

Advancing Bahrain's Financial Systems

ANNUAL REPORT 2016



GOVERNMENTAL

Facilitating AND Supporting



CORPORATE

Enhancing AND Innovating



PUBLIC

Serving AND Empowering



The BENEFIT Company

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Licensed by Central Bank of Bahrain as Ancillary Service Provider



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



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Introduction

It's power is in its silence. Its strength is in the respect it commands without uttering a word. Its resilience is what empowers those who live by it and provides a rationale for what they do.

Sound business values are like that. They are the foundation upon which enterprises are formed, corporate visions actualised and a growth agenda is put into action.

Likewise the values that underpin the Kingdom of Bahrain's banking and financial services sector have enabled it to grow strong and emerge as a regional hub. This growth is the result of a deliberate approach that looks at limitations not as an end but as the beginning of all possibilities.

The Benefit Company is proud to share in this success and to stand as a partner in advancing Bahrain's financial systems to new and glorious heights.

Our products and services have been devised to facilitate growth and support initiatives for and on behalf of the governmental sector; help in enhancing opportunities and developing innovative solutions for the corporate sector; and finally serving the needs of the general public and empowering them to be proactive in managing their resources.



GOVERNMENTAL

Facilitating AND Supporting



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Vision

To be a leader in the Electronic Payments and Fund Transfer and Business Process Service and Support in the financial and non-financial sectors by adding value to the shareholders and community in the region.

Mission

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

Company Profile

The BENEFIT Company was formed with strong values that have enabled the organization to support not just the banking and financial services sector but also the governmental, corporate and the general public. Together these services have enabled BENEFIT to play a role in strengthening Bahrain's business friendly reputation and an economic powerhouse.

BENEFIT remains committed towards providing ease, convenience and speed to both business processes and financial transactions. And in enabling Bahrain's financial sector to seamlessly connect with customers spread across diverse geographical base, enriching business relationships and boosting interactions with member banks and other stakeholders.

As provider of one of the most sophisticated tools for all electronic financial transaction throughout the kingdom, BENEFIT's road to success has been paved by a combination of skilled workforce, cutting edge technology, focused strategic planning and initiatives, and a determination to provide the most modern financial service for those residing in Kingdom of Bahrain.

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

BENEFIT's range of services supported by GCCNet in countries within the region include operating of Automated Teller Machines (ATM), Point of Sale (POS), GCCNet, The GCCNet Dispute Management System, Bahrain Credit

Reference Bureau (BCRB), 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 the financial hub of the region. And hence continues to provide robust infrastructural support for the financial industry enabling the financial and banking community to remain true to their vision and develop an environment that helps customers in achieving their goals.

At the heart of BENEFIT's success is the support given by its highly qualified staff 90 per cent of whom are Bahraini. This accomplishment demonstrates the success of the company's Bahrainization policies and the world class talent available amongst young Bahrainis.

BENEFIT is administered by a Board of Directors who represent the shareholders. The company's paid up capital is to the value of BD 3.110 million (US\$ 4.8 million approx.).

The original 17 shareholders have now become 14 as a result of mergers and acquisition 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 Bank Middle East Limited
6. Bahrain Islamic Bank
7. Citibank
8. Alsalam Bank - Bahrain
9. BMI Bank
10. Arab Bank
11. Future Bank
12. Ithmaar Bank
13. Habib Bank Limited
14. United Bank Limited

BENEFIT remains committed towards providing ease, convenience and speed to both business processes and financial transactions. And in enabling Bahrain's financial sector to seamlessly connect with customers spread across diverse geographical base, enriching business relationships and boosting interactions with member banks and other stakeholders.



GOVERNMENTAL

Facilitating

The BENEFIT Company prides itself in being at the forefront of developing powerful tools for the banking and financial services sector, and equipping them to prepare smooth pathways towards productivity, profitability and increased customer satisfaction.

BENEFIT specialises in simplifying complex payment processes and converting them into an enriching experience for all of our clients. The focus is to ensure that technology is harnessed to serve the needs of customers and thereby providing the vital building blocks for a more user friendly business environment.

Working in tandem with governmental entities, BENEFIT recognises the unique role these organisations play in facilitating growth and in transforming policies into tangible action plans. It is, therefore, necessary that governmental organisations are able to have ready and immediate access to technology they can use in making informed decision making.

BENEFIT believes that in facilitating governmental entities to succeed the company is performing a national obligation and a patriotic duty. The success of these organization has ramifications on the wider economy and also in strengthening the value of doing business in the Kingdom of Bahrain



Chairman's Statement



**Abdul Razak Abdulla
Hassan Al Qassim**

Chairman

The BENEFIT Company continues to occupy pride of place in Bahrain's positioning as a regional financial hub and a business friendly nation that places high premium on growth, efficiency and innovation.

BENEFIT's performance in 2016 reflected this sentiment and demonstrated a clear growth trajectory in terms of both earnings and performance.

The strength of BENEFIT's business model allowed the company to explore diverse opportunities within the scope of its operations. As a result, BENEFIT has remained a trusted name in generating value added services for the banking and financial services sector and a reliable contributor to Bahrain's success story in the world of business.

Throughout 2016, BENEFIT has focused on transforming the financial services sector into a growth engine as new products and services were introduced to streamline operations, simplify processes and strengthen the structural integrity of businesses across the kingdom.

BENEFIT has been a strong advocate for increased automation in financial transactions, and has invested heavily in setting up requisite technological infrastructure to ensure each and every process is smooth, safe and secure. This focus on safety and security has been at the cornerstone of the company's success and has proved to be one of the key drivers behind the growth of cloud based services for the banking and financial services sector.

One of the key highlights of 2016 was the conclusion of the three year strategy that was launched in 2014. The goal was to introduce customer focused and cost competitive products and services, reduction of cost overheads for clients and enhancing efficiency and effectiveness within the financial sector.

I am proud to say that BENEFIT was able to achieve many of these goals and helped in strengthening Bahrain's reputation as a business friendly destination. Part of this success is due to the agility with which BENEFIT responds to needs in the market, its sharp business instinct in recognising latent demands for services that need to be introduced, and for the thoughtful process with which the company undertakes the launch of any new product or services.

The ultimate goal remains the same: to encourage organisations to focus on their core business activity and boost customer satisfaction for their clients.

As part of this goal, Fawateer is the final component of the Electronic Fund Transfer System (EFTS) was introduced in 2016 after the successful launch of Fawri+ and Fawri in the previous financial year.

Fawateer is expected to revolutionise the business environment in Kingdom of Bahrain as it grows to be a powerful platform for bill enquiries and payments as well as offering the option of making it possible to pay bills with a single click.

Fawri+ and Fawri were launched in 2015 and have already proved to be hugely popular for instantaneous fund transfer from any bank account in Kingdom of Bahrain.

The Bahrain Credit Reference Bureau (BCRB) in 2016 enhanced services that are expected to be a boon for organisations that deal directly with customers in offering credit or deferred payments in exchange of products and services.

BCRB prepares detailed and secure credit reports on individuals and businesses across Kingdom of Bahrain, and this report can be used by member institutions in making informed decisions before offering a loan, renewal, rescheduling or restructure of a credit facility.

We are pleased to have delivered on our financial commitments and to have delivered a growth rate of 17 per cent as compared to the results of 2015. Profitability remained on an upward curve while operating income, assets and equity grew by 16 per cent, 11 per cent and 12 per cent respectively. to have delivered on creating share holder value through effective portfolio management.

During the year, BENEFIT gave priority to financial transactions, business process out sourcing and customer information depository. Together these three points form the crucial foundation to our growth strategy, and have helped in driving value from our core business activities.

BENEFIT also took the necessary steps to diversify our product offerings and go beyond banking to actualise our goal in delivering progress on an enhanced customer experience for businesses and their customers. We believe that this approach will go a long way in achieving success not only for BENEFIT but also for the Kingdom of Bahrain.

We remain proud of our roots as a Bahraini company, and remain committed to see our growth aligned with success for the kingdom as a whole. We are determined to raise Bahrain's profile as an economic powerhouse and a magnet for investments.

We are also proud of the contributions made by our Bahraini employees whose continued success marks a highpoint of the success of BENEFIT's Bahrainisation programme.

Finally, we like to thank Bahrain's leadership for providing forward thinking policies for growth, promoting a climate of openness and transparency, and setting the building blocks for businesses to thrive. We thank our member banks and clients for their trust, and express gratitude to the Central Bank of Bahrain for their guidance. We appreciate the encouragement of our shareholders and the support of our employees.

Abdul Razak Abdulla Hassan Al Qassim
Chairman

During the year, BENEFIT gave priority to financial transactions, business process outsourcing and customer information depository. Together these three points form the crucial foundation to our growth strategy, and have helped in driving value from our core business activities.



GOVERNMENTAL

Supporting

The BENEFIT Company continues to play a pivotal role in strengthening the inner mechanisms that undergird the financial services sector. The objective is to reduce as much paperwork as possible, streamline processes, and help organisations to be more productive through single minded focus on their core competency.

As BENEFIT's operations move beyond banking, various governmental entities are demonstrating keen interest in our portfolio of products and services. The focus of their attention is in the automation of payment services, ready access to credit information, and the assurance of safety and security that lies at the core of all transaction.

We recognize that governmental entities operate on an entirely different paradigm and work on a larger canvas as they have national objectives to fulfil. With initiatives constantly being planned to achieve growth, development and productivity, BENEFIT remains alert to facilitate these goals and support their implementation.



CEO Statement



Abdulwahed AlJanahi
Chief Executive Officer

The year 2016 proved to be another successful year for BENEFIT.

We were pleased to report a healthy growth in profits, an appreciable increase in our performance levels, and tangible outcomes to many of the strategic initiatives outlined in the last financial year.

The year marked the culmination of the Three Year Strategic Direction that was launched to bolster BENEFIT's credentials as a key provider of value-added services to banking and financial institutions, prepare the company in being better able to meet current and future challenges, and continue maintaining a leadership position in the sector of our operations.

We are in the process of developing the next stage in the Three Year Strategy document, which will be a continuation of some of the work already achieved in the past three years. Many of the services are still at various stages of development and so the new phase will be more of a transition till all the proposed products and services are fully launched into the market.

BENEFIT has always remained committed to the three pillars that underline its operations, namely, financial transactions, business process outsourcing and customer information depository. We see them as key drivers for growth and as channels to improve upon operational excellence, boost competitiveness and strengthen efficiency levels across the organisation.

We have made every effort to ensure our services meet the needs of Bahrain's banking and financial institutions that form our core customer base. However, the scope of our operations has gone beyond banking, and we

are now committed to extend our services to government institutions, commercial and non commercial organisations, corporates, etc.

Our long-term vision is to be recognised as the payment hub for organisations in the Kingdom of Bahrain and the region. We have made concerted efforts to achieve this goal by diversifying some of our product offerings and to strengthen the technological backbone at the heart of many of our electronic payment services.

Plans are already underway to introduce e-organiser of e-payment as an integral component of mobile payment services that are already available through BENEFIT.

Another initial step taken was the introduction of services linked with the Electronic Fund Transfer System (EFTS) namely Fawri+, Fawri and Fawateer. The first two services were launched in 2015 and have proved to be a huge success amongst customers in Kingdom of Bahrain.

With the launch of Fawateer in 2016, we expect the service to have a huge impact on the Bahrain market. It has been designed to simplify the payment process by making it a one-stop-shop for all bill enquiries and payments with the option of being able to pay all relevant bills with a single click.

We believe that Fawateer will meet the requirements of diverse organisations from government departments, commercial institutions and telcos to schools, universities and even charities. Available on both website and mobile app, Fawateer is aimed at simplifying the bill payment process, promote continuous improvement and enrich the customer satisfaction experience in all its dimensions.

In 2016, Bahrain Credit Reference Bureau (BCRB)'s services were further enhanced to accommodate non-banking entities such as government institutions, commercial organisations and others.

Another important milestone was the enhancement given to BCRB's risk management reporting so as to serve the needs of organisations involved in extending credit or managing deferred payments. The credit reports are expected to enable these organisations to evaluate any potential client's credit status, study their payment performance, and then make an informed decision whether or not to lend, renew, re-schedule or restructure a credit facility.

We have identified ATM and Point of Sale Outsourcing as a potential area for growth, and have already launched studies to assess their viability for our customers. We believe that it offers great scope for banks to reduce expenditure in managing ATMs and Point of Sale, streamline their operations, and focus on their core business activity.

In terms of the financial results, I am pleased to say that 2016 has proved to be successful in delivering tangible results. Growth rate was 17 per cent compared to 14 per cent in 2015. Net Profit for the year was BD 3,768,664 (US\$ 9,983,216) and the Revenue was 8,240,307 (US \$21,828,629).

While ATM SWITCH remains our core business activity, we are keen on expanding our footprint beyond banking to include customers in such diverse segments as governmental institutions, telecom operators, commercial organisations and others.

Our thinking has moved beyond banking and we are keen on leveraging our position and services to further strengthen Bahrain's position as the region's financial centre and an attractive place to do business.

We are thankful to our skilled workforce whose hard work, and dedicated support contributed to our company's success in 2016. Our focus on increasing training programmes was geared towards increasing skill sets and enable our employees to develop into world class professionals.

We are also proud of BENEFIT's Bahrainisation records over 90 per cent of our employees are Bahraini nationals, proving once again the high degree of professionalism available amongst Bahrainis today.

Finally, I would like to thank the Chairman and Board of Directors for their support in helping BENEFIT achieve its goals for 2016. I extend my appreciation to each of our shareholders and stakeholders in the Central Bank of Bahrain and other member banks.

Abdulwahed AlJanahi
Chief Executive Officer

The year marked the culmination of the Three Year Strategic Direction that was launched to bolster BENEFIT's credentials as a key provider of value added services to banking and financial institutions, prepare the company in being better able to meet current and future challenges, and continue maintaining a leadership position in the sector of our operations.



CORPORATE

Enhancing

The BENEFIT Company was formed to bolster the way business is conducted in Kingdom of Bahrain, bring added value to the concept of customer service, and enhance opportunities for the corporate sector in exploring their potential for growth.

BENEFIT's vast portfolio of products and services have been designed with this idea in mind, and also, in setting up the right support structure that would further strengthen Bahrain's credentials as a business friendly nation and the financial hub of the Middle East.

Kingdom of Bahrain has been known for its free economy and its commitment to be a haven for local, regional and international investors. This commitment has been given tangible shape through forward thinking economic policies, infrastructural investments, and in the setting up of dedicated industrial parks.

BENEFIT has played a key role in steering the growth story of Bahrain's banking and financial sector through greater automation of all business transactions, increasing efficiency and transparency in the payment processes, and in giving businesses the space to focus on their core competency.



Board of Directors



Abdul Razak Abdulla Hassan Al Qassim
Chairman
NBB
CEO and Board Member



Mohammed Malik
Vice Chairman
Chairman of Nomination
& Remuneration Committee
BBK
Deputy Chief Executive, Retail Banking Group



Abdulla Hussain
Director
Chairman of Executive Committee
NBB
EAGM, Support & Administration Group



Matthew J. Deakin
Director
Executive Committee Member
HSBC
Chief Executive Officer



Mohammed Abdulla Isa
Director
Chairman of Audit &
Corporate Governance Committee
BBK
Group Chief Financial Officer



Khaled Abi Khalil
Director
Member of Audit &
Corporate Governance Committee
Standard Chartered Bank
Chief Information Officer,
Technology and Banking Operations



Khalid Ali Juma

Director

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



Abdul Razaq Abdul Khaliq

Director

Member of Audit & Corporate
Governance Committee



G.P.V. Rao

Director

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



Ahmed Abdulrahim

Director

Member of Executive Committee
Member of Nomination & Remuneration
Committee
Ithmaar Bank
CEO



Yousif Al Fadhel

Director

CBB
Director, IT Directorate

Management Team



Abdulwahed AlJanahi
Chief Executive Officer

Abdulwahed AlJanahi, Chief Executive Officer joined the BENEFIT Company in 10th April 2005 with BSc in Marketing from St. Edward University in Austin and MBA from University of Bahrain. Mr. AlJanahi has a total of 31 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, MBA from University of Glamorgan in the United Kingdom and a Master in Business Research and Phd in Management from Switzerland. Mr. Salem has a total of 30 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 MSc. Degree in Information Systems from Brunel University of London in the United Kingdom. Mr. AlNefaiei has a total of 22 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 BSc in Computer Engineering from the American University of Sharjah. Miss. Hussain has a total of 12 years of experience in Credit Reference Bureau in addition to 5 years in information technology.





CORPORATE

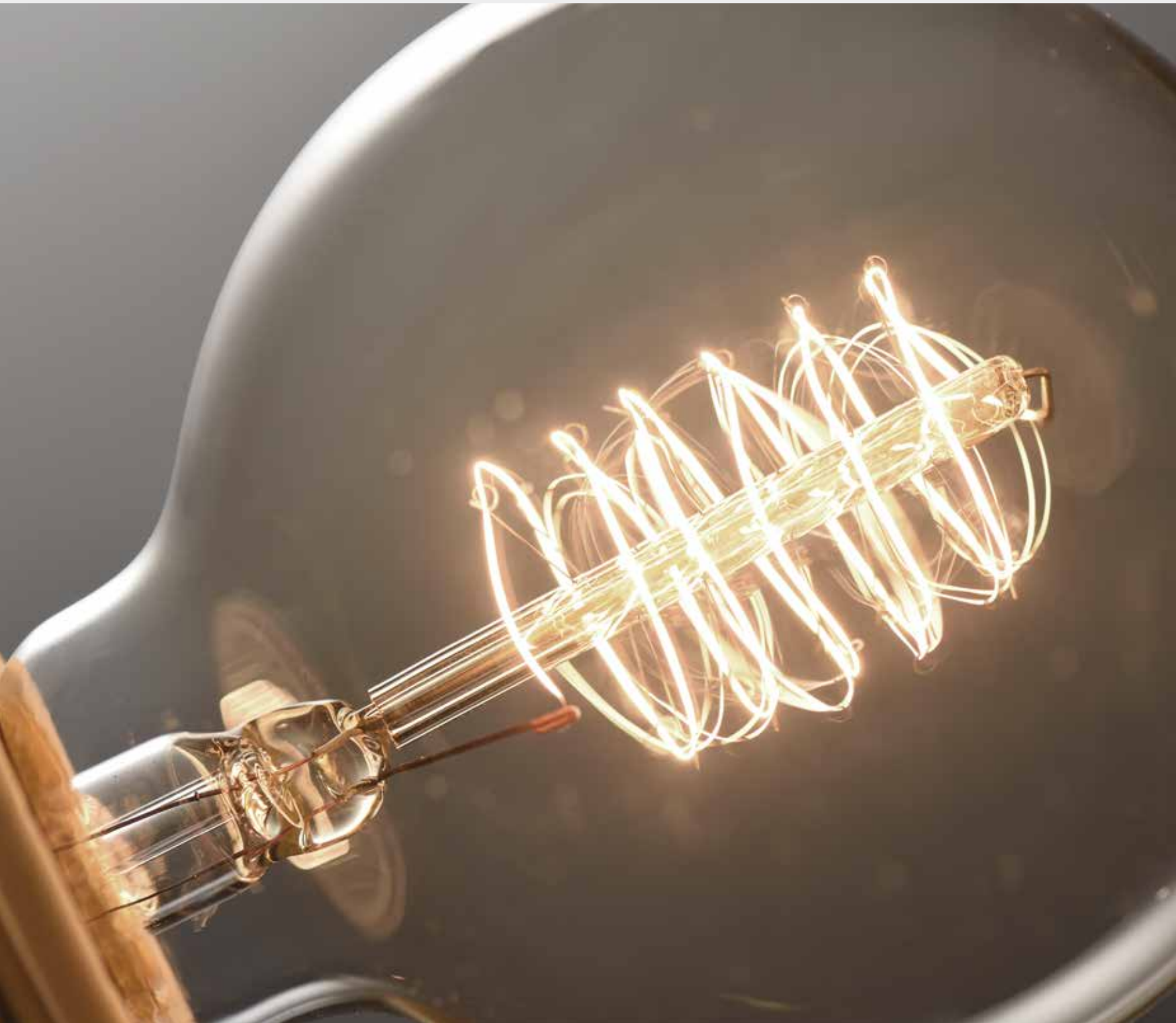
Innovating

Kingdom of Bahrain has been adjudged as one of the freest economies in the Middle East, and remains an attractive destination for international investors seeking a secure base for regional expansion.

The BENEFIT Company realises that many of these corporates including many local companies not only require a healthy economic environment to thrive but also need the right tools to improve productivity that will have a positive impact on their bottom line as well as in achieving increased customer satisfaction.

Our products and services have been specially tailored to meet this demand, and to help the corporate sector focus on what they do best that is, create new opportunities for boosting their market share, enhance the level of service through innovative products and solutions, and set new benchmarks for excellence.

In other words, develop platforms that will serve as springboard for long term success.



Pride in our achievements

Delivering the future... today

Automated Teller Machine (ATM):

BENEFIT is the national switch of Kingdom of Bahrain connecting all ATM terminals enabling bank customers to be able to use any ATMs located nationwide. The BENEFIT Company is also a member of the GCC wide cross boarder ATM sharing arrangement known as GCCNet, thus allowing all GCC issued cards to be used in all ATM terminals across the GCC. BENEFIT also enables AMEX card holders to use BENEFIT switch to withdraw cash using any of the ATMs in Kingdom of Bahrain, Qatar, Oman, Kuwait and UAE.

Point of Sale (POS):

BENEFIT connects all of the Point of Sale (POS) terminals at major retail outlets in the Kingdom. Through The BENEFIT Company's national network, all bank customers are able to pay for their purchases using their debit cards (ATM) without the need to carry cash.

Bahrain Credit Reference Bureau:

Managing risk is becoming more and more important to financial institutions; where-as financial institutions needs to be more risk and cost aware to stay ahead in the market. The Bahrain Credit Reference Bureau helps financial institutions manage their risk by obtaining credit information and background of their customers. Possessing such critical information enables these institutions to make informed decisions before offering loans.

Bahrain Cheque Truncation System:

Bahrain Cheque Truncation System (BCTS) is another value adding service that the Company offers to the financial market in Kingdom of Bahrain. The BCTS is an electronic system that exchanges the electronic image of the cheques between the banks rather than the exchange of the physical cheques where it enables corporate and individuals of settling their clearing cheques in the same business day. Such service shall enhance the efficiency of the

cash flow in the Kingdom and accordingly help in boosting the over all economy and businesses.

Electronic Fund Transfer System (EFTS):

The EFTS is an electronic system that interconnects all retail banks in the Kingdom of Bahrain and is designed to enhance efficiency in fund transfers and bill payments; enabling banks, individuals, corporate and government entities to BENEFIT from this vital and important project. The services are accessible through the banks' various channels such as branches, internet banking, and mobile banking. The EFTS enable Banks' customers to use and benefit from the EFTS three main services (Fawri+, Fawri, and Fawateer).

Payment Gateway:

BENEFIT's Payment Gateway is a secure online payment solution enabling merchants, corporations and government entities to process and settle online credit and debit card (ATM) payments via any electronic channel. It provides secure and reliable real-time payment processing which can be integrated to other channels such as websites, IVR, kiosk, call center, mobile devices and batch processing. The payment gateway is a secure and protected environment and protects users from any fraud or misuse.

Internet Banking Shared Platform:

The BENEFIT Company developed a shared infrastructure for internet banking facilities with high security and customer confidentiality measurements while significantly cutting costs. The infrastructure is ready to activate the service with any bank. BENEFIT's internet banking infrastructure allows many banking services to be processed online such as detailed statements of transactions, utility payments, fund transfers, amend account details, cheque book requests, stop

installments, stop ATM and credit cards, and many others. It also enables multi currency transfers within the same bank and to other banks in and outside of Kingdom of Bahrain.

GCCNet Dispute Management System:

BENEFIT plays a major role in the electronic transactions market locally and regionally and hence is considered to be the hub of the regional dispute claims via hosting the GCCNet Dispute Management System website. The GCCNet Dispute Management System enables interbank claims and settlements of the ATM cash withdrawals disputes between the GCC countries to be managed in an efficient effective manner assuring fast settlements of customers disputed claims.

Direct Debit:

Direct Debit (DD) allows banks, merchants, and customers to automate the process of regular due payments. It allows multiple debit transactions at the same time. Typical payments settled via DD are utility payments, telephone bills, credit card and loan installments, school fees, mortgage, etc. DD allows all parties to substantially cut their cost and process the payment more efficiently when compared to other payment methods such as cash, cheque, credit card, or standing orders.

Tele Bill Payment through Mobile Phones:

BENEFIT's Tele Bill Payment through mobile phones service provides both the telecom companies and their customers with a convenient mode of payment. With the support of BENEFIT's national network customers are now able to pay their bills using their debit cards (ATM) at various kiosks as well as through online payments.





PUBLIC

Serving

The power to serve customers and meet their needs remains one of the most vital components of any business.

Business is all about serving. It is the driving force behind the passion of most entrepreneurs, and the music that makes the corporate sector swoon in its thrall. The most successful enterprises are those that find their energy in meeting a particular need and doing so with an attitude of service.

Entrepreneurs with such an attitude reap the intangible rewards of seeing their customers satisfied but at the same time seeing positive results with their bottomline, too.

The BENEFIT Company has been one such organisation that has taken its mandate of serving customers as an article of faith. Our innovative range of products and services have been designed with a simple goal deliver value to our customers and enrich their customer experience as a result.

It is for this reason, BENEFIT remains on a continued path of innovation because we know that needs evolve with time and we would like to remain responsive with what ever changes that new developments might bring.

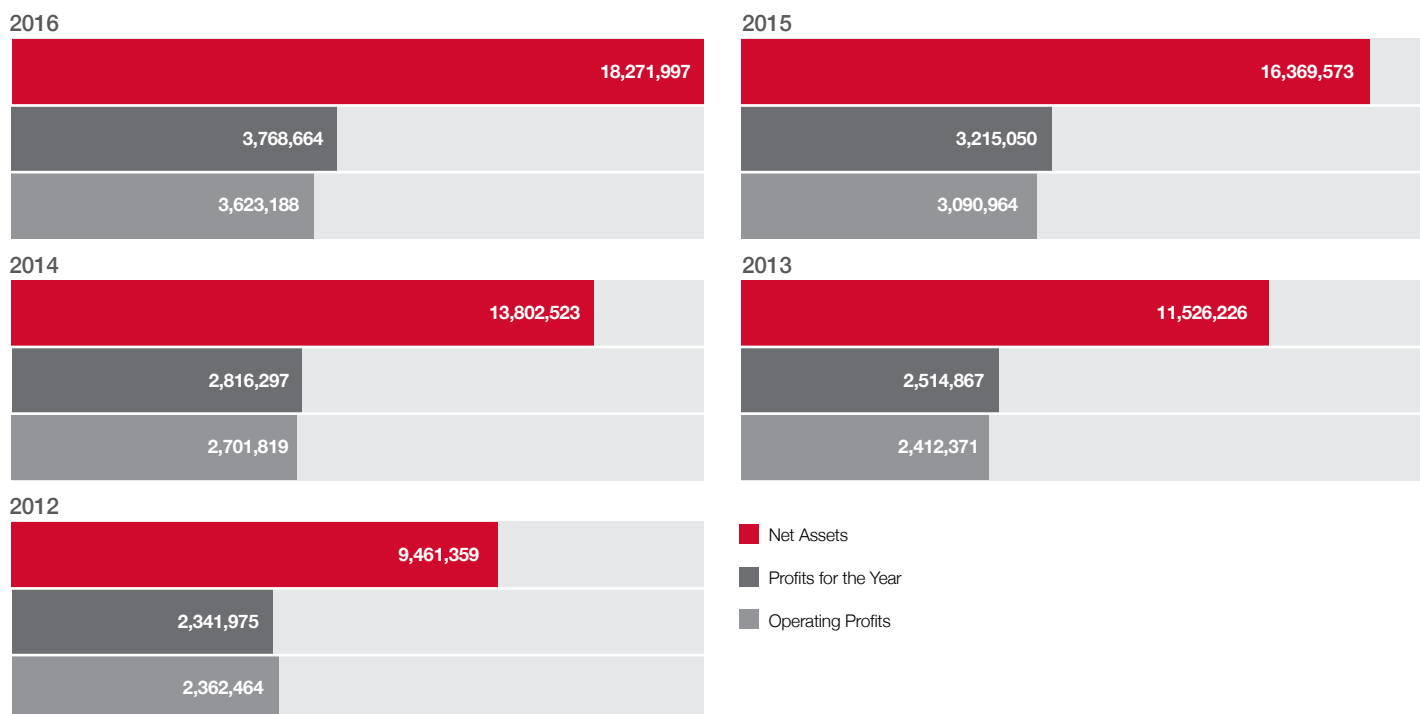


5 Year Growth

Bank/Institution	2012	2013	2014	2015	2016
Operating Profits	2,362,464	2,412,371	2,701,819	3,090,964	3,623,188
Profits for the Year	2,341,975	2,514,867	2,816,297	3,215,050	3,768,664
Net Assets	9,461,359	11,526,226	13,802,523	16,369,573	18,271,997

Through BENEFIT's determination in achieving the highest possible standards for their financial and non-financial clients, it encouraged a solid growth in net profits over the past 5 years. This profit has helped develop BENEFIT's strategy of diversifying revenue via working closely with the Central Bank of Bahrain (CBB) in introducing new products and services, giving its clients a consistent and unrivalled standard of service.

One of benefit's priorities is to keep updated with new technology emerging in the financial transactions market, thus serving their customers better. Doing this ensures that BENEFIT consistently develops its services, in order to continue providing the financial and non-financial clients with value added services.







PUBLIC

Empowering

Businesses exist to serve their customers. It's on this simple premise that economies find their energy, corporates their rationale for doing what they do, and for innovators in coming up with solutions that addresses specific needs in the market.

Customers, however, aren't just faceless entities that can be boxed as per their demographic subsets. They are people with distinct personalities, possessing individual tastes and preferences, and most crucially, having the power to make a purchasing decision that can affect corporates' revenue and market share.

The BENEFIT Company recognises the importance of developing products and services that empower individuals in being proactive in managing their resources, and in having the right information at their finger tips at all times.

We have made sure that processes that once took days or even weeks are simplified so that individual customers can make the best use of their time, and reap rewards accordingly.



Corporate Governance

1. BENEFIT CORPORATE GOVERNANCE REPORT 2016

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 Kingdom 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 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

The shareholders details are as below:

No.	Bank/Institution	No. of Shares	% of Shares
1	National Bank of Bahrain BSC	10,836	34.84%
2	Bank of Bahrain & Kuwait	6,843	22.00%
3	Ahli United Bank BSC	3,421	11.00%
4	Standard Chartered Bank	2,800	9.00%
5	HSBC Bank Middle East Limited	2,177	7.00%
6	Bahrain Islamic Bank B.S.C.	1,505	4.84%
7	Citibank N.A.	934	3.00%
8	Al Salam Bank - Bahrain	722	2.32%
9	BMI Bank B.S.C. (c)	311	1.00%
10	Arab Bank Plc	311	1.00%
11	Future Bank B.S.C. (c)	311	1.00%
12	Ithmaar Bank B.S.C. (c)	311	1.00%
13	Habib Bank Limited	311	1.00%
14	United Bank Limited	311	1.00%
Total		31,104	100%

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 are appointed for a 3 years term. 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	Khaled Abi Khalil	Director
8	Matthew J. Deakin	Director
9	Abdul Razaq Abdul Khaliq	Director
10	Ahmed A.Rahim	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

3.3 Directors' Remuneration

Members of the Board of Directors' remuneration are BHD 120,000 for the year 2016. 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 28,000 for 2016.

Corporate Governance (continued)

3.4 Directors' Profile

- **Abdul Razak Abdulla Hassan Al Qassim**
BENEFIT Chairman
 - CEO and Board Member of NBB
 - Chairman of Bahrain Association of Banks
 - Deputy Chairman, Chairman of the Executive Committee, and Member of Nomination and Remuneration Committee of BATELCO
 - Deputy Chairman of Umniah Mobile Company (Jordan)
 - Deputy Chairman of Dhivehi Raajeyge Gulhn plc. Dhiraagu, (Maldives)
 - Deputy Chairman of Qualitynet (Kuwait)
 - Deputy Chairman of Sure Guernsey Limited, Sure Isle Limited and Sure Isle of Man Limited
 - Board Member of the Crown Prince International Scholarship Program.
 - Board Member of Deposit and URIA Protection Board at Central Bank of Bahrain
- **Mohammed Malik**
BENEFIT Vice Chairman
Chairman of Nomination and Remuneration Committee
 - Deputy Chief Executive, Retail Banking Group - BBK
 - Vice Chairman of CrediMax
 - Chairman of the Audit Committee - CrediMax
 - Chairman of Invita Kuwait
- **Khalid Ali Juma**
BENEFIT Board of Director
Member of Nomination and Remuneration Committee
 - GM, Support & Administrations Group of NBB
- **Abdulla Hussain**
BENEFIT Board of Director
Chairman of Executive Committee
 - EAGM Support & Administration Group
 - Chairman of Sinnad Company
- **Mohammed Abdulla Isa**
BENEFIT Board of Director
Chairman of Audit & Corporate Governance Committee
 - Group Chief Financial Officer of BBK
 - Board member of SICO
 - Vice Chairman Nomination, Remuneration and Corporate Governance - SICO
- **G.P.V. Rao**
BENEFIT Board of Director
Member of the Executive Committee
 - Group Head of Technology and Financial Services of Ahli United Bank
- **Khaled Abi Khalil**
BENEFIT Board of Director
Member of Audit and Corporate Governance Committee
 - CIO Chief Information Officer (Technology and Banking Operations) Standard Chartered Bank
 - Member in Standard Chartered Metropolitan Holdings - Lebanon
- **Matthew J. Deakin**
BENEFIT Board of Director
Member of Executive Committee
 - Chief Executive Officer of HSBC Bank M. E. Ltd., Bahrain
 - INJAZ Bahrain Board Member
- **Abdulrazak Abdulkhaliq**
BENEFIT Board of Director
Member of Audit and Corporate Governance Committee
 - Co-Vice Chairman of ICC Bahrain Trade Finance Forum
 - Board Member of Bahrain Specialist Hospital
- **Ahmed A.Rahim**
BENEFIT Board of Director
Member of Executive Committee
Member of Nomination and Remuneration
 - CEO of Ithmaar Bank
 - Member of the Board of Directors Solidarity Group Holding B.S.C. (c)
 - Vice Chairman, Faysal Bank Limited (Pakistan)
 - Chairman of Remuneration, Nomination & Recruitment Committee, Member of Strategic Planning Committee & Member of Audit and Corporate Governance Committee - Faysal Bank Limited (Pakistan)
 - Vice Chairman, Bahrain Association of Banks
 - Board Member, INJAZ Bahrain
 - Board Member of Deposit and URIA Protection Board at Central Bank of Bahrain
- **Yousif AlFadhel**
BENEFIT Board Director
 - Director, IT Directorate of CBB

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.
- **The Executive Committee:** The Executive Committee (ExCo) provides a forum for Senior Management to discuss projects and strategies and examine various strategic issues of the Company. The purpose of the ExCo is to:

 - 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 ExCo is to review and make timely decisions and recommendations to the Board.

 - Execute any actions mandated by the Board of Directors,
 - Review Strategic business direction, plans and budgets of the Company and make any necessary decisions;
 - Discuss matters affecting shareholders' interests in the Company;
 - Assess high potential acquisitions, joint ventures or disposal of assets.
- **The Nomination and Remuneration Committee:** The Nomination and Remuneration Committee review the board composition and succession planning and assist the Board in finding, evaluating and recommending candidates for the Board. Furthermore, the committee assess management performance and compensation packages.

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

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

4.2 Board Meetings & Its Committees Attendance

	7 Feb 2016	22 Feb 2016	15 March 2016	29 March 2016	18 May 2016	27 June 2016	11 Aug 2016	9 Nov 2016	4 Dec 2016
Members									
Abdul Razak Abdulla Hassan Al Qassim - Chairman	✓	✓	✓	✓	✓	x	x	x	x
Mohammed Malik - Vice Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓
Khalid Ali Juma - Director	✓	✓	✓	✓	✓	✓	✓	✓	✓
Abdulla Hussain - Director	✓	✓	✓	x	✓	✓	✓	✓	✓
Mohammed Abdulla Isa - Director	x	✓	x	x	✓	✓	✓	✓	✓
G.P.V. Rao - Director	x	✓	✓	x	✓	✓	✓	x	✓
Khaled Abi Khalil - Director	✓	✓	x	✓	✓	✓	✓	✓	✓
Matthew J. Deakin - Director	✓	✓	x	✓	✓	✓	✓	✓	x
Abdul Razaq Abdul Khaliq - Director	x	✓	✓	✓	✓	✓	✓	✓	✓
Ahmed A. Rahim - Director	✓	✓	✓	✓	✓	✓	✓	✓	x
Yousif Al Fadhel - CBB Representative	x	✓	✓	✓	✓	✓	x	✓	✓

4.3 Dates of Executive Committee Meeting & Attendance

	10 Jan 2016	8 Mar 2016	11 May 2016	26 Jul 2016	7 Sep 2016	3 Nov 2016	7 Nov 2016	16 Nov 2016
Members								
Abdulla Hussain - Chairman	✓	✓	✓	✓	✓	✓	✓	✓
Matthew J. Deakin - Member	✓	✓	✓	✓	✓	✓	✓	✓
G.P.V. Rao - Member	✓	✓	✓	✓	✓	✓	x	✓
Ahmed A. Rahim - Member	✓	✓	✓	✓	x	✓	✓	✓

Corporate Governance (continued)

4.4 Dates of Audit & Corporate Governance Committee Meetings & Attendance

Members	11 Feb 2016	21 Feb 2016	8 May 2016	27 Jul 2016	1 Nov 2016	8 Nov 2016
Mohammed Abdulla Isa - Chairman	✓	✓	✓	✓	✓	✓
Abdul Razaq Abdul Khaliq - Member	✓	✓	✓	✓	✓	✓
Khaled Abi Khalil - Member	✓	✓	x	✓	✓	✓

4.5 Dates of Nomination & Remuneration Committee Meeting & Attendance

Members	18 Feb 2016	18 Mar 2016	28 Jul 2016	1 Aug 2016	16 Aug 2016
Abdul Razak Abdulla Hassan Al Qassim - Chairman	x	✓	Resigned from the committee*		
Mohammed Malik - Member	✓	✓	✓	✓	✓
Khalid Ali Juma - Member	✓	✓	✓	✓	✓
Khalid Ali Juma - Member		Not appointed yet*	✓	✓	✓

* NRC Chairman, Mr. Abdul Razak Abdulla Hassan Al Qassim resigned from the NRC at the Board Meeting held on 29 March 2016.

* Mr. Mohammed Malik was nominated as NRC Chairman during Board Meeting held on 29 March 2016.

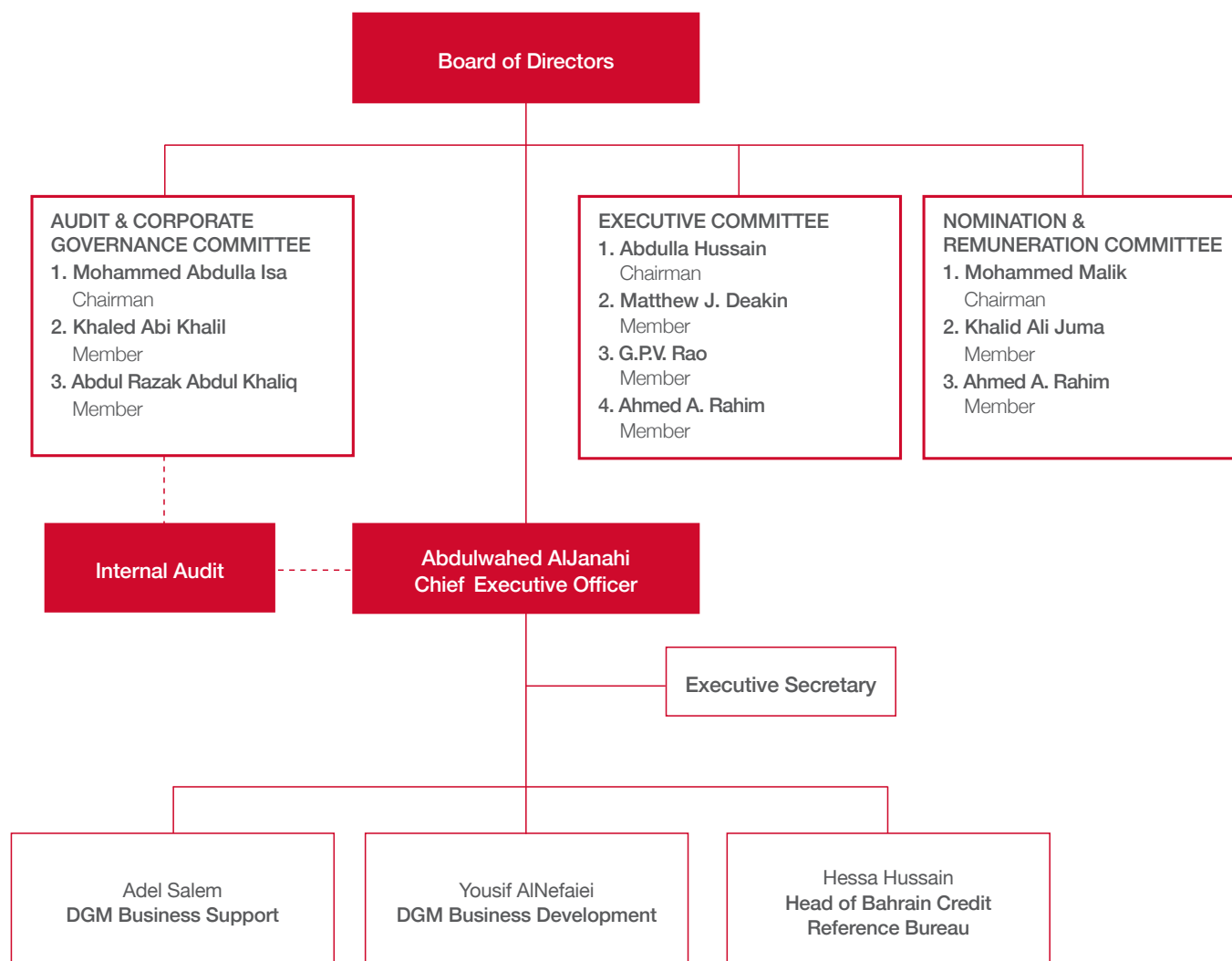
* Mr. Ahmed A. Rahim was nominated as NRC member at the Board Meeting held on 29 March 2016.

5. AGM MEETING

The Annual General Meeting were held on 29th March, 2016

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 that has direct access to the CEO and Board of the company through the Audit and Corporate Governance Committee.



Corporate Governance (continued)

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 Chairman 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 Kingdom of 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, work has been outsourced to NI related to ongoing projects. 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).

12. RELATED PARTY TRANSACTIONS (IFRS)

BENEFIT nature of Business is to serve the banking sectors in Kingdom of Bahrain through a number of services, ATM/POS, CRB, BCTS, EFTS, PAYMENT GATWAY, GCCNET DISPUTE SYSTEM 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 2016 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

The Benefit Company hired Head of Internal Audit to 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, 2016 fees is BHD 10,950 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 Code of Corporate Governance issued by Central Bank of Bahrain (CBB) and Ministry of Industry for all banks in Bahrain.

BENEFIT Annual General Meeting Minutes

Meeting: AGM-29.03.16
Minutes: 29 March 2016, 11:00 am,
The BENEFIT Company
Meeting Called By: The BENEFIT Company
Type of Meeting: Annual General Assembly
Meeting for 2015
Attendees: As per attendees list
Apologies: As per attendees list

The Chairman, Mr. Abdul Razak A.Hassan Al Qassim chaired the meeting. He confirmed we have 100% attendance at the meeting and thanked the Shareholders for their support. He welcomed the Shareholders representatives, Central Bank of Bahrain and Ministry of Industry and Commerce.

AGENDA TOPICS

1.0 Review and Approve Minutes of AGM Meeting Held on 29 March 2015

Abdul Razak A.Hassan Al Qassim

Discussion:

The Shareholders were advised the minutes of the AGM meeting held on 29 March 2015 was in the distributed Annual Report. There were no comments or questions raised and the minutes were approved.

Resolution 1 - AGM/16: The minutes of the Annual General Meeting dated 29 March 2015 was approved by the Shareholders.

2.0 Review and Approve the Report of the Directors for the Year Ended 31 December 2015

Abdul Razak A.Hassan Al Qassim

Discussion:

The Chairman gave a summary on the achievement of the Company during 2015. He advised the management has implemented two major strategic projects as part of BENEFIT strategic initiatives, the Electronic Funds Transfer and Electronic Bill Payment & Presentment, as well as introducing a new core system of the Bahrain Credit Reference Bureau. These initiatives were part of the three main pillars that will shape BENEFIT and its role in the electronic payments, funds transfer and risk management industry to support the banking and financial industry in the Kingdom of Bahrain.

BENEFIT recorded a successful year in 2015, in terms of the introduction of new services and organic business growth. This resulted in achieving 14% consolidated operating profit of BHD 3,090,964 in 2015, versus BHD 2,701,819 in 2014. The consolidated net profit indicated a growth of 14% in 2015 to reach BHD 3,215,050 compared to BHD 2,816,297 in 2014.

Further highlighting the company's achievements, The Chairman advised in November 2015, BENEFIT in cooperation with the Central Bank of Bahrain [CBB] and its member banks, has successfully launched the Electronic Fund Transfer with bulk direct debit and direct credits (EFT) and Electronic bill Payment and Presentment (EBPP) services together under one national project called "EFTS". The Electronic Fund Transfer system provides the public with three services known as "Fawri", "Fawri+" and "Fawateer", using the highest standards and best practices.

Another major initiative was the launching of the new core system of the Credit Reference Bureau which went live successfully with 42 members. The new system was designed with enhanced security measurements and automation of most functions which has reduced uploading members' data from a day to a couple of hours.

Additionally, in November 2015 BENEFIT launched its new Data Centre platform which will strengthen the systems availability of all BENEFIT services, to ensure optimum operation, advised the Chairman.

The Chairman advised, the Company will to continue to focus on the 3 Pillars of the strategic Corporate Direction in 2016 and look forward to the continued support of all the Shareholders. We will continue to work on achieving our goals and aim for higher efficiency and move towards a digitalization era. 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.

He thanked the Shareholders, the Central Bank of Bahrain and the Ministry of Industry and Commerce for their continuous support.

Resolution 2 - AGM/16: The Report of the Directors ended 31 December 2015 was approved by the Shareholders.

3.0 Review and Approve the External Auditors Report for the Year Ended 31 December 2015
Mahesh Balasubramania

Discussion:

Mr. Mahesh Balasubramaniam of KPMG read the Independent Auditors Report to the Shareholders advising that the audit evidence they have obtained is sufficient and appropriate to provide a basis for their audit opinion. The consolidated financial statements present fairly, in all material aspects, the consolidated financial position of the Group as of 31 December 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended is in accordance with International Financial Reporting standards.

He continued to advise as per the Bahrain Commercial Companies Law and Volume 5 of Central Bank of Bahrain [CBB] Rule Book, they confirm that the Company has maintained proper accounting records and the information in the directors' report is consistent with the consolidated financial statements. They are not aware of any violations during the year of the Bahrain Commercial Companies Law, the CBB Rule book [Volume 5, applicable versions of Volume 6 and CBB directives] or the terms of the Company's articles of association that would have had an adverse effect on the business of the Company or on its financial position. There were no questions raised and the Auditors report was approved.

Resolution 3 - AGM/16: The External Auditors report for the year 2015 was approved by the Shareholders.

4.0 Review and Approve the Financial Statements for the Year Ended 31 December 2015
Abdul Razak A.Hassan Al Qassim

Discussion:

The Company's financial statement for the year ended 31 December 2015 was reviewed and no questions were raised and the report was approved.

Resolution 4 - AGM/16: The financial statements for the year ended 31 December 2015 was approved by the Shareholders.

5.0 Approval of the Recommended Appropriation of the Net Profit for 2015

Abdul Razak A.Hassan Al Qassim

Discussion:

The Chairman advised the Shareholders the Board of Directors have recommended the appropriation for the year 2015 net profit as follows:-

- To distribute cash dividends to the shareholders in the amount of BD 1,866,240 [Bahrain Dinars One Million Eight Hundred Sixty Six Thousand Two Hundred and Forty] which is equal to 60% of the paid up capital.
- To transfer BD1,199,779 [Bahrain Dinars One Million One Hundred Ninety Nine Thousand Seven hundred Seventy Nine] to the Retained Earnings account.

Resolution 5 - AGM/16: The recommended appropriation for the year 2015 Net Profit was approved by the Shareholders.

BENEFIT Annual General Meeting Minutes (continued)

6.0 Absolution of Directors Legal Liability

Abdul Razak A.Hassan Al Qassim

Discussion:

The Shareholders were asked to absolve The Benefit Company Board of Directors from their legal liability for the year 2015 and this motion was approved. There were no questions raised.

Resolution 6 - AGM/16: The Shareholders approved to absolve the Board of Directors from their legal liability for the year 2015.

7.0 Approve the Directors Remuneration for 2015

Abdul Razak A.Hassan Al Qassim

Discussion:

The Board of Directors recommended Directors Remuneration in the sum of BD 120,000 for the year 2015. There were no questions raised.

Resolution 7 - AGM/16: The Shareholders approved the Directors remuneration in the sum of BD 120,000 for the year 2015.

8.0 Approval of Appointment and Nomination of the Board of Directors for the coming Three Years

Abdul Razak A.Hassan Al Qassim

Discussion:

The Chairman advised, the Shareholders have appointed 8 Directors and 2 Directors have been nominated for the coming three year term. The Board of Directors are as follows:-

1. Mr. Abdul Razak Abdulla Hassan Al Qassim	Appointed by NBB
2. Mr. Abdulla Abdulrahman Hussain	Appointed by NBB
3. Mr. Khalid Ali Juma	Appointed by NBB
4. Mr. Mohammed Malik	Appointed by BBK
5. Mr. Mohammed Abdulla	Appointed by BBK
6. Mr. G.P.V. Rao	Appointed by Ahli United Bank
7. Mr. Khaled Abi Khalil	Appointed by Standard Chartered Bank
8. Mr. Matthew J. Deakin	Appointed by HSBC Bank Middle East Ltd.
9. Mr. Abdul Razaq Abdul Khaliq	Nominated by other banks and elected at AGM
10. Mr. Ahmed A. Rahim	Nominated by other banks and elected at AGM
11. Mr. Yousif Al Fadhel	Appointed as observer by CBB

There were no questions raised by the Shareholders and the 8 appointed Directors were approved. The two nominated Directors, Mr. Abdul Razaq Abdul Khaliq and Mr. Ahmed A. Rahim were also approved and elected at the AGM.

Resolution 8 - AGM/16: The Shareholders approved the appointment and nomination of the Board of Directors for a three year term subject to CBB and MOIC approval.

9.0 Approve the Appointment of the External Auditor

Abdul Razak A.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 2016. No questions were raised and it was approved subject to CBB approval.

Resolution 9 - AGM/16: The shareholders approved the appointment of KPMG as the Company's External Auditors for the year 2016 subject to CBB approval and authorized the Board of Directors to agree on their fees.

10.0 Review the Corporate Governance Report for 2015

Abdul Razak A.Hassan Al Qassim

Discussion:

The Corporate Governance report is available in the distributed Annual report for 2015. There were no questions raised and the report was approved.

Resolution 10 - AGM/16: The Shareholders approved the Corporate Governance report for 2015.

The Chairman thanked the Shareholders, Central Bank of Bahrain and Ministry of Industry and Commerce for their continuous support to the Company and is looking forward to a positive year in 2016.

There being no other issues for discussion the meeting was closed at 11:25am.

Abdul Razak A.Hassan Al Qassim

Chairman

Abdulwahed AlJanahi

Chief Executive Officer

Report of the Directors

for the year ended 31 December 2016

Business Review

During 2016, The BENEFIT Company focused on executing and completing the Company corporate strategy and direction which was initiated in 2014. In addition, The BENEFIT Company continued to enhance and maintain the highest level of service for the existing businesses.

The BENEFIT Company launched Electronic Bill Payment & Presentment (Fawateer), and is in the process of completing feasibility studies for two strategic initiatives under the Business Outsourcing Pillar - the ATM and POS wholesale services. Moreover, the BENEFIT Company developed two major strategic projects as part of its strategic initiatives - Risk Management System and Telecommunication Credit Bureau System, and introduced a new code of practice and rules for the Bahrain Credit Reference Bureau in compliance with new law. These strategic initiatives are part of the three main pillars that shapes The BENEFIT Company direction and will reinforce its leading role in the areas of the electronic financial transactions, customer information, risk management and business outsourcing and will add significant value not only for the financial sector but for the entire community in the Kingdom of Bahrain.

During 2016, The BENEFIT Company recorded a successful year with the introduction of new services and organic business growth. This is reflected in a growth of 17% in consolidated operating profit of BHD 3.6 million in 2016 from BHD 3.09 million in 2015. The consolidated net profit also increased by 17% to reach BHD 3.77 million compared to BHD 3.22 million in 2015.

Further highlights on the company's achievements, in October 2016, The BENEFIT Company in cooperation with the Central Bank of Bahrain [CBB] and its member banks, has successfully launched Fawateer service as part of the Electronic Fund Transfer System [EFTS] services. The EFTS provides the public with three services known as "Fawri", "Fawri+" and "Fawateer". With these services, the Kingdom of Bahrain has entered into a new era of electronic payments and funds transfers while applying the highest standards and best practices. The EFTS services ensure maximum flexibility, security and convenience with fast, efficient and effective financial settlement among the member banks and their customers.

Another achievement in November 2016 is Bahrain Credit Reference Bureau [BCRB] and its members have successfully amended its data and system to adhere to the new Code of Practice which was endorsed by CBB in June 2016. Bahrain Credit Reference Bureau unit, with the kind cooperation of the Central Bank of Bahrain (CBB), initiated a major enhancement to include the Government Sector into the Credit Bureau Membership, in accordance with the Cabinet Resolution issued on 5th December 2016. Furthermore, the integration with the GCC Credit Bureaus has been approved at the GCC Summit in December 2016 for execution during 2017. The BENEFIT Company is also exploring the feasibility of establishing a new service for banks in the Kingdom of Bahrain, which is Customer Information Repository Services.

Overall, 2016 was a very successful year for The BENEFIT Company and we are optimistic of continuing with our successful stories as we roll over our new strategic plan for the next three years.

Consolidated Financial Results in Bahraini Dinars

Particulars	2016	2015	Growth
Operating profit	3,623,188	3,090,964	17%
Profit for the year	3,768,664	3,215,050	17%
Net assets	18,271,997	16,369,573	12%

Recommended Appropriations and Board Remuneration for 2016

The Board of Directors recommends to the shareholders the following appropriations from the profit for the year, and also recommends Board remuneration. Both are subject to the approval from Central Bank of Bahrain and the Shareholder's approval at the Annual General Meeting.

2016 (BHD)

Dividends	2,332,800
Directors Remuneration	120,000
General Reserve	365,150
Total	2,817,950

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

	BHD
Share Capital	3,110,400
Statutory Reserve	1,599,033
General Reserve	365,150
Retained Earnings	10,411,122
Non-controlling interest	453,492
Total Consolidated Shareholders' Equity	15,939,197

Report of the Directors (continued)

for the year ended 31 December 2016

Outlook for 2017

The BENEFIT Company shall continue to focus on implementing its new strategic initiatives as well as maintaining and enhancing its current services and products. We shall further explore the opportunity for the ATM wholesale service as a national ATM network which shall be more efficient and effective to the banks. Moreover, we are exploring a national mobile E-organizer to enable customers to effect payments and transfers using their mobiles with their current payment instruments (Debit Cards, Credit Cards, Account and more). This will help position the Kingdom of Bahrain as a leading country in the digital transformation of electronic payments and transfers, which started by the deployment of the EFTS services. The E-organizer service scope shall also facilitate introducing advanced payment methods and technology of POS, ePOS, M-POS or application based solutions which will empower advanced way of contactless transactions such as NFC and QR technologies, and this will in turn contribute toward the Kingdom of Bahrain becoming a cashless society.

Another strategic step toward digitalization, which The BENEFIT Company is exploring, in coordination with the CBB, is the E-Cheque. This will bring a substantial enhancement to the current cheque processing flow and will eliminate the need of exchanging and maintaining the physical paper between customers.

Due to the recently introduced law, the Bahrain Credit Reference Bureau unit is working towards expanding its services to cover new sectors such as Telecommunications, Insurance and Government entities. The BENEFIT Company will continue to focus on empowering its Credit Bureau to provide state of the art services to its current and potential members.

The BENEFIT Company will also be focusing on the implementation of sharing Credit Bureau data across the GCC, based on the approval obtained recently at the GCC Summit held in December 2016.

As part of its plans, The BENEFIT Company shall enhance and increase the utilization of all EFTS types of transactions (Fawri, Fawri+ and Fawateer) by maintaining the highest system availability, flexible and secured integration with EFTS members' banks and billers. We shall also promote the EFTS services to large corporate and SMEs in the private and public sectors to best utilize the EFTS services. This will encourage and facilitate implementation of various banks' electronic channels, especially internet and mobile banking channels, in order to process all types of electronic transactions in more simpler and faster ways.

As part of its continuous efforts to maintain the highest security standards while fully complying with the international standards, The BENEFIT Company will undertake PCI DSS certification in 2017 besides its current ISO 27001 certification.

The Board of Directors takes this opportunity to express their gratitude and sincere appreciation to His Majesty King Hamad bin Isa Al Khalifa - the King of Bahrain, to His Royal Highness 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, to Government ministries and institutions and the Central Bank of Bahrain, for their guidance and support. The Board also expresses its thanks to all Shareholders and customers of The BENEFIT Company and its management and staff for their hard work, dedication and contribution to the success of the Company.



Abdulla Hussain
Chairman

Independent Auditors' Report to the Shareholders

The BENEFIT Company BSC (c), Kingdom of Bahrain

Report on the audit of the consolidated financial statements

Opinion

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 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The board of directors is responsible for the other information. The other information obtained at the date of this auditors' report is the Directors' report set out on pages 1 to 3.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report to the Shareholders (Continued)

The BENEFIT Company BSC (c), Kingdom of Bahrain

Responsibilities of the board of directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

Independent Auditors' Report to the Shareholders (Continued)

The BENEFIT Company BSC (c), Kingdom of Bahrain

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the audit of the consolidated financial statements

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 articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
- d) satisfactory explanations and information have been provided to us by management in response to all our requests.



KPMG Fakhro
Partner Registration No. 100
23 February 2017

Consolidated Statement of Financial Position

as at 31 December 2016

(Bahraini Dinars)

	Note	2016	2015
ASSETS			
Furniture and equipment	4	916,072	1,149,256
System software	5	1,316,182	1,079,117
Capital work in progress		34,800	56,551
TOTAL NON-CURRENT ASSETS		2,267,054	2,284,924
Cash and bank balances		3,435,414	4,138,215
Balance with Central Bank of Bahrain		2,964,885	2,503,206
Balance with other central banks		1,066,020	1,273,103
Deposits with banks		4,142,645	6,677,641
Treasury Bills	6	4,874,224	-
Trade receivables	7	347,652	380,305
Prepaid expenses and other receivables		108,121	108,483
TOTAL CURRENT ASSETS		16,938,961	15,080,953
TOTAL ASSETS		19,206,015	17,365,877
EQUITY AND LIABILITIES			
Share capital	1	3,110,400	3,110,400
Statutory reserve		1,599,033	1,586,838
Retained earnings		13,109,072	11,336,009
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		17,818,505	16,033,247
Non controlling interest	21	453,492	336,326
TOTAL EQUITY (page 53)		18,271,997	16,369,573
LIABILITIES			
Provision for employees' leaving indemnities	8	102,778	121,561
TOTAL NON-CURRENT LIABILITIES		102,778	121,561
Trade payables and accrued expenses	9	776,895	819,135
Deferred income	10	54,345	55,608
TOTAL CURRENT LIABILITIES		831,240	874,743
TOTAL EQUITY AND LIABILITIES		19,206,015	17,365,877



ABDULLA HUSSAIN
Chairman



MOHAMMED MALIK
Vice Chairman

The consolidated financial statements consisting of pages 51 to 72 were approved by the directors on 23 February 2017.

Consolidated Statement of Profit or Loss and other Comprehensive Income

for the year ended 31 December 2016
(Bahraini Dinars)

	Note	2016	2015
REVENUE			
Switch	11	5,223,925	4,492,358
CRB		1,004,783	1,029,420
BCTS		604,155	619,745
EFTS		426,779	28,213
Card services	12	980,665	948,913
Total operating revenue		8,240,307	7,118,649
Operating costs			
Staff cost		1,995,844	1,784,368
Cost of card services	13	315,334	349,007
Cost of other services	14	781,979	691,900
Depreciation and amortisation	4,5	847,164	490,157
Other operating expenses	15	676,798	712,253
Total operating costs		4,617,119	4,027,685
Operating profit		3,623,188	3,090,964
Interest income	16	145,476	124,086
Profit for the year		3,768,664	3,215,050
Other comprehensive income for the year		-	-
Total comprehensive income for the year		3,768,664	3,215,050
Attributable to:			
- Equity holders of the parent company		3,651,498	3,080,068
- Non controlling interest		117,166	134,982
		3,768,664	3,215,050



ABDULLA HUSSAIN
Chairman



MOHAMMED MALIK
Vice Chairman

Consolidated Statement of Changes in Equity

for the year ended 31 December 2016

(Bahraini Dinars)

2016	Total equity attributable to shareholders of the parent Company				Non controlling Interest	Total equity
	Share capital	Statutory reserve	Retained earnings	Total		
At 1 January 2016	3,110,400	1,586,838	11,336,009	16,033,247	336,326	16,369,573
Profit and total comprehensive income for the year	-	-	3,651,498	3,651,498	117,166	3,768,664
Bonus shares issued	-	-	-	-	-	-
Dividend declared for 2015	-	-	(1,866,240)	(1,866,240)	-	(1,866,240)
Transfer to statutory reserve	-	12,195	(12,195)	-	-	-
At 31 December 2016	3,110,400	1,599,033	13,109,072	17,818,505	453,492	18,271,997

2015	Total equity attributable to shareholders of the parent Company				Non controlling Interest	Total equity
	Share capital	Statutory reserve	Retained earnings	Total		
At 1 January 2015	2,592,000	1,313,589	9,695,590	13,601,179	201,344	13,802,523
Profit and total comprehensive income for the year	-	-	3,080,068	3,080,068	134,982	3,215,050
Bonus shares issued	518,400	-	(518,400)	-	-	-
Dividend declared for 2014	-	-	(648,000)	(648,000)	-	(648,000)
Transfer to statutory reserve	-	273,249	(273,249)	-	-	-
At 31 December 2015	3,110,400	1,586,838	11,336,009	16,033,247	336,326	16,369,573

Consolidated Statement of Cash Flows

for the year ended 31 December 2016

(Bahraini Dinars)

	2016	2015
Operating activities		
Cash received from switch operations	5,223,925	4,496,907
Cash received from CRB operations	1,013,498	1,004,522
Cash received from card services	945,446	890,741
Cash received from BCTS operations	614,131	613,726
Cash Received from EFTS operations	442,149	-
Payments for operating expenses	(3,678,068)	(3,528,772)
Payment for directors' remuneration	(120,000)	(84,000)
Net cash generated from operating activities	4,441,081	3,393,124
Investing activities		
Purchase of furniture and equipment	(121,616)	(803,505)
Purchase of software	(672,879)	(662,333)
Payments for capital work in progress	(34,800)	(56,552)
Movement on deposits with banks	2,662,266	-
Purchase of treasury bills	(4,862,550)	-
Interest received on current account	6,533	6,024
Net cash used in investing activities	(3,023,046)	(1,516,366)
Financing activities		
Dividend paid	(1,866,240)	(648,000)
Net cash used in financing activities	(1,866,240)	(648,000)
Net (decrease)/ increase in cash and cash equivalents	(448,205)	1,228,758
Cash and cash equivalents at beginning of year	7,914,524	6,685,766
Cash and cash equivalents at end of the year	7,466,319	7,914,524
Cash and bank balances	3,435,414	4,138,215
Balance with Central Bank of Bahrain	2,964,885	2,503,206
Balance with other central banks	1,066,020	1,273,103
	7,466,319	7,914,524

Notes

to the 31 December 2016 consolidated financial statements
(Bahraini Dinars)

1 REPORTING ENTITY

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 and Electronic Fund Transfer System (the "EFTS") on 5 November 2015.

Share Capital

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

Subsidiary

The Company owns 51% in 'SINNAD WLL' ("Subsidiary"), and 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"). The Company is in discussion with NI to seek the feasibility of acquiring the 49% stake held by NI in the subsidiary.

2 BASIS OF PREPARATION

a) Statement of compliance

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

b) Basis of presentation

The consolidated financial statements are prepared on the historical cost basis. The accounting policies have been consistently applied by the Group and are consistent with those applied in the previous year.

c) Functional and presentation currency

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

d) New Standards, amendments and interpretations effective on or after 1 January 2016

The following standards, amendments and interpretations, which became effective as of 1 January 2016, are relevant to the Group:

- **Annual Improvements to IFRSs 2012–2014 Cycle – various standards.**

The annual improvements to IFRSs to 2012-2014 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 January 2016; 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 adoption of these amendments had no significant impact on the Group's consolidated financial statements.

Notes

to the 31 December 2016 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 and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

• IFRS 9 - Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The adoption of IFRS 9 is not expected to have a significant impact on the Group's consolidated financial statements.

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 recognised. 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 2018, with early adoption permitted.

The Group is currently performing an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements.

f) Early adoption of standards

The Group did not early adopt new or amended standards in 2016.

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.

Notes

to the 31 December 2016 consolidated financial statements
(Bahraini Dinars)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity, and when specific criteria have been met for each of the company's activities as described below:

(i) Sale of services

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

(ii) Interest Income

Interest income is recognised using the effective interest rate method.

c). Furniture, equipment and software

Owned assets

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

Subsequent measurement

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

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

Depreciation

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

Notes

to the 31 December 2016 consolidated financial statements
(Bahraini Dinars)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

Notes

to the 31 December 2016 consolidated financial statements
(Bahraini Dinars)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2016 consolidated financial statements
(Bahraini Dinars)

4 FURNITURE AND EQUIPMENT

	System hardware	Computers	Furniture, Fixtures, Office Equipment & Vehicle	2016 Total	2015 Total
Cost					
At 1 January	2,381,389	154,186	126,123	2,661,698	1,720,771
Additions	129,468	1,443	3,995	134,906	940,927
At 31 December	2,510,857	155,629	130,118	2,796,604	2,661,698
Depreciation					
At 1 January	1,267,251	151,348	93,843	1,512,442	1,276,477
Charge for the year	352,731	2,554	12,805	368,090	235,965
At 31 December	1,619,982	153,902	106,648	1,880,532	1,512,442
Carrying value at 31 December	890,875	1,727	23,470	916,072	1,149,256

5 SYSTEM SOFTWARE

	2016	2015
At 1 January	1,079,117	619,755
Additions	716,139	713,554
Amortised during the year	(479,074)	(254,192)
At 31 December	1,316,182	1,079,117

6 TREASURY BILLS

These are issued by the Government of Bahrain and are short term in nature.

Notes

to the 31 December 2016 consolidated financial statements
(Bahraini Dinars)

7 TRADE RECEIVABLES

	2016	2015
Gross receivables	372,817	380,965
Impairment allowance	(25,165)	(660)
	347,652	380,305

The movement on impairment allowance is as follows:

	2016	2015
At 1 January	660	-
Charge for the year	24,505	660
At 31 December	25,165	660

8 PROVISION FOR EMPLOYEES' LEAVING INDEMNITIES

The movement in the provision is as follows:

	2016	2015
At 1 January	121,561	95,398
Add: charge for the year	9,180	28,926
Less: paid during the year	(27,963)	(2,763)
At 31 December	102,778	121,561
Total number of employees at 31 December:		
Bahrainis	64	62
Expatriates	6	3
	70	65

For the year ended 31 December 2016, the Group's Gosi contribution for employees amounted to BD 130,426 (2015: BD 115,304). The Group also has an employees' saving scheme, in accordance with which the participating employees and the Group contribute monthly on a fixed percentage of relating basis. All contributions are deposited to a separate bank account, and does not form part of the operating bank balances of the Group in the consolidated statement of financial position.

The Group's contribution to the employees' saving scheme amounted to BD 62,603 (2015: BD 52,511), and the balance of the saving scheme bank account as at 31 December 2016 amounted to BD 369,071 (2015: BD 403,092).

Notes

to the 31 December 2016 consolidated financial statements
(Bahraini Dinars)

9 TRADE PAYABLES AND ACCRUED EXPENSES

	2016	2015
Trade payables	79,923	233,588
Payables for card processing	82,370	79,898
Accrual for bonus	252,060	202,396
Accrual for directors' remuneration	120,000	84,000
Other accrued expenses	242,542	219,253
	776,895	819,135

10 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.

11 SWITCH INCOME

	2016	2015
Bahrain ATM	2,211,831	1,825,285
Bahrain POS	1,698,313	1,455,737
GCC ATM	569,771	547,235
GCC POS	54,806	52,156
Telecom bill payment	283,171	286,838
Payment gateway	162,507	121,126
Internet Banking	66,955	67,037
AMEX	47,198	42,774
Direct debit services	129,373	94,170
	5,223,925	4,492,358

12 REVENUE FROM CARD SERVICES

	2016	2015
Debit and credit card programs	939,116	843,882
Card personalisation programs	41,549	105,031
	980,665	948,913

Notes

to the 31 December 2016 consolidated financial statements
(Bahraini Dinars)

13 COST OF CARD SERVICES

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

14 COSTS OF OTHER SERVICES

	2016	2015
License and support	282,018	193,103
System maintenance	354,261	341,304
Communication lines	115,408	116,213
GCC NET telecom charges	18,944	18,944
Other processing costs	11,348	22,336
	781,979	691,900

15 OTHER OPERATING EXPENSES

	2016	2015
Occupancy costs	140,538	139,735
Directors remuneration	156,000	91,000
Travel and Conferences	43,395	44,568
Public relation and marketing	77,111	126,179
Legal and professional expenses	89,051	185,914
Directors' sitting fees	28,000	17,400
Telephone and fax	9,139	9,888
Entertainment	17,357	16,151
Impairment allowance for doubtful debts	24,505	660
Other expenses	91,701	80,758
	676,798	712,253

Directors remuneration expense for the year ended 31 December 2016 include BD 36,000 additional remuneration for 2015 approved and paid in 2016.

16 INTEREST INCOME

	2016	2015
Interest on bank deposits and treasury bills	145,476	124,086
	145,476	124,086

Notes

to the 31 December 2016 consolidated financial statements
(Bahraini Dinars)

17 RELATED PARTY TRANSACTIONS

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

a) Transactions with key management personnel

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

	2016	2015
Salaries and short term employee benefits	687,983	586,271
Long term employee benefits	78,409	83,147
Directors remuneration	156,000	91,000
Directors fees	28,000	17,400

b) Balances with and from related parties

	2016		
	Shareholders	Other related party	Total
Bank balances	3,435,176	-	3,435,176
Deposits with banks	4,142,645	-	4,142,645
Trade receivables	197,539 (i)	2,450	199,989
Payables	-	64,747 (ii)	64,747

	2015		
	Shareholders	Other related party	Total
Bank balances	4,137,966	-	4,137,966
Deposits with banks	6,677,641	-	6,677,641
Trade receivables	177,929 (i)	795	178,724
Payables	-	65,213 (ii)	65,213

- (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 pays the agreed costs of providing such services to NI, which amounted to BD 64,747 (2015: 65,213).

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18 CAPITAL COMMITMENTS

Capital commitments as on 31 December 2016 by the Group are BD 139,004 (2015: BD 309,881).

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:

	2016	2015
Cash dividends	2,332,800	1,866,240
Statutory reserve	12,195	-
Directors remuneration	120,000	120,000
General reserve	365,150	-

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	Kingdom of Bahrain	51%	49%	Debit and credit cards hosting and cards personalisation services

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21 NON CONTROLLING INTEREST

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

	2016	2015
NCI percentage	49	49
Assets	1,081,721	821,246
Liabilities	156,226	134,865
Net assets	925,495	686,381
Carrying amount of NCI	453,492	336,326
Revenue	980,665	948,913
Profit	239,114	275,473
Total comprehensive income	239,114	275,473
Profit allocated to NCI	117,166	134,982
Cash flows from / (used in) operating activities	259,656	(61,287)
Cash flows used in investing activities	(593)	(4,371)
Net increase / (decrease) in cash and cash equivalents	259,063	(65,658)

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, Treasury bills, 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

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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, deposits with banks, treasury bills, 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:

	2016	2015
Bank balance	3,435,176	4,137,966
Deposits with banks	4,142,645	6,677,641
Treasury Bills	4,874,224	-
Balance with Central Bank of Bahrain	2,964,885	2,503,206
Balance with other central banks	1,066,020	1,273,103
Trade receivables	347,652	380,305
Other receivables	22,326	26,961

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.

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23 FINANCIAL RISK MANAGEMENT (continued)

Ageing of trade and other receivables:

	2016	2015
0 - 30 days	241,178	234,977
31 - 180 days	104,324	152,056
181 – 365 days	49,641	20,893
Gross receivables	395,143	407,926
Impairment allowance	(25,165)	(660)
	369,978	407,266

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

The past due and impaired receivables amounted to BD 25,165 (2015: BD 660). The Group believes that amounts past due by more than 30 days amounting to BD 128,800 (2015: BD 172,289), are not impaired and are collectible in full, based on historic payment behaviour and since these amounts are due from reputed customers.

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

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:

2016	Carrying Amount	Contractual cash flows	6 months or less
Payables and Accrued Expenses	750,220	750,220	750,220
Deferred income	54,345	54,345	54,345
	804,565	804,565	804,565
2015	Carrying Amount	Contractual cash flows	6 months or less
Payables and Accrued Expenses	794,865	794,865	794,865
Deferred income	55,608	55,608	55,608
	850,473	850,473	850,473

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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 and treasury bills.

The Group's short-term deposit and treasury bills is at a fixed interest rate and matures within 1 year.

	2016	2015
Effective interest rate on short-term deposit and treasury bills (BHD)	2.20%	1.78%

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

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as total shareholders' equity. The Group's consolidated return on equity was 22 percent in 2016 (2015: 21 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 2016, all the Group's financial assets have been classified as loans and receivables and financial liabilities are classified as financial liabilities measured at amortised cost.

23 COMPARATIVES

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