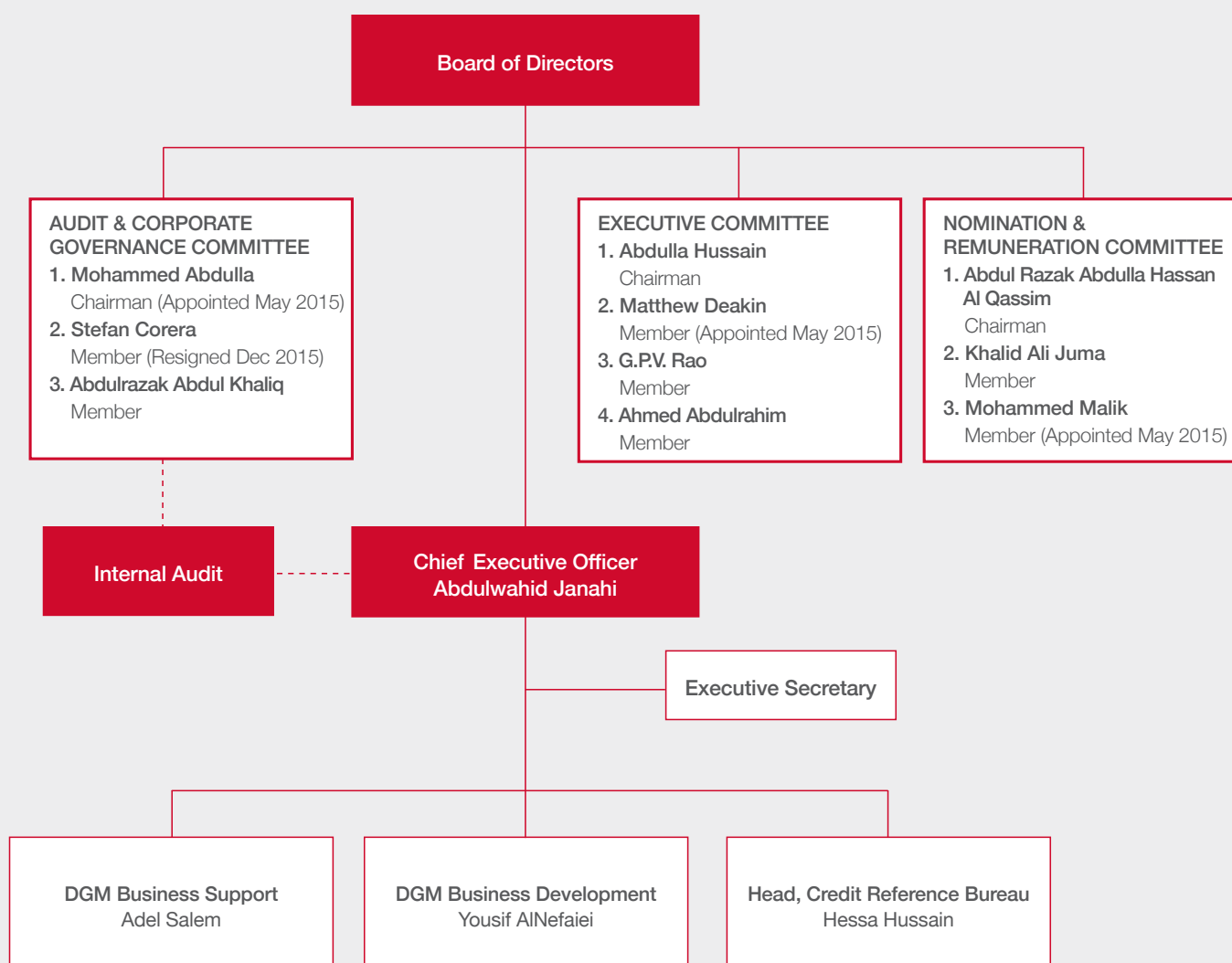
5. AGM & EGM MEETING

The Annual General and the Extra Ordinary General Meetings were held on 1st April 2014.

Corporate Governance (continued)

6. MANAGERIAL & ORGANIZATIONAL STRUCTURE

BENEFIT developed its management and organizational structure in a way that helps the company 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 that has direct access to the CEO and Board of the company through the Audit and Corporate Governance Committee, also the structure include the Executive Committee and the Nomination & Remuneration 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 that 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 is adopting the Whistle Blower Policy. The policy encourages all employees to disclose in good faith any wrongdoing, unethical or improper practice, or adverse employment action that may unfavorably impact the company, its customers, shareholders, employees, investors, or the public at large. The policy provides all employees the sufficient protection for such.

9. CONFLICTS OF INTEREST

The company as 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 conflict of interest with a third party or for community interests unless authorized by the Company. Moreover, they must not take improper 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 the key management personnel, please refer to Audited financials under note 16 (a).

11. RELATED PARTY TRANSACTIONS

The BENEFIT 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 Network International ("NI"- 49% shareholder of the Subsidiary) and SINNAD, 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 Audited financials under 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 also 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 2014 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 thresholds 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 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 necessary/indemnity, in keeping the information confidential as per the Company procedures.

19. OTHER INFORMATION

The statutory Auditors of the company are KPMG Fakhro Bahrain, 2014 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 Meeting Minutes

Meeting: AGM - 01.04.14
 Minutes: 01 April 2014, 10:30 am,
 The BENEFIT Company
 Meeting Called By: The BENEFIT Company
 Type of Meeting: Annual General Meeting
 for 2013
 Attendees: As Per Attendees List
 Apologies: As Per Attendees List

The Chairman, Mr. Abdul Razak A.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 97% of the shareholders were present at the meeting.

AGENDA TOPICS

1.0 Minutes of AGM Meeting Held on 27 March 2013

Abdulwahid Janahi

Discussion:

The CEO of the BENEFIT Company read the minutes of the Annual General Meeting dated 27 March 2013. No questions were raised.

Resolution 1 - AGM/14: The minutes of the Annual General Meeting dated 27 March 2013 was approved by the shareholders..

2.0 Directors Report Ended 31 December 2013

Abdul Razak Abdulla Hassan Al Qassim

Discussion:

The Chairman advised the Directors Report has already being approved is in the Annual report for 2013 which has been distributed to the Shareholders. He advised the shareholders 2013 was a successful year for BENEFIT, with the focal point being the finalization of the corporate strategy and direction for the company. The consolidated net profit showed a growth of 7.4% in 2013. The chairman continued to inform the shareholders that the Company's Board of Directors and management have defined the three main pillars which will shape BENEFIT and its services in the coming years. The three pillars are Connecting Financial Transactions, Customer Information Segment and Business Outsourcing.

Furthermore BENEFIT have worked closely with CBB and its member banks on the GCC POS and the Corporate Credit Reference Bureau which went live in January 2014, while the GCC POS is scheduled to go live during 2014.

As agreed and decided by the Central Bank of Bahrain and as part of BENEFIT's commitment to the community the ATM fees for cross bank transaction was reduced by 50% to the end customers. The new fees will be in effect from April 2014. The reduction in the fees in expected to increase the ATM transaction volumes in the coming years.

The Chairman advised BENEFIT will focus on implementing its new strategy which includes EFTS, EBPP, CRB for Insurance and Telecoms and Risk Management reporting.

The Chairman thanked the Central Bank of Bahrain, Ministry of Commerce & Industry, and all the shareholders for their continuous support to the company.

There were no questions raised and the Directors Report for 2013 was approved.

Resolution 2 - AGM/14: The Directors Report 31 December 2013 was approved by the shareholders.

3.0 External Auditors Report to the Shareholders for the Year 2013

Jalil Al A'ali

Discussion:

Mr. Jalil Ala'ali 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 2013 is in accordance with International Financial Reporting standards, there were no questions raised and the Auditors report was approved.

Resolution 3 - AGM/14: The External Auditors report for the year 2013 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 2013 was reviewed and no questions were raised and the report was approved.

Resolution 4 - AGM/14: The financial statements for the year ended 2013 was approved by the shareholders.

5.0 Recommended Appropriation of the Net Profit for 2013

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 2013 as follows:

- To distribute cash dividends to the shareholders in the amount of BD 540,000 [Bahrain Dinars Five Hundred Forty Thousand] this is equal to 25% of the paid up capital.
- To transfer BD 216,000 [Bahrain Dinars Two Hundred Sixteen Thousand] 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 BD 1,729,393 to the retained Earnings account.

Resolution 5 - AGM/14: The recommended appropriation of the Net Profit for 2013 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 the distribution of bonus shares, one share for every 5 share held [20% of the issued and paid up capital].

Resolution 6 - AGM/14: The Shareholders approved the recommendation of bonus shares, one share for every 5 shares held [20% of the issued and paid up capital].

BENEFIT Annual General Meeting Minutes (continued)

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 2013 and his motion was approved. There were no questions raised.

Resolution 7 - AGM/14: The Shareholders approved to absolve the Board of Directors from their legal liability for the year 2013.

8.0 Directors Remuneration for 2013

Abdul Razak Abdulla Hassan Al Qassim

Discussion:

The Shareholders were advised the Board of Directors recommended Directors Remuneration in the sum of BD 77,000 for the year 2013. There were no questions raised.

Resolution 8 - AGM/14: The Shareholders approved the Directors remuneration for the year 2013.

9.0 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 auditor KPMG for the year 2014.

Resolution 9 - AGM/14: The Shareholders approved the appointment of KPMG as the Company's External Auditors for the year 2014 subject to CBB approval and authorized the Board of Directors to agree on their fees.

10.0 Corporate Governance Report for 2013

Abdul Razak Abdulla Hassan Al Qassim

Discussion:

The Chairman advised the Corporate Governance report is in the distributed Annual report. There were no questions raised and the report was approved.

Resolution 10 - AGM/14: The Shareholders approved the Corporate Governance report for 2013.

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 2014.

There being no other issues for discussion the meeting was closed at 11:00am.

BENEFIT Extraordinary General Meeting Minutes

Meeting: EGM - 01.04.14
 Minutes: 1 April 2014, 11:00 am,
 The BENEFIT Company
 Meeting Called By: The BENEFIT Company
 Type of Meeting: Extraordinary General
 Meeting for 2013
 Attendees: As Per Attendees List
 Apologies: As Per Attendees List

The Chair man, Mr. Abdul Razak A.Hassan Al Qassim chaired the meeting and confirmed that 98% 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 EGM Meeting Held on 27 March 2013

Abdulwahid Janahi

Discussion:

The CEO of the BENEFIT Company read the minutes of the Extraordinary General Meeting dated 27 March 2013. No questions were raised.

Resolution 1 - EGM/14: The minutes of the Extraordinary General Meeting dated 27 March 2013 was approved by the shareholders.

2.0 Incease in Paid-Up Capital

Abdul Razak Abdulla Hassan Al Qassim

Discussion:

The Board of Directors has recommended increasing the issued and paid up Capital of the Company from BD 2,160,000 to BD 2,592,000. The Authorised Capital will remain the same at BD 5,400,000. The MoA and AoA to be amended according. No questions were raised and the motion was approved.

Resolution 2 - EGM/14: The increase in the issued and paid up Capital of the Company from BD 2,160,000 to BD 2,592,000 was approved by the Shareholders. The Authorised capital will remain at BD 5,400,000.

3.0 Authorised Signatory

Abdul Razak Abdulla Hassan Al Qassim

Discussion:

To authorize the Chairman, Mr. Abdul Razak A. Hassan Al Qassim and/or the CEO of the Company. Mr.Abdulwahid Abdulrahman Al 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 3 - EGM/14: The authorization was approved by the Shareholders.

The Chairman thanked the Shareholders, CBB and MOIC for their continuous support and we are looking forward to a successful year in 2014.

There being no other issues for discussion the meeting was closed at 11:10am.

Abdul Razak Abdulla Hassan Al Qassim
 Chairman

Abdulwahid Janahi
 Chief Executive Officer

Report of the Directors

for the year ended 31 December 2014

Business Review

With a key aim on implementing the new corporate strategy and direction for the Company, 2014 concluded by being a notably successful year for the BENEFIT Company.

BENEFIT's consolidated operating profit increased by 12% to BHD 2,701,819 in 2014, in comparison to BHD 2,412,371 in 2013. The consolidated net profit showed a growth of 12% in 2014 to reach BHD 2,816,297 compared to BHD 2,514,867 in 2013.

In 2014, the Company's Board and Management have defined and implemented essential strategic initiatives as part of BENEFIT's strategic direction for the coming three years; with the aim of widening BENEFIT's role and objective to provide value added services to the entire Kingdom. The Company's strategic initiatives for 2014 were focused on the Corporate and Insurance Credit Reference Bureaus, GCC POS service, Electronic Fund Transfer Service (EFTS), Electronic bill Payment and Presentment (EBPP), Mobile Payment and expanding with an International scheme (JCB). These initiatives were part of the three main pillars that will shape BENEFIT and its services in the coming years. The 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 the highest standards which, in turn will reflect on the overall economy.

Additionally in 2014, BENEFIT has in cooperation with the Central Bank of Bahrain [CBB] and its member banks of the GCC [Gulf Corporation Council] successfully launched the GCC Point of Sale [POS] in May 2014 with 3 countries [Qatar, Kuwait and Bahrain].

The Corporate Credit Reference Bureau went live successfully in January 2014 with around 42 members.

The Company has also successfully introduced in July 2014 with the telecom companies the mobile payments as an extension to the National Payment Gateway [PG].

The Company has also started the implementation of the main strategic initiatives services such as the EFTS and EBBP in March 2014, and expected to go live in August 2015 with more than 30 members.

BENEFIT has reduced the ATM transaction fees on the banks, and as a result, this led to 50% discount on the end user.

The Company undergoes a series of regular business continuity practices during the year, to ensure services are operating during a crisis.

Overall, 2014 was another successful year for BENEFIT and critical as the company started the implementation of the approved 3 years Strategic direction.

Consolidated Financial Results

Particulars	2014 (BHD)	2013 (BHD)	Change
Operating profit	2,701,819	2,412,371	12%
Profit for the year	2,816,297	2,514,867	12%
Net assets	13,802,523	11,526,226	20%

Recommended Appropriations and Remuneration for 2014

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

2014 (BHD)

Dividends [25%]	648,000
Bonus Shares [20%]	518,400
Statutory Reserve	259,200
Directors Remuneration	84,000
Total	1,509,600

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

	BHD
Share Capital	3,110,400
Statutory Reserve	1,572,789
Retained Earnings	8,269,990
Non-controlling interest	201,344
Total Consolidated Shareholders' Equity	13,154,523

Report of the Directors (continued)

for the year ended 31 December 2014

Outlook for 2015

During 2015 BENEFIT shall continue to focus on implementing its strategic initiatives. BENEFIT shall further examine a number of its strategic services to draw a clear roadmap for the services scope and implementation plan. Such services include the ATM and POS Wholesale outsourcing services, Credit Reference Bureau [CRB] for Insurance, and Risk Management Reporting. This is in addition to maintaining and improving its current services and products. The Company is committed to provide the Kingdom of Bahrain and its stakeholders with services that enhance Bahrain's banking community in terms of efficiency and productivity.

Another strategic service is the Electronic Fund Transfer System [EFTS] service which shall automate the fund transfer and payments in the Kingdom of Bahrain, which will drastically improve the competence and speed of the cash flow in the Kingdom. Accordingly, this service shall provide banks, government entities, businesses and individuals a healthy economy and empower payment tools to develop further. 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.

Moreover, BENEFIT will launch in the first quarter of 2015 the link to the International scheme (Japanese Card Bureau).

Another major project BENEFIT will be focusing on is the integration and the implementation of sharing credit bureau data across the GCC. The project is going to be implemented in two phases, and it is expected to be launched by end of Quarter 4. Besides that a new Credit Bureau system will also be introduced to more than 40 members in the second half of 2015.

Furthermore, the Bahrain Credit Reference Bureau has implemented the new risk management reporting system "Taqareer", which is expected to be launched in Quarter 1, 2015. The Credit Bureau has defined the requirements of the new Bureau system which is expected to be launched in 2015. This will also cater to the Insurance Risk Management Bureau which will be developed with the cooperation of the Bahrain Insurance Association during 2015.

BENEFIT will continue to further develop the electronic transactions growth and efficiency, and maintain a mutually beneficial relationship with its Member banks, clients, the Regulator and its shareholders.

On behalf of the shareholders, the Directors and executive management 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 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 2014, 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 2014, 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:

- a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- b) the financial information contained in the directors' report is consistent with the consolidated financial statements;
- c) we are not aware of any violations during the year of the Bahrain Commercial Companies Law, 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 that would have had a material adverse effect on the business of the Company or on its financial position; and
- d) satisfactory explanations and information have been provided to us by management in response to all our requests.

Consolidated Statement of Financial Position

as at 31 December 2014

(Bahraini Dinars)

	Note	2014	2013
ASSETS			
Furniture and equipment	5	444,294	592,958
System software	6	619,755	804,013
Capital work in progress		188,643	45,055
Total non-current assets		1,252,692	1,442,026
Cash and bank balances		3,658,140	3,046,113
Balance with Central Bank of Bahrain		1,797,917	1,142,099
Balance with other central banks		1,229,709	1,077,744
Deposits with banks		6,559,580	5,450,460
Trade receivables	4	298,640	153,500
Prepaid expenses and other receivables		73,745	65,108
TOTAL CURRENT ASSETS		13,617,731	10,935,024
TOTAL ASSETS		14,870,423	12,377,050
EQUITY AND LIABILITIES			
Share capital	1	2,592,000	2,160,000
Statutory reserve		1,313,589	1,091,133
Retained earnings		9,695,590	8,135,779
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		13,601,179	11,386,912
Non controlling interest		201,344	139,314
TOTAL EQUITY		13,802,523	11,526,226
LIABILITIES			
Provision for employees' leaving indemnities	7	95,398	75,712
TOTAL NON-CURRENT LIABILITIES		95,398	75,712
Payables and accrued expenses	8	920,228	722,966
Deferred income	9	52,274	52,146
TOTAL CURRENT LIABILITIES		972,502	775,112
TOTAL EQUITY AND LIABILITIES		14,870,423	12,377,050

ABDUL RAZAK ABDULLA HASSAN AL QASSIM
Chairman

MOHAMMED MALIK
Vice Chairman

The consolidated financial statements were approved by the directors on 19 February 2015.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2014

(Bahraini Dinars)

	Note	2014	2013
Switch income	10	3,873,952	3,654,818
CRB income		1,018,577	861,115
BCTS income	11	613,109	600,169
Card services income	12	821,902	719,130
Internet banking income		68,319	115,600
Total operating revenue		6,395,859	5,950,832
Staff cost		1,684,979	1,505,596
Card services processing cost	15	411,337	398,284
Processing costs for other services	13	671,207	653,888
Depreciation and amortisation	5,6	478,234	482,240
Legal and professional expenses		79,051	132,583
Other operating expenses	14	369,232	365,870
Total operating costs		3,694,040	3,538,461
Operating profit		2,701,819	2,412,371
Interest income	17	114,478	89,986
Other income		-	12,510
Profit for the year		2,816,297	2,514,867
Other comprehensive income for the year		-	-
Total comprehensive income for the year		2,816,297	2,514,867
Attributable to:			
- Equity holders of the parent company		2,754,267	2,490,389
- Non controlling interest		62,030	24,478
		2,816,297	2,514,867

ABDUL RAZAK ABDULLA HASSAN AL QASSIM
Chairman

MOHAMMED MALIK
Vice Chairman

The consolidated financial statements were approved by the directors on 19 February 2015.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

(Bahraini Dinars)

2014	Total equity attributable to shareholders of the parent Company				Non controlling Interest	Total equity
	Share capital	Statutory reserve	Retained earnings	Total		
At 1 January 2014	2,160,000	1,091,133	8,135,779	11,386,912	139,314	11,526,226
Total comprehensive income for the year	-	-	2,754,267	2,754,267	62,030	2,816,297
Bonus shares issued	432,000	-	(432,000)	-	-	-
Dividend declared for 2013	-	-	(540,000)	(540,000)	-	(540,000)
Transfer to statutory reserve	-	222,456	(222,456)	-	-	-
At 31 December 2014	2,592,000	1,313,589	9,695,590	13,601,179	201,344	13,802,523

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2014

(Bahraini Dinars)

	2014	2013
Operating activities		
Cash received from switch operations	3,850,272	3,654,819
Cash received from CRB operations	1,002,188	870,137
Cash received from card services	747,847	743,124
Cash received from BCTS operations	609,110	601,221
Cash received from internet banking operations	41,430	148,152
Payments for operating expenses	(2,930,495)	(3,044,097)
Payment for directors' remuneration	(77,000)	(70,000)
Net cash generated from operating activities	3,243,352	2,903,356
Investing activities		
Purchase of furniture and equipment	(51,608)	(105,082)
Purchase of software	(32,315)	(192,472)
Payments for capital work in progress	(204,977)	(15,000)
Placement of deposits with banks	(1,109,120)	(1,086,675)
Interest received	114,478	89,986
Proceeds from sale of asset	-	12,510
Net cash used in investing activities	(1,283,542)	(1,296,733)
Financing activities		
Dividend paid	(540,000)	(450,000)
Net cash used in financing activities	(540,000)	(450,000)
Net increase in cash and cash equivalents	1,419,810	1,156,623
Cash and cash equivalents at beginning of year	5,265,956	4,109,333
Cash and cash equivalents at end of the year	6,685,766	5,265,956
Cash and bank balances	3,658,140	3,046,113
Balance with Central Bank of Bahrain	1,797,917	1,142,099
Balance with other central banks	1,229,709	1,077,744
	6,685,766	5,265,956

Notes

to the 31 December 2014 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 2,592,000 comprising 25,920 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 2014**

The following standards, amendments and interpretations, which became effective as of 1 January 2014 are relevant to the Group:

- **Amendment to IFRS 10, IFRS 12 and IAS 27 "Investment Entities"**

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The Group concluded that it does not meet the definition of an "investment entity" and hence the above amendments are not applicable to the Group.

- **Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities**

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The amendments have been applied retrospectively.

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

Notes

to the 31 December 2014 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 2015, 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 published in July 2014, replaces the existing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The adoption of this standard is not expected to have a significant impact on the Group.

- **IFRS 15 – Revenue from Contracts with Customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

- **Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments to IAS 16 prohibits entities from using a revenue based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted if the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

The above amendments does not have any material impact on the consolidated financial statements of the Group.

- **Annual improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle**

The annual improvements to IFRSs to 2010-2012 and 2011 -2013 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 July 2014; earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

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

The following are the key amendments in brief:

- The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses. The accumulated depreciation (amortization) is eliminated against the gross carrying amount of the asset.

Notes

to the 31 December 2014 consolidated financial statements
(Bahraini Dinars)

2 BASIS OF PREPARATION (continued)

- The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of IAS 24.

f) Early adoption of standards

The Group did not early adopt new or amended standards in 2014.

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.

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.

Notes

to the 31 December 2014 consolidated financial statements
(Bahraini Dinars)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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	3 – 7 years
System software	3 – 5 years
Computer equipments	3 – 5 years
Furniture, fixtures and office equipments	4 – 8 years
Vehicles	5 years

All depreciation is charged to profit or loss.

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 effective 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.

Notes

to the 31 December 2014 consolidated financial statements
(Bahraini Dinars)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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.

Revenue recognition

The Group provides debit and credit card management services to banks in Bahrain and other countries. The Group recognises revenue from rendering of services in proportion to the percentage of completion of the services at the reporting date. The percentage of completion of the services is based on management judgement involving assessment of the services provided to the customer as of the reporting date relative to the total performance obligations under the contract, and costs incurred till date.

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.

Notes

to the 31 December 2014 consolidated financial statements
(Bahraini Dinars)

4 TRADE RECEIVABLES

	2014	2013
Gross receivables	298,640	177,711
Impairment allowance	-	(24,211)
	298,640	153,500
The movement on impairment allowance is as follows:		
	2014	2013
At 1 January	24,211	11,310
Charge for the year	1,481	24,211
Reversal of impairment provision	(24,211)	-
Amounts written off during the year	(1,481)	(11,310)
	-	24,211

5 FURNITURE AND EQUIPMENT

	System hardware	Computers	Furniture, Fixtures, Office Equipment & Vehicle	2014 Total	2013 Total
Cost					
At 1 January	1,384,903	150,513	111,092	1,646,508	1,529,566
Additions	67,063	1,870	5,330	74,263	151,942
Disposal	-	-	-	-	(35,000)
At 31 December	1,451,966	152,383	116,422	1,720,771	1,646,508
Depreciation					
At 1 January	844,064	141,938	67,548	1,053,550	857,257
Charge for the year	203,974	5,806	13,147	222,927	231,293
Disposal	-	-	-	-	(35,000)
At 31 December	1,048,038	147,744	80,695	1,276,477	1,053,550
Carrying value at 31 December	403,928	4,639	35,727	444,294	592,958

Notes

to the 31 December 2014 consolidated financial statements
(Bahraini Dinars)

6 SYSTEM SOFTWARE

	2014	2013
At 1 January	804,013	853,806
Additions	71,049	201,154
Amortised during the year	(255,307)	(250,947)
At 31 December	619,755	804,013

7 PROVISION FOR EMPLOYEES' LEAVING INDEMNITIES

The movement in the provision is as follows:

	2014	2013
At 1 January	75,712	60,865
Add: charge for the year	19,686	15,902
Less: paid during the year	-	(1,055)
At 31 December	95,398	75,712
Total number of employees at 31 December:		
Bahrainis	50	46
Expatriates	3	4
	53	50

8 PAYABLES AND ACCRUED EXPENSES

	2014	2013
Trade payables	55,478	13,781
Payables for card processing	376,172	260,983
Accrual for bonus	189,624	159,704
Accrual for directors' remuneration	77,000	77,000
Other accrued expenses	211,954	211,498
	920,228	722,966

9 DEFERRED INCOME

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

Notes

to the 31 December 2014 consolidated financial statements
(Bahraini Dinars)

10 SWITCH INCOME

	2014	2013
Bahrain ATM	1,606,193	1,725,506
Bahrain POS	1,233,782	1,046,922
GCC ATM and POS	523,353	445,490
Telecom bill payment	251,383	215,814
Payment gateway	103,478	89,559
Membership fee	72,000	72,000
AMEX	38,323	34,945
Direct debit services	45,440	24,582
	3,873,952	3,654,818

11 BCTS INCOME

The BCTS project income for the year comprises:

	2014	2013
Implementation and set up fees	7,200	8,400
Annual maintenance	256,980	254,904
Transaction fees	337,985	324,659
Integration and maintenance	10,944	12,206
	613,109	600,169

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.

12 CARD SERVICES INCOME

	2014	2013
Debit and credit card hosting	613,840	664,681
Debit and credit card personalisation	187,704	54,449
License and personalisation setup	20,358	-
	821,902	719,130

Notes

to the 31 December 2014 consolidated financial statements
(Bahraini Dinars)

13 PROCESSING COSTS FOR OTHER SERVICES

	2014	2013
License fees	191,715	156,864
System support and maintenance	319,848	263,360
Communication lines	121,518	138,193
GCC NET telecom charges	18,944	18,944
Other processing costs	19,182	14,480
BCTS participating banks' share	-	62,047
	671,207	653,888

14 OTHER OPERATING EXPENSES

	2014	2013
Occupancy costs	139,660	116,437
Travel and Conferences	35,021	25,881
Marketing & Advertisement	28,816	11,009
Public Relation	21,197	20,388
Telephone and fax	9,232	9,884
Directors' sitting fees	14,700	19,792
Directors' remuneration	77,000	92,000
Vehicle expenses	3,477	6,466
Meals & Entertainment	11,817	6,573
Impairment allowance for doubtful debts	(24,211)	24,211
Other expenses	52,523	33,229
	369,232	365,870

Directors remuneration for the year ended 31 December 2013 include an additional amount of BD 15,000 due to additional remuneration approved by the Board of Directors which has not been accrued in 2012.

15 CARD SERVICES PROCESSING COST

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

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.

Notes

to the 31 December 2014 consolidated financial statements
(Bahraini Dinars)

16 RELATED PARTY TRANSACTIONS (continued)

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:

	2014	2013
Salaries and short term employee benefits	610,700	569,080
Termination benefits	17,246	12,179
Directors remuneration	77,000	92,000
Directors fees	14,700	19,500

b) Balances with and from related parties

	2014		
	Shareholders	Other related party	Total
Bank balances	3,657,768	-	3,657,768
Deposits with banks	6,559,580	-	6,559,580
Trade receivables	154,451 (i)	2,911	157,362
Payables	-	375,418 (ii)	375,418

	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 (ii)	260,983

- (i) (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, which amounted to BD 310,177 (2013: 225,214).

Notes

to the 31 December 2014 consolidated financial statements
(Bahraini Dinars)

17 INTEREST INCOME

	2014	2013
Interest on bank deposits	114,478	89,986
	114,478	89,986

18 CAPITAL COMMITMENTS

Capital commitments as on 31 December 2014 by the Group are BD 712,888 (2013: BD 405,817).

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:

	2014	2013
Bonus shares	518,400	432,000
Cash dividends	648,000	540,000
Statutory reserve	259,200	216,000
Directors remuneration	84,000	77,000

The Board has recommended a bonus share issue in the ratio of one share for every five shares held by transferring BD 518,400 from the retained earnings. Further, the Board has also recommended a transfer of BD 259,200 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 2014 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").

	2014	2013
NCI percentage	49	49
Assets	841,467	628,511
Liabilities	430,559	344,194
Net Assets	410,908	284,317
Carrying amount of NCI	201,344	139,314
Revenue	821,902	719,130
Profit	126,591	49,955
Total comprehensive income	126,591	49,955
Profit allocated to NCI	62,030	24,478
Cash flows from operating activities	139,756	188,996
Cash flows used in investing activities	(1,510)	(3,116)
Net increase in cash and cash equivalents	138,246	185,880

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 2014 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:

	2014	2013
Bank balance	3,657,768	3,045,857
Deposits with banks	6,559,580	5,450,460
Balance with Central Bank of Bahrain	1,797,917	1,142,099
Balance with other central banks	1,229,709	1,077,744
Trade receivables	298,640	153,500
Other receivables	3,859	-

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 2014 consolidated financial statements
(Bahraini Dinars)

22 FINANCIAL RISK MANAGEMENT (continued)

Ageing of receivables:

	2014	2013
0 - 30 days	244,164	119,808
31 - 180 days	58,335	46,549
181 - 365 days	-	11,354
Gross receivables	302,499	177,711
Impairment allowance	-	(24,211)
	302,499	153,500

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

The past due and impaired receivables amounted to BD Nil (2013: BD 24,211). The Group believes that amounts past due by more than 30 days amounting to BD 58,335 (2013: BD 33,692), 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:

2014	Carrying Amount	Contractual cash flows	6 months or less
Payables	430,896	430,896	430,896
Accrued expenses and other payables	402,840	402,840	402,840
	833,736	833,736	833,736
2013	Carrying Amount	Contractual cash flows	6 months or less
Payables	274,764	274,764	274,764
Accrued expenses and other payables	356,678	356,678	356,678
	631,442	631,442	631,442

Notes

to the 31 December 2014 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 year.

	2014	2013
Effective interest rate on short-term deposit (BHD)	1.80%	1.69%
Effective interest rate on short-term deposit (USD)	-	1.12%

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 20 percent in 2014 (2013: 22 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 2014, 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 COMPARATIVES

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.