



Adding value for 20 years

Annual Report 2017

The BENEFIT Company B.S.C. (C)

P.O. Box 2546, Manama
Kingdom of Bahrain

Tel: +973-17500400

Fax: +973-17500401

Email: tbcinfo@benefit.bh

www.benefit.bh

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,
First Deputy Prime Minister
& Deputy Supreme
Commander



For more information on
our products and services,
please visit our website
www.benefit.bh

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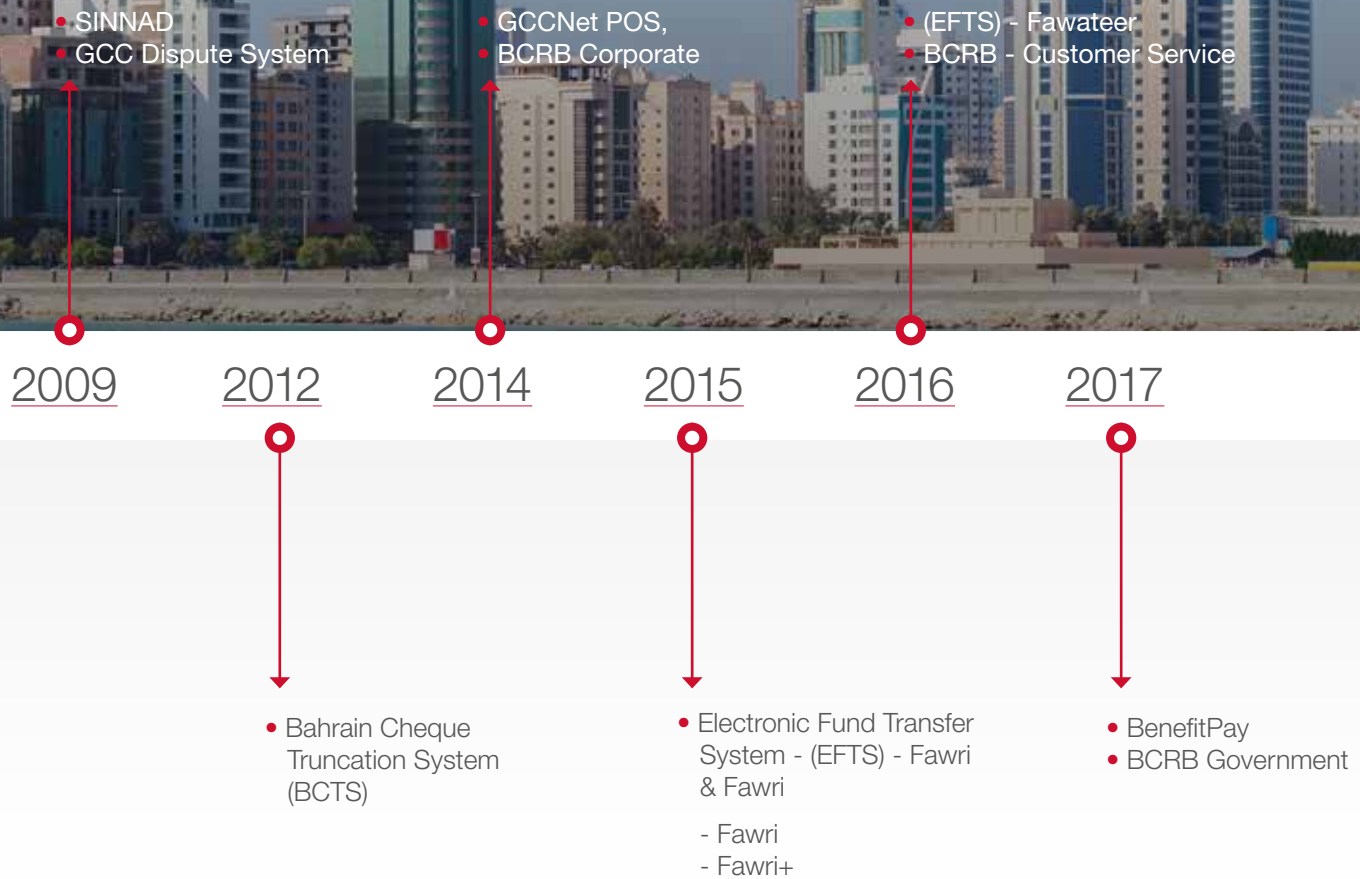
Adding value to the Kingdom of Bahrain for 20 years

Since inception in 1997, The BENEFIT Company has been at the very heart of efforts to facilitate growth, develop innovative solutions and enrich the customer experience. The key values that have guided these initiatives have helped raise the quality of services offered by the banking and financial services sector, simplified and enhanced the various business processes, and bolstered Bahrain's reputation as an investor friendly nation.



Celebrating our illustrious history...





...by continuing to add value

Vision, mission and profile



Our 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.

Our 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 celebrates twenty years of consistently providing value added services that have played a role in strengthening Bahrain's business friendly reputation and an economic powerhouse. It 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.

BENEFIT remains committed towards providing ease, convenience and speed to both business processes and financial transactions. This will enable 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 transactions 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 Bahrain.

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

enhance 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), Bahrain Cheque Truncation System (BCTS), Amex Cards withdrawal, Electronic Fund Transfer System (EFTS) and BenefitPay.

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 – 94 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 3.1 million (US\$ 8.2 million approx.).



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

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

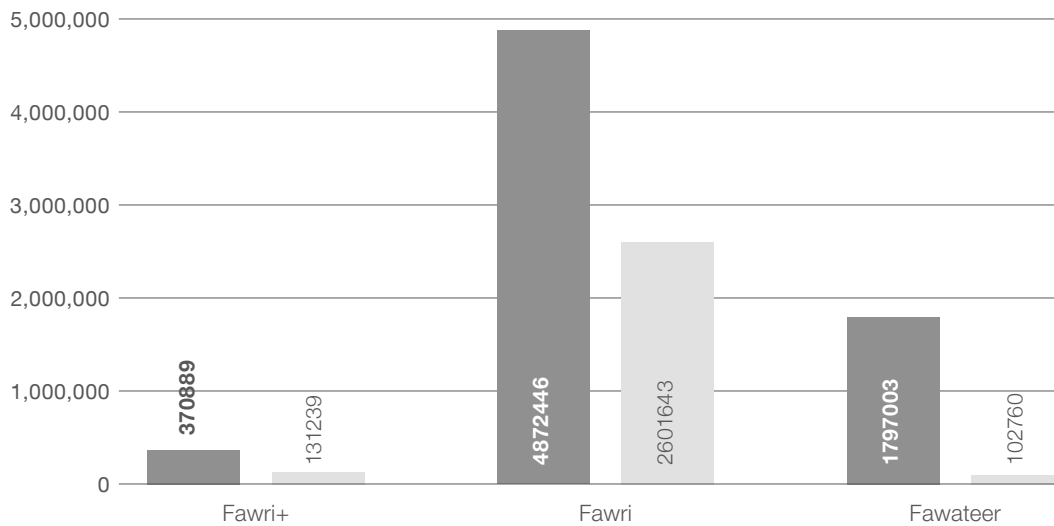


Our Achievements...

Electronic Fund Transfer System (EFTS):



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).



	Fawri+	Fawri	Fawateer
2016	131239	2601643	102760
2017	370889	4872446	1797003

Our Achievements...

Global Accreditation:



BENEFIT commitment towards enforcing and upholding strict international information security standards received global recognition with the company's compliance to the Payment Card Industry Data Security Standard - PCI DSS 3.2. This accreditation underlines BENEFIT's readiness to undertake all necessary measures to safeguard the privacy and security of electronic card holders' information, and ensure that Bahrain remains a safe and secure destination for all fintech solutions.



Celebrating our illustrious history...



GCCNet

The next step was to connect ATM users in Bahrain to the GCCNet whereby bank customers could use their ATMs in any of the GCC countries that are part of the network.



1997

1999

01-02

Automated Teller Machine - ATM

One of the first initiatives undertaken by BENEFIT was to be the national switch of Kingdom of Bahrain whereby ATM terminals of 14 commercial banks were connected enabling bank customers to be able to use any ATMs located nationwide

Point of Sale - POS

POS: Alongside the National ATM connectivity, BENEFIT connected majority of the Point of Sale terminals at major retail outlets enabling customers to use their debit cards to make purchases.



Amex

American Express chose BENEFIT as their preferred switch partner in the GCC whereby Amex cardholders would be able to use ATM facilities in Kingdom of Bahrain, Kuwait, Qatar, United Arab Emirates and Oman

Tele Bill Payment

The service provides telecom companies and their customers with the ease and convenience of being able to use their debit cards for making payments at various kiosks or online payment portals.

Direct Debit

BENEFIT introduced the Direct Debit service to enable banks, merchants and customers to automate the regular payment process.



05-07 — 2009



Bahrain Credit Reference Bureau (BCRB):

Managing risk is becoming more and more important to financial institutions; whereas 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.

Payment Gateway

This secure online payment solution enables merchants, corporations and government entities to process and settle online credit and debit card (ATM) payments via any electronic channel.

BCRB Score Card

A credit scoring service for the members of the Credit Bureau highlighting the credit performance of the customer in terms of various credit facilities. The score is based on the history of the applicants accounts it assess credit risk by examining the most current record of a customers' payment behavior across all reported credit accounts

SINNAD

Sinnad offers the most advanced card payment solutions such as ATM, card processing services and consumer lending to financial and non-financial institutions for banks in the Middle East and Africa.

GCCNet/ Dispute System

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.

Flying Start



Towards digitalising the banking and financial services sector. It also provided the necessary springboard for setting up the building blocks of a comprehensive fintech strategy that would help prepare the sector in meeting the challenges of the new century.

BENEFIT's origin as the National ATM and Point of Sale switch for Kingdom of Bahrain laid a strong foundation for the future direction of the company. Starting as a collaboration of 14 commercial banks, this small step in building connectivity proved to be a giant leap in bolstering the service offerings of banks in Kingdom of Bahrain.

As a regional financial hub with one of the freest economies in the world, Bahrain provided one of the most fertile environments for the growth of a company like BENEFIT. Its liberal economic policies combined with its advanced technological infrastructure gave BENEFIT a tactical advantage in transforming the organizational vision into tangible action plans.



Chairman's Statement



Abdulla Hussain Chairman

For over twenty years, the BENEFIT Company has consistently demonstrated the value of technology in providing seamless payment and information processing to pave the way for the banking and financial sector in the Kingdom of Bahrain toward digitalization.

The year 2017 marks two decades of BENEFIT's success in playing a transformative role in the way banking activities are conducted in Bahrain. It has been a story of determination, hard work, and most crucially commitment to support the banking community and bolster Bahrain's credentials as a banking hub for the Middle East.

We believe that such role have laid the groundwork for the further development of a more comprehensive financial services in the market and accelerate further development and innovation; and help in positioning BENEFIT as an agent of change.

The vision of the company has evolved significantly since its inception and will continue to evolve with market dynamics and technological advancements. Starting as an ATM Switch company to facilitate ATM transactions amongst banks, BENEFIT has now grown to be a major

player with a range of diversified services to the banking community and beyond. BENEFIT's growth has been steady but not without its set of challenges.

One of the main challenges that the company encountered over the years was the implementation for a more stable and robust technology environment for all Bahrain based banks to rely upon to deliver their services and gain the trust of their stakeholders. BENEFIT's response was to invest in state-of-the-art technologies that would address concerns related to safety, stability and resilience, and at the same time transform the trust into a satisfying customer experience.

We are grateful for the commitment and support extended by all the stakeholders including the Central Bank of Bahrain (CBB) and all members of the banking community at every step of our journey. The support has been crucial in implementing a technology environment that would cater to banks all across the Kingdom, and launch initiatives and services taking into consideration the complexities involved in their respective operations.

One of the main goals of BENEFIT is to provide a shared service center for the banking and financial community that would yield enhanced efficiency and increased cost effectiveness. Rather than having multiple organizations investing and improving similar processes, we believe that having a single entity perform the same function would help drive down the cost for all participants as well as stimulate innovations within the financial community.

This has been one of the key highlights of BENEFIT's successful two-decade journey, and the focus has always been to help commercial banks and financial services companies to focus on what they do best, so that BENEFIT take care of ancillary functions to help improve performance and customer service.

One of the main successes of these initiatives has been the launch of Bahrain Cheque Truncation Services (BCTS) that would enable cheques from one bank to be deposited in other banks within the same day. Other main successes include the launch of the Electronic Fund Transfer Services (EFTS) enabling a breakthrough in real-time fund transfer from one bank account to another bank account within seconds such as the case with Fawri+ service. This was not possible without the active support and dedication of all of the participating banks and BENEFIT and with the active support and drive of CBB.

At the core of these platforms is the drive to provide a tangible strategic direction to ensure that BENEFIT continues to play a key role as a hub for payment and information across the Kingdom's banking and financial sector. We are determined to strengthen this role even further

and ensure that new steps taken reflect the changing dynamics of the national and regional markets.

In 2017, the BENEFIT Company continued to make substantial progress and development of both its services and its internal capabilities. Steps were taken to bolster some of its core competencies, broaden the scope of its operations and maintain a consistent path of development, productivity and profitability.

One of the key product launched this year was Benefit Pay, a mobile application that takes cash-less transaction to the next level and makes it easy, convenient and user-friendly. Catered for individuals, merchants and banks, Benefit Pay makes it possible for anyone to conduct payments without cash or physical card.

One of the major highlights of 2017 was the formation of a new management structure to help improve strategy execution. The new structure aims to improve focus on business development, marketing and innovation. This was a momentous step taken by BENEFIT this year and reflected some of the strategic imperatives guiding the company as it grapples with the ever changing technological, social and economic landscape.

The impact on the financial performance, in particular, has been highly positive. We are pleased to report another successful year with a growth rate of 16 per cent as compared to the results of 2016. Profitability remained on a steady rate while operating income, assets and equity grew by 13 per cent, 12 per cent and 8 per cent respectively.

Further, a strategy is being formulated for the next 3 years which includes an aggressive set of initiatives that will further position BENEFIT as a hub for payment, information and ancillary services.

2018 is expected to be another challenging year for BENEFIT but the company is ready to step up the pace with new and innovative suite of services to an ever expanding and diverse market with the support of the banking community and the CBB. With the advent of Fintech, BENEFIT will continue to evaluate and implement key strategic initiatives that will significantly alter the current and future models of banking and financial sector.

Finally, as we look back at the past twenty years of BENEFIT's operations, we like to extend our appreciation and gratitude to the leadership of Bahrain for their wise counsel, foresight and consistent support and the banking community for their continued valued efforts.

We thank each and every member of the participating banks and clients for their trust, and helping us to play a part in their success story. We are also thankful for the advice given to us by the CBB. We appreciate the encouragement of our shareholders and the dedication of our employees.

We are positive that the success achieved in 2017 will steer the way for a more prosperous 2018.

Abdulla Hussain
Chairman

2017 marks two decades of BENEFIT's success in playing a transformative role in the way banking activities are conducted in Bahrain.

Celebrating our illustrious history...



GCCNet POS

BENEFIT extended the POS service to cover major retail outlets across the GCC. This expansion of the POS facility enabled bank customers to use their debit cards to make purchases in any retail outlet that is affiliated to the GCCNet.

BCRB Corporate

BENEFIT developed a customised BCRB system for some of the major corporates in Kingdom of Bahrain. This was to enroll them into the system and help them in accessing relevant credit information, and to have the support of suitable reporting standards.



2012

Bahrain Cheque Truncation System - BCTS

The Bahrain Cheque Truncation System (BCTS) is a value added service that enables retail banks in Kingdom of Bahrain to exchange electronic images of their clearing cheques, and reduce the clearing cheque to one business day.

2014



15-16

Electronic Fund Transfer System - EFTS

Electronic Fund Transfer System (EFTS) is an electronic system that connects retail banks across Kingdom of Bahrain - giving greater speed and efficiency to fund transfers and bill payments.

EFTS (Fawri+)

Fawri+ is a near real time fund transfer that allows customers to transfer funds up to BD 1,000 per day in less than 30 seconds

EFTS Fawri

Fawri is a deferred settlement fund transfer service that allows customers or corporates to transfer any amount within a few hours in the course of a single business day.

EFTS (Fawateer)

Fawateer aggregates bills from multiple billers and presents those bills to customers or corporates in a single interface - providing the option of real time bill payments within 30 seconds.

BCRB Customer Service

The Customer Service Department which is established to provide the clients supports to request a Credit Report and raise a dispute.



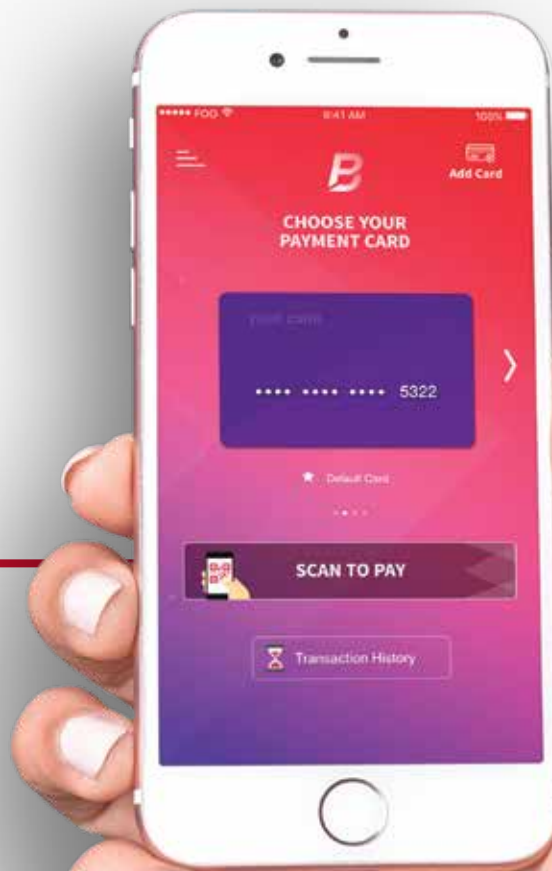
2017

BenefitPay

BENEFITPay or the National Electronic Wallet Payment System is a method to streamline payments across Kingdom of Bahrain allowing consumers and merchants to transact without the use of cash or cards. All they need to do is download an app on their smartphones that would enable them to either send or receive payments electronically, securely, and immediately.

BCRB Government

Governmental institutions, ministries and other entities were enrolled into BCRB and were supported by relevant credit information and reporting standards.



Strengthening Roots



In the twenty years that the BENEFIT Company has been in operation, the banking and financial services sector in Bahrain has witnessed a radical transformation in the area of customer service, product and service offering, and excellence in innovation.

BENEFIT has played a key role in bringing about this change. The company has been at the forefront of developing technology that delivers ease and convenience to customers, and adds value to each of the products and services offered by the member banks.

BENEFIT has capitalised on its technological leadership to steer the industry towards greater automation, and paved the way towards introducing paperless and even cloud based transactions. The goal is clear: to raise the standards to the demands of the 21st Century, and create an environment that bolsters Bahrain's credentials as a business friendly nation.



CEO Statement



Abdulwahed AlJanahi Chief Executive Officer

2017 marked a significant milestone in the history of our organisation.

The BENEFIT Company celebrated twenty-years of operations this year — an event whose success, once again, underlined the strength and tenacity of the three pillars that have guided Benefit's activities: a) connecting financial transactions, b) customer information depository, and c) business outsourcing.

Today, as the company embarks on delivering a tangible shape to Bahrain's fintech initiatives, these pillars will continue to provide the philosophical foundations for each of our new projects, products and services.

As we look back at the last financial year, we are pleased to report that the company continues to maintain a consistent growth curve in profits as well as achieve appreciable increase in performance levels.

While 2016 saw the culmination of the Three-Year Strategic Direction, it was decided to extend it for another year. Many of the projects and services that were to be introduced as part of this strategy were still being developed, and hence, an extension seemed to be the most logical alternative.

However, the Board of Directors along with the management team are putting the finishing touches to the next Three-Year Strategic Direction whose expected launch would be in 2018. Once again, its overarching purpose would be to strengthen BENEFIT's reputation as a key provider of value-added services to banking and financial institutions, lay the groundwork to buttress the company's preparedness in meeting current and future challenges, and continue maintaining a leadership position in our operational sector.

As BENEFIT is in the process of transition to meet the requirements of the new strategic goals, there have been major changes within the organisation. What has remained unchanged, however, is the company's ability to be proactive in responding to any challenges as well as quickly adapt to any new development that will have a positive bearing upon the organisation. There has been a structural change in the management team with the opening up of new senior managerial positions in business development and marketing.

These new appointments highlight a cultural transformation within the company as we begin to look for new opportunities and territories in which to operate. It also highlights our determination to capitalise on new and innovative trends in the area of fintech and leverage them to achieve results for our ever-widening customer base.

+16%

Growth rate compared to 17% the previous year

The Bahrain Credit Reference Bureau (BCRB) continues to make a positive impact on both individuals and organisations with its goal of providing accurate and most current credit information available that would help either of the two entities in arriving at a more informed decision.

A dedicated BCRB customer service section was set up on the 17th floor of the NBB Tower in Manama to cater to more than 200 walk-in customers on a daily basis.

BCRB's services were further enhanced to accommodate the specific requirements of telecommunication companies and governmental entities. The Telecom Credit Bureau Platform was designed to enroll the telecommunication sector into the BCRB orbit and support the telecom companies with accurate credit information as per relevant reporting standards.

The Government Credit Bureau Platform, on the other hand, was customised to serve governmental institutions, ministries and other entities. Currently, 14 out of 17 have already enrolled in the project.

One of the biggest projects undertaken in 2017 was the launch of the National Mobile Electronic Wallet Payment system or BENEFITPay. This mobile application allows users to make or receive payment without the use of actual cash or a physical card. The purpose of this service is not only to bring added ease and convenience but also create an e-payments eco-system serving individuals, merchants and banks.

94%

Of our employees are Bahraini nationals

Another key step taken to support online equity traders in Bahrain was the agreement signed with SICO BSC (C) to enable retail investors to have seamless trading access to the Bahrain Bourse through the sicolive online platform. The syncing of BENEFIT's payment channels with sicolive allows investors to easily transfer funds from their retail bank accounts to their SICO investment accounts.

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, reschedule or restructure a credit facility.

Towards the end of the year, we took a strategic decision to acquire the remaining shares of Sinnad Company WLL making it a fully owned subsidiary of Benefit. Formed in 2009, Sinnad provides both financial and non-financial organizations with advanced card payment solutions serving both Visa and MasterCard and having an extensive footprint across the Middle East and North Africa region.

In terms of the financial results, I am pleased to say that 2017 has proved to be successful in delivering tangible results. Growth rate was 16 per cent compared to 17 per cent in 2016. Income for the year was BD 4,355,017 (US\$ 11,536,469) and sales revenue was BD 9,199,570 (US\$ 24,369,722)

x3

Year strategy now in place after a successful previous three years

BENEFIT remains in a strong position to build upon the four pillars that govern our operations. Our resolve to provide value added service to the banking and financial sector remains unchanged as we tap into newer customer base.

While ATM SWITCH will continue to be our core business activity, we are also determined to capitalise on the increasing demand for fintech solutions with new and innovative solutions.

We truly appreciate the hard work and dedication shown by our skilled workforce whose support contributed to our company's success in 2017. We are also proud of BENEFIT's encouraging Bahrainisation records - 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

5 Year Growth



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

Through consistent innovation, focus and strategic planning, the year 2017 was another successful year with the official launch of BenefitPay. BENEFIT's growth in profits serves the company's main focus of enhancing its existing services that provide value adding advantages to member banks and shareholders.

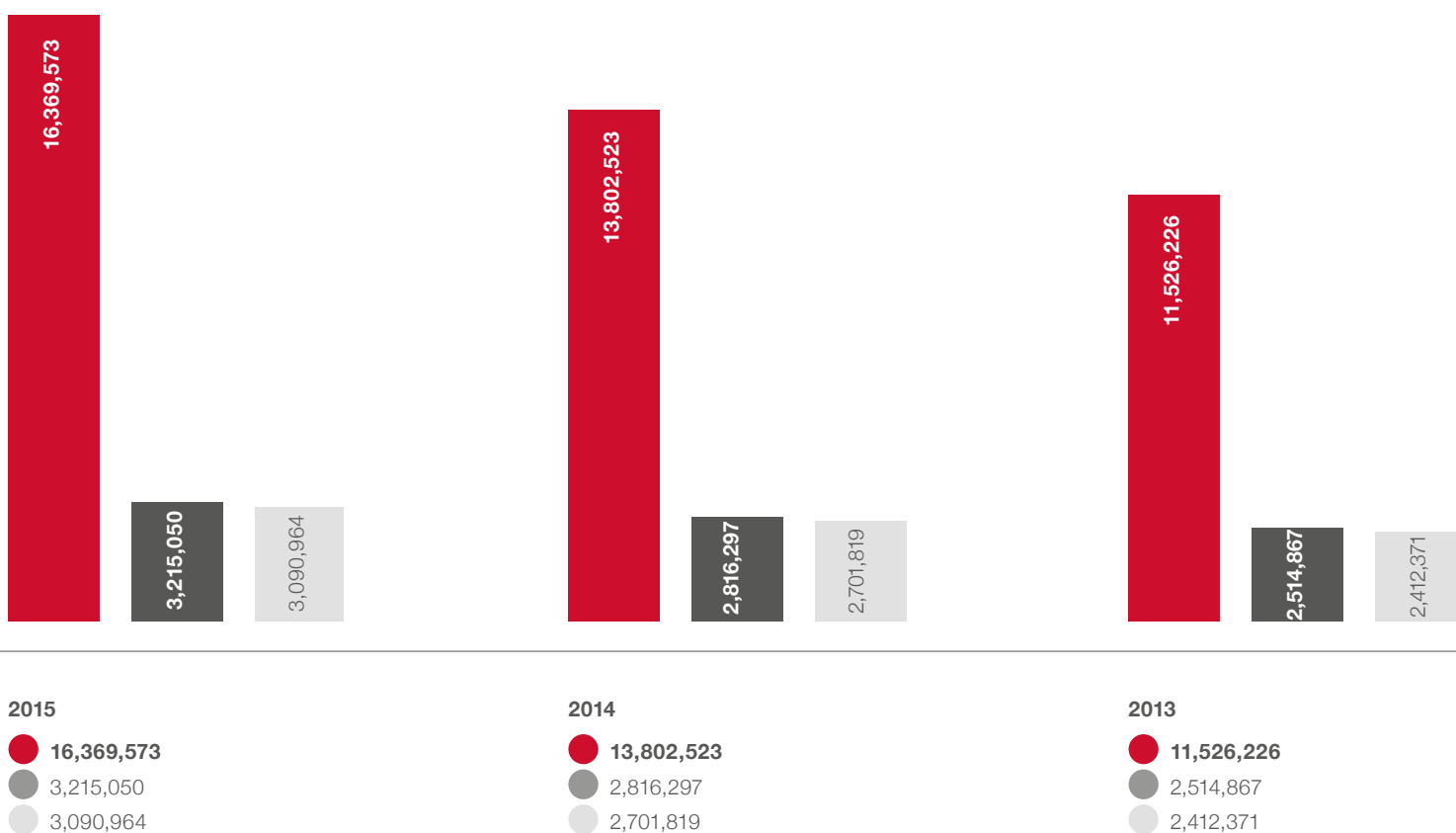
- Net assets
- Profits for the year
- Operating profits



2017
● 19,776,348
● 4,355,017
● 4,103,987

2016
● 18,271,997
● 3,768,664
● 3,623,188

BENEFIT	2013	2014	2015	2016	2017
Operating Profits	2,412,371	2,701,819	3,090,964	3,623,188	4,103,987
Profits for the Year	2,514,867	2,816,297	3,215,050	3,768,664	4,355,017
Net Assets	11,526,226	13,802,523	16,369,573	18,271,997	19,776,348



Board of Directors



1. Abdulla Hussain

Chairman

Chairman of Nomination & Remuneration Committee

NBB,
Head - Information Technology & Operations

2. Mohammed Malik

Vice Chairman

Chairman of Executive Committee

BBK,
Deputy Chief Executive
Retail Banking Group

3. Mohammed Abdulla Isa

Director

Chairman of Audit & Corporate Governance Committee

BBK,
Group Chief Finance Officer

4. G.P.V. Rao

Director

Member of Executive Committee

AUB,
Group Head of Technology
and Financial Services

5. Khaled Abi Khalil

Director

Member of Audit & Corporate Governance Committee

SCHB,
Chief Information Officer

6. Samir Rabadi

Director

Member of Executive Committee

HSBC,
Chief Operating Officer

7. Ahmed A.Rahim

Director

Member of Nomination & Remuneration Committee

Ithmaar Bank,
Chief Executive Officer

8. Abdul Razaq Abdul Khaliq

Director

Member of Nomination & Remuneration Committee

9. Yousif Al Fadhel

Director

CBB,
Director, IT Directorate



1



2



3



4



5



6



7



8



9

Pride in Our Achievements Delivering the Future... Today



Automated Teller Machine (ATM):

BENEFIT is the national switch 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 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 without the need to carry cash.

Bahrain Credit Reference Bureau (BCRB):

Managing risk is becoming more and more important to financial institutions; whereas 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 (BCTS):

Bahrain Cheque Truncation System (BCTS) is another value adding service that the Company offers to the financial market in 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 overall economy and businesses.

Electronic Fund Transfer System (EFTS):

The EFTS is an electronic system that interconnects all retail banks in 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 service. 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 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.

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.

BenefitPay:

BenefitPay is the National Electronic Wallet Payment System. It is a method to streamline payments in the Kingdom of Bahrain and allows consumers and merchants to transact without the use of cash or cards. Instead, they can download an app on their smartphones to either send or accept payments completely electronically, securely, and immediately.

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:

BENEFIT's Tele Bill Payment 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 at various kiosks as well as through online payments.

Management Team



Abdulwahed AlJanahi
Chief Executive Officer

Abdulwahed AlJanahi, Chief Executive Officer joined the BENEFIT Company on April 10th April 2005 with BSc in Focus and Marketing from the St. Edward University in Austin, and a MBA from the University of Bahrain. Mr. Janahi brings to the company a total of 32 years of experience in the financial industry field covering marketing, telecom, and business development.



Yousif AlNefaiei
DGM Business Services

Yousif AlNefaiei, Deputy General Manager of Business Services joined the BENEFIT Company on March 30th, 2006 with a BSc in Computer Science from the University of Bahrain and a MSc. Degree in Information Systems from the Brunel University of London in the United Kingdom. Mr. AlNefaiei has a total of 23 years of experience in the information technology and banking industries.



Reyadh Almearaj
AGM Information Technology

Reyadh Almearaj, Assistant General Manager Information Technology joined the BENEFIT Company on October 3rd, 2017 with a BSc in Business Information Systems from the University of Bahrain and a MBA from University of Glamorgan in the United Kingdom. Mr. Almearaj has over 24 years of experience in information technology and telecommunications in banking industry.



Nezar Maroof
AGM Business Development & Marketing

Nezar Maroof, Assistant General Manager Business Development & Marketing joined the BENEFIT Company on October 22, 2017. Holding a BSc in Computer Science and a MSc. in Information Technology from George Washington University in USA. Mr. Maroof has over 25 years of experience in Information Technology, Innovation, Business Process Re-Engineering & ICT Strategy Development.



Hessa Hussain
Head of BCRB

Hessa Hussain, Head of Bahrain's Credit Reference Bureau joined the BENEFIT Company in 15th February 2005 with a BSc in Computer Engineering from the American University of Sharjah. Miss. Hussain brings to BENEFIT a total of 13 years of experience in Credit Reference Bureau, in addition to 5 years in information technology.



Corporate Governance



1. BENEFIT Corporate Governance Report 2017

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

Table 2: Shareholders			
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 W.L.L	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	2.33%
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	311	1.00%
13	Habib Bank Limited	311	1.00%
14	United Bank Limited	311	1.00%

3. Board of Directors Information

3.1 Board Composition

The Board of Directors comprises of 8 appointed and 2 elected members representing 14 Banks and one director from CBB as an observer, and are appointed for a 3 year term. The current term of the Board started in March 2016 and ends in March 2019.(The Board consists of members with a wide range of experience in the Banking sector.

Table 3.1: Board Composition

No	Director Name	Position in the Board
1	Abdulla Hussain	Chairman
2	Mohammed Malik	Vice Chairman
3	Ahmed Murad 1*	Director
4	Khalifa Al Ansari 2*	Director
5	Mohammed Abdulla Isa	Director
6	G.P.V. Rao	Director
7	Khaled Abi Khalil	Director
8	Samir Rabadi	Director
9	Abdul Razaq Abdul Khaliq	Director
10	Ahmed A.Rahim	Director
11	Yousef Al Fadhel	Director

1* Ahmed Murad resigned in October 2017

2* Khalifa Al Ansari resigned in October 2017

3.2 Directors Roles and Responsibilities

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

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

- Legal and primary oversight
- Setting the Corporate Direction
- Managing performance
- Financial control
- Managing Risk
- Policies and Procedures compliance
- Reporting and Communication

Corporate Governance (continued)



3.3 Directors' Profile

Table 3.4: Directors' Profile			
Director's Name	Position in the Board	Current Employment	Others Boards
Abdulla Hussain	<ul style="list-style-type: none"> · Chairman of BENEFIT · Chairman of Nomination and Remuneration Committee 	Head – Information Technology & Operations - NBB	
Mohammed Malik	<ul style="list-style-type: none"> · BENEFIT Vice Chairman · Chairman of Executive Committee. 	Deputy Chief Executive , Retail Banking Group - BBK	<ul style="list-style-type: none"> · Vice Chairman of CrediMax Board · Chairman of Credimax Audit Committee · Chairman of Invita Kuwait
Ahmed Murad	<ul style="list-style-type: none"> · BENEFIT Board of Director · Member of Executive Committee. 	AGM, Corporate Banking - NBB	
Khalifa Al Ansari	<ul style="list-style-type: none"> · BENEFIT Board of Director · Member of Audit & Corporate Governance Committee 	AGM, Information Technology - NBB	
Mohammed Abdulla Isa	<ul style="list-style-type: none"> · BENEFIT Board of Director · Chairman of Audit and Corporate Governance Committee 	Group Chief Finance Officer - BBK	<ul style="list-style-type: none"> · SICO Board of Director. · Vice Chairman Nomination, Remuneration and Corporate Governance - SICO
G.P.V. Rao	<ul style="list-style-type: none"> · BENEFIT Board of Director · Member of Executive Committee 	Group Head of Technology and Financial Services - AUB	
Khaled Abi Khalil	<ul style="list-style-type: none"> · BENEFIT Board of Director · Member of Audit and Corporate Governance Committee 	CIO-Chief Information Officer – GCC (Excluding UAE) - (Technology and Banking Operations) Standard Chartered Bank.	Board Member in Standard Chartered Metropolitan Holdings – Lebanon
Samir Rabadi	<ul style="list-style-type: none"> · BENEFIT Board of Director · Member of Executive Committee 	Chief Operating Officer, HSBC Bank	
Abdulrazaq Abdulkhalik	<ul style="list-style-type: none"> · BENEFIT Board of Director · Member of Nomination & Remuneration Committee 		<ul style="list-style-type: none"> · Co-Vice Chairman of ICC Bahrain Trade Finance Forum. · Board Member of Bahrain Specialist Hospital · Chairman of Audit Committee – Bahrain Specialist Hospital

Table 3.3: Directors' Profile (continued)

Director's Name	Position in the Board	Current Employment	Others Boards
Ahmed A. Rahim	<ul style="list-style-type: none"> · BENEFIT Board of Director · Member of Nomination and Remuneration Committee 	<ul style="list-style-type: none"> -CEO of Ithmaar Bank -CEO Of Ithmaar Holding -CEO of IB Capital 	<ul style="list-style-type: none"> · Member of the Board of Directors Solidarity Group Holding B.S.C (c) · Faysal Bank Limited (Karachi-Pakistan) - Vice Chairman, Board of Directors - Chairman – Remuneration, Nomination & Recruitment Committee - Member – Board Strategic Planning Committee · Bahrain Association of Banks: - Vice Chairman, Board of Directors · INJAZ, Bahrain: - Member, Board of Trustees
Yousif AlFadhel	<ul style="list-style-type: none"> · BENEFIT Board of Director 	Director, IT Directorate of CBB	

3.4 Directors' Remuneration

Members of the Board of Directors' remuneration is BHD 110,000 for the year 2017. The committees received sitting fees for attending the meetings for a total amount of BHD 60,000 for 2017.

3.5 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.

3.6 Board Appointment

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

3.7 Board Evaluation

BENEFIT has in place a performance evaluation for the Board and its Committees.

3.8 Board Induction

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

Corporate Governance (continued)



4. 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.

4.1 Board and its Committees Meetings and Attendance

Table 4.1: Board Meetings & Its Committees Attendance

Name of Director	Board		EXCO Committee		Audit & Corporate Governance Committee		Nomination & Remuneration Committee		Total	
	Total No. of Meetings	Meetings Attended	Total No. of Meetings	Meetings Attended	Total No. of Meetings	Meetings Attended	Total No. of Meetings	Meetings Attended	Total No. of Meetings	Meetings Attended
Abdulla Hussain Chairman	9	9	7	*2			3	*2	19	13
Mohammed Malik Vice Chairman	9	8	7	*5			3	*1	19	14
Ahmed Murad Director	9	*4	7	*3					16	7
Khalifa Al Ansari Director	9	*3			4	*1			13	4
Mohammed Abdulla Isa Director	9	8			4	4			13	12
G.P.V. Rao Director	9	7	7	7					16	14
Khaled Abi Khalil Director	9	6			4	4			13	10
Samir Rabadi Director	9	6	7	5					16	11
Abdul Razaq Abdul Khaliq Director	9	8			4	*1	3	*2	16	11
Ahmed A. Rahim Director	9	9	7	*1			3	3	19	13
Yousif Al Fadhel Director	9	7							9	7

Corporate Governance (continued)



Table 4.2: Date of Board Meetings Attendance

Members	23 FEB 2017	24 APRIL 2017	8 MAY 2017	8 AUG 2017	15 OCT 2017	1 NOV 2017	8 NOV 2017	3 DEC 2017	7 DEC 2017
Abdulla Hussain Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mohammed Malik Vice Chairman	✓	X	✓	✓	✓	✓	✓	✓	✓
Ahmed Murad Director	N/A	✓	✓	✓	✓	Resigned from NBB	Resigned from NBB	Resigned from NBB	N/A
Khalifa Alansari Director	N/A	✓	✓	✓	Resigned from NBB	Resigned from NBB	Resigned from NBB	Resigned from NBB	N/A
Mohammed Abdulla Isa Director	✓	X	✓	✓	✓	✓	✓	✓	✓
G.P.V. Rao Director	✓	X	X	✓	✓	✓	✓	✓	✓
Khalid Abi Khalil Director	✓	X	X	✓	✓	X	✓	✓	✓
Samir Rabadi Director	Matthew J. Deakin *1	N/A *2	N/A	✓	✓	✓	✓	✓	✓
Abdul Razaq Abdul Khaliq Director	✓	X	✓	✓	✓	✓	✓	✓	✓
Ahmed A. Rahim Director	✓	✓	✓	✓	✓	✓	✓	✓	✓
Yousif Al Fadhel CBB Director	✓	✓	✓	X	✓	X	✓	✓	✓

1* Matthew J. Deakin resigned from HSBC March 2017

2* N/A - Not Available

Table 4.3: Dates of Executive Committee Meetings & Attendance							
Members	16 JAN 2017	21 FEB 2017	6 JUNE 2017	6 AUG 2017	19 SEP 2017	1 NOV 2017	21 NOV 2017
Mohammed Malik - Chairman *2	✓ Abdulla Hussain Chairman *1	✓ Abdulla Hussain Chairman *1	✓	✓	✓	✓	✓
Samir Rabadi - Member	Mathhew J. Deakin *3	Mathhew J. Deakin *3	✓	✓	✓	✓	✓
G.P.V. Rao - Member	✓	✓	✓	✓	✓	✓	✓
Ahmed Murad - Member	X Ahmed A. Rahim *4	✓ Ahmed A. Rahim *4	✓	✓	✓	Resigned	Resigned

1* Abdulla Hussain - Chairman of Executive Committee till May 2017

2* Mohammed Malik - Chairman effective May 2017

3* Matthew J. Deakin - Resigned March 2017 - Samir Rabadi elected and attended first meeting June 2017

4* Ahmed A. Rahim member of Executive Committee till May 2017, Ahmed Murad - Executive Committee member effective May 2017 / Resigned October 2017

Table 4.4: Dates of Audit & Corporate Governance Committee Meetings & Attendance				
Members	6 FEBRUARY 2017	25 APRIL 2017	13 JULY 2017	25 OCTOBER 2017
Mohammed Abdulla Isa - Chairman	✓	✓	✓	✓
Khalifa Al Ansari *2- Member	✓ Abdul Razak Abdul Khaliq *1	X Abdul Razak Abdul Khaliq *1	✓	Resigned from NBB
Khaled Abi Khalil - Member	✓	✓	✓	✓

1* Abdul Razak Abdul Khaliq - Effective May 2017 - Moved to Nomination & Remuneration Committee

2* New member Khalifa Al Ansari - Effective May 2017 - Resigned October 2017

Table 4.5: Dates of Nomination & Remuneration Committee Meetings & Attendance			
Members	20 FEBRUARY 2017	16 JULY 2017	6 NOVEMBER 2017
Abdulla Hussain - Chairman *1	✓ Mohammed Malik *2	✓	✓
Ahmed A. Rahim - Member	✓	✓	✓
Abdul Razak Abdul Khaliq - Member *3	*3 Started in May	✓	✓

1* As of May 2017 Abdulla Hussain is Chairman

2* Mohammed Malik Moved to Executive Committee

3* As of May 2017 Abdulrakak Abdul Khaliq is new Nomination & Remuneration Committee member

Corporate Governance (continued)



Table 4.6: Dates of Sub-Committee Meetings & Attendance

Members	22 November 2017	6 December 2017
Abdulla Hussain - Chairman	✓	✓
Mohammed Malik - Vice Chairman	✓	✓
Ahmed A. Rahim - Director	✓	✓

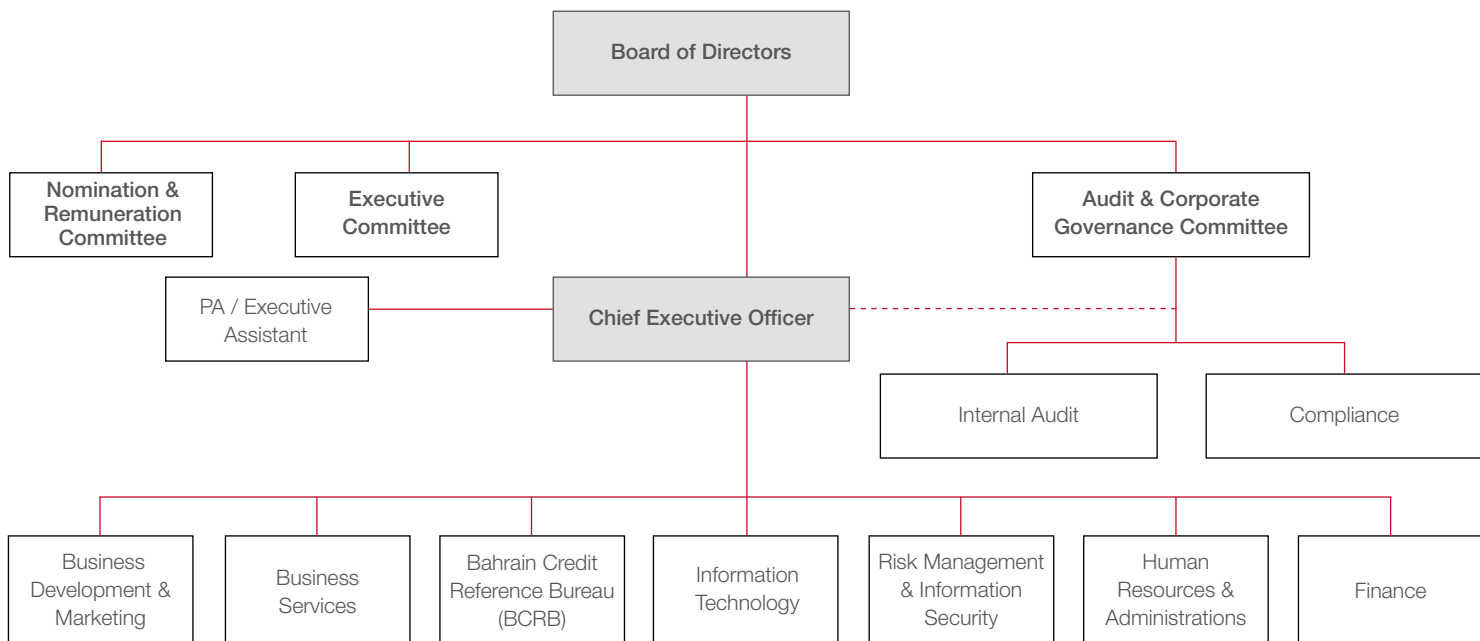
The subcommittee was setup for a temporary period for the purpose of addressing regulatory and strategic initiatives.

5. AGM & EGM Meeting

The Annual General and the Extra Ordinary Meetings were held on 30th March, 2017

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.



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 15 (a).

11. Related Party Transactions (IFRS)

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

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

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

Please refer to Audited financials under note 15 (b).

12. 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.

13. 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.

Corporate Governance (continued)



14. Board Access to Advice and Counsel

The Board may seek for any advice and counsel through a formal Board or Committee meetings or through informal contact directly with the Chief Executive Officer or any other member of management.

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

15. Internal Control

The Company's Internal Auditor Manager reviews internal control processes & procedures, and KPMG is the Company's External Auditor.

16. 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.

17. 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 and keeping the information confidential as per the Company procedures.

18. Other Information

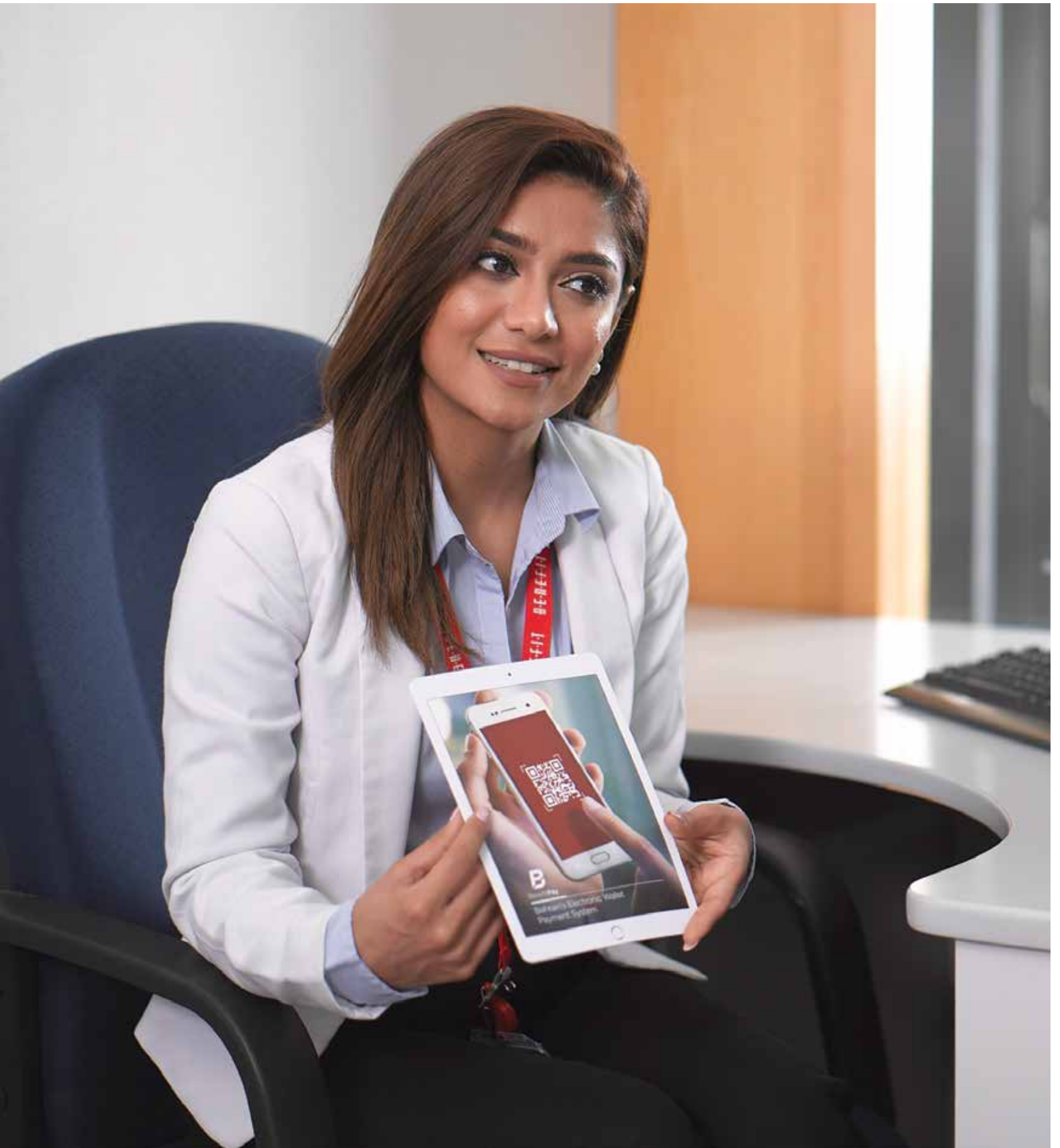
The statutory Auditors of the company are KPMG Fakhro Bahrain, 2017 audit fees is BHD 11,050 and non-audit services fees are BHD 5,000.

19. Corporate Social Responsibility

To support the social welfare and contribute back to the society, the Board has recommended to allocate an amount of the net profit as charitable donations, subject to AGM approval, in the Kingdom of Bahrain.

20. Status of Compliance with Corporate Governance Guidelines

BENEFIT abides by the Code of Corporate Governance issued by Central Bank of Bahrain (CBB) and Ministry of Industry and Commerce in Bahrain.



Benefit Annual General Meeting



BENEFIT ANNUAL GENERAL MEETING		Meeting: AGM-30.03.17
Minutes		The Benefit Company
Meeting called by	The Benefit Company	
Type of meeting	Annual General Assembly Meeting for 2016	
Attendees	As per attendees list	
Apologies	As per attendees list	

The Chairman, Mr. Abdulla Hussain chaired the meeting. He welcomed the participation of the Shareholders representatives, Central Bank of Bahrain and Ministry of Industry and Commerce, and confirmed we had a quorum of 99% at the meeting.

Agenda topics

1. Minutes of Agm Meeting Held on 29 MARCH 2016	ABDULLA HUSSAIN
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Discussion:

The Chairman advised the Shareholders the minutes of the AGM meeting held on 29 March 2016 was available in the distributed Annual Report for their reference. There were no comments or questions raised and the minutes were approved.

Resolution 1 – AGM/17: The minutes of the Annual General Meeting dated 29 March 2016 was approved by the Shareholders.

2. Directors Report for the Year Ended 31 December 2016	ABDULLA HUSSAIN
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Discussion:

The Chairman gave a summary of the Directors Report for 2016. He advised the Shareholders during 2016, The BENEFIT Company focused on executing and completing the Company corporate strategy and direction which was initiated in 2014.

The Chairman continued to inform the shareholders The BENEFIT Company have also 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 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.

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.

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". The 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.

The Chairman advised, 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.

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).

The BENEFIT Company is exploring, in coordination with the CBB, 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.

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.

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 BENEFIT and its management and staff for their hard work, dedication and contribution to the success of the Company.

There were no comments or questions raised and the report was approved.

Resolution 2 – AGM/17: The Directors Report for the year ended 31 December 2016 was approved by the Shareholders.

3. External Auditors Report to the Shareholders for the Year 2016

JAAFAR AL QUBAITI

Discussion:

Mr. Jaafar Al Qubaiti of KPMG advised the Auditing Standards have changed in 2016 and accordingly is represented in the Independent Auditors Report.

Mr. Al Qubaiti requested with the Chairman permission that he read the Auditor's opinion only, and this was agreed by the Ministry of Industry and Commerce as well. The Chairman approved the request and accordingly KPMG read their opinion as stated in the External Auditors Report for the year 2016.

Mr. Al Qubaiti, advised KPMG have audited the accompanying consolidated financial statements of The BENEFIT Company and its subsidiary which comprise the consolidated statement of the financial position as of 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. He continued to advise in their opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended is in accordance with the International Financial Reporting Standards [IFRS].

There were no comments and the Auditors report for the financial year ended 31 December 2016 was approved.

Resolution 3- AGM/17: The External Auditors report for the financial year ended 31 December 2016 was approved by the Shareholders.

Benefit Annual General Meeting (continued)



4. Financial Statement For The Year Ended 31 December 2016

ABDULLA HUSSAIN

Discussion:

Chairman advised The Company's financial statement for the year ended 31 December 2016 has been distributed and is in the annual report as well. There were no questions raised and the report was approved.

Resolution 4-AGM/17: The financial statements for the year ended 31 December 2016 was approved by the Shareholders.

5. Recommended Appropriation of the Net Profit for 2016

ABDULLA HUSSAIN

Discussion:

The Chairman advised the Shareholders, the Board of Directors have recommended the appropriation of the Net Profit of the year 2016 as follows:

- To distribute cash dividends to the Shareholders of BD 2,332,800, which is equal to 75% of the paid up capital. There were no comments and was accordingly approved.
- To transfer BD 365,150 to the General Reserve. There were no comments and was accordingly approved.
- To transfer BD 941,353 to the Retained Earnings. There were no comments and was accordingly approved.

Resolution 5 -AGM/17: The above recommended appropriation of the Net Profit for 2016 was approved by the Shareholders.

6. Recommended Appropriation of the Net Profit for 2016

ABDULLA HUSSAIN

Discussion:

The Shareholders were advised the Board of Directors recommended Directors Remuneration in the sum of BD 120,000 for the year 2016. There were no questions raised and was accordingly approved.

Resolution 6 -AGM/17: The Shareholders approved the Directors remuneration in the sum of BD 120,000 for the year 2016.

7. Directors Remuneration for 2016

ABDULLA HUSSAIN

Discussion:

The Shareholders were asked to absolve The Benefit Company Board of Directors from their legal liability for the year 2016 and this motion was approved. There were no questions raised.

Resolution 7-AGM/17: The Shareholders approved to absolve the Board of Directors from their legal liability for the year 2016.

8. Ratification on The Appointment for New Board Members

ABDULLA HUSSAIN

Discussion:

The Shareholders were advised two new Board Directors have been appointed from NBB, and to ratify Mr. Ahmed Murad and Mr. Khalifa Al Ansari, replacing Mr. Abdul Razak A. Hassan Al Qassim and Mr. Khalid Juma. There were no questions raised and the ratification was approved.

Resolution 8-AGM/17: The Shareholders approved the ratification of Mr. Ahmed Murad and Mr. Khalifa Al Ansari.

9. Appointment of the External Auditor

ABDULLA HUSSAIN

Discussion:

The Chairman advised the shareholders on The Board's recommendation to re-appoint the Company's external auditor KPMG for the year 2017, subject to the approval of the Central Bank of Bahrain, and to authorize the Board of Directors to determine their fees.

Resolution 9 –AGM/17: The shareholders approved the appointment of KPMG as the Company's External Auditors for the year 2017 subject to CBB approval and authorized the Board of Directors to determine their fees.

10. Corporate Governance Report for 2016

ABDULLA HUSSAIN

Discussion:

The Chairman advised the Corporate Governance report is in the distributed Annual report, and advised if the Shareholders required CEO could read the report. The Shareholders did not require the report to be read out and there were no comments raised and hence it was considered approved.

Resolution 10-AGM/17: The Shareholders approved the Corporate Governance report for 2016.

The Chairman concluded the AGM for 2016 and thanked the Shareholders, Central Bank of Bahrain and Ministry of Industry and Commerce for their continuous support to the Company.

There being no other issues for discussion the meeting was closed at 11:20am.

Abdulla Hussain
Chairman

Abdulwahed AlJanahi
Chief Executive Officer

Benefit Annual General Meeting (continued)



BENEFIT EXTRAORDINARY GENERAL MEETING		Meeting: EGM-30.03.17
Minutes		The Benefit Company
Meeting called by	The Benefit Company	
Type of meeting	Extraordinary General Meeting for 2016	
Attendees	As per attendees list	
Apologies	As per attendees list	

The Chairman, Mr. Abdulla Hussain chaired the meeting and confirmed that 99% of the shareholders were present at the meeting.

Agenda topics

1. Minutes of Egm Meeting Held on 29 March 2015	ABDULLA HUSSAIN
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Discussion:

The Chairman informed the Shareholders, copy of the minutes of the Extraordinary General Meeting dated 29 March 2015 was provided with during the meeting. No questions were raised and the minutes of the meeting were approved.

Resolution 1-EGM/17: The minutes of the Extraordinary General Meeting dated 29 March 2015 was approved by the Shareholders.

2. Amendment to Article 3 of the Articles of Association	ABDULLA HUSSAIN
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Discussion:

The Board of Directors have recommended to add a) Operating the Credit Reference Bureau and b) Payment Service Provider to the existing objects of the Company, subject to the approval of the Central Bank of Bahrain. Article 3 of the Articles of Association to be amended accordingly. No questions were raised and the motion was approved.

Resolution 2-EGM/17: The amendment to Article 3 is approved as above.

3. Amendment to Article 21 of the Articles of Association

ABDULLA HUSSAIN

Discussion:

The Board of Directors recommended to allow the appointment of an Independent Board of Director within the existing number of members of the Board. The proposed amendment will be as follows:-

- One nominated by the other shareholders for election at the Ordinary General Meeting of the Company
- One independent Director to be nominated for election at the Ordinary General Meeting of the Company.

There were no questions raised and the amendment was approved.

Resolution 3-EGM/17: The amendment to Article 21 was approved as above.

4. Authorised Signatory

ABDULLA HUSSAIN

Discussion:

To authorize the Board of Directors or whom the Board authorizes to take all necessary actions towards amendments of the Memorandum and Articles of Association of the Company, including signing before the notary public. This was approved by the Shareholders.

Resolution 4 - EGM/17: The authorization was approved by the Shareholders.

The EGM was concluded and the Chairman thanked the Shareholders, Central Bank of Bahrain and Ministry of Industry and Commerce for attending the meeting and for their continuous support. The Chairman advised the Company is looking forward to a successful year in 2017.

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

Abdulla Hussain
Chairman

Abdulwahed AlJanahi
Chief Executive Officer

Report of the Directors

For the year ended 31 December 2017



Business Review

During 2017, The BENEFIT Company (BENEFIT) focused on introducing new innovative services for the Kingdom's financial sector. In addition, BENEFIT initiated new strategic directions towards better serving the banking community and further enhancing its role in the financial services sector. Furthermore, BENEFIT continued to enhance and maintain the highest level of quality service for the existing products and businesses.

BENEFIT launched the National E-Wallet, "BenefitPay", in July 2017 in coordination with the Central Bank of Bahrain (CBB). BenefitPay is a mobile-based application service that allows users to make or receive payments without the use of a physical card or actual cash. The Electronic Wallet system (BenefitPay) facilitates electronic payments using QR codes allowing customers to purchase items using only their smart phones in a convenient and secure manner. At its initial phase; we have a substantial number of customers with considerable volume of transactions. BENEFIT is intensifying its effort to improve customer awareness and adoption along with acquirers and issuers.

In cooperation with Central Bank of Bahrain and in accordance to the Cabinet Office resolution, BENEFIT has also added Government entities to the Bahrain Credit Reference Bureau (BCRB). Accordingly, BENEFIT managed to successfully complete the system integration with 15 Government entities to add their consumers and corporates billing, receivables, rental, and credit facilities. BCRB is expected to be utilized by the Government entities early 2018 which will further improve the BCRB service to its members in the Kingdom of Bahrain.

BCRB has also worked jointly with Central Bank of Bahrain in establishing a module to assist the banks and financial institutions in calculating the parameters of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) towards IFRS9 adoption. BCRB has incorporated new reporting module as part of its Online Reporting engine (TAQAREER) to support its members accessing statistics and data attributes towards the implementation of IFRS9. The module will also be enhanced in 2018 to strengthen the depth of data reported to BCRB by its members.

With the aim of enhancing information security, during 2017, BENEFIT attained PCI accreditation for compliance to the Payment Card Industry Data Security Standard - PCI DSS 3.2 - which is the latest international standard for payment card security of sensitive information for all of BENEFIT payment systems including support systems related to electronic cards payment. This accreditation is a result of the company commitment towards strict international information security standards related to the payment card industry and a result of taking all measures required to ensure the privacy and security of electronic card holders information.

2017 has witnessed remarkable growth in Electronic Funds Transfer transactions in comparison to 2016. 182% growth rate with over 370k transactions was recorded in Fawri+ service in comparison of 131k transactions in 2016. Besides, around 4.9 Million transactions were carried out on Fawri with a growth rate of 87% as compared to 2016. Fawateer service has noticed a significant growth in 2017 to reach 1.8 Million transactions.

During the year 2017, BENEFIT recorded a successful year with the introduction of new services and organic business growth. This is reflected in a growth of 13% in the consolidated operating profit of BHD 4.1 million in 2017 from BHD 3.6 million in 2016. The consolidated net profit also increased by 16% to reach BHD 4.36 million compared to BHD 3.77 million in 2016. During the year 2017, BENEFIT acquired the 49% shares held by Network International (NI) in SINNAD WLL (SINNAD), a leading third party payment processing company incorporated in the Kingdom of Bahrain with a local and international customer base. As a result of the acquisition SINNAD became a wholly owned subsidiary of BENEFIT.

Overall, 2017 was a very successful year for BENEFIT 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	2017	2016	Growth
Operating profit	4,103,987	3,623,188	13%
Profit for the year	4,355,017	3,768,664	16%
Net assets	19,776,348	18,271,997	8%

Recommended Appropriations and Board Remuneration for 2017

The Board of Directors recommends to the shareholders the following appropriations from the profit of the year, and also recommends Board remuneration. Both are subject to the approval from Central Bank of Bahrain.

	2017 (BD)
Dividends	2,332,800
Charitable Donations	214,532
General Reserve	429,064
Total appropriations	2,976,396

The Board recommended BD 110,000 as the directors' remuneration for the year 2017.

Report of the Directors (continued) For the year ended 31 December 2017

Outlook for 2018

BENEFIT has initiated an aggressive strategic plan for the year 2018 and beyond, focusing on providing innovative services with advanced technologies including Fintech solutions supporting the country and regulators interest to continue positioning Kingdom of Bahrain as an advanced financial hub.

BENEFIT has remarkably initiated more than 6 new innovative services for execution during the year 2018 with the support of its stakeholders and the Central Bank of Bahrain. These services will be focused on empowering and adopting Fintech solutions in the Kingdom of Bahrain. One of the major services BENEFIT has initiated is the eKYC Gateway to enable banks and financial institutions to authenticate and validate their customers' information electronically enabling them to transform their services digitally.

BENEFIT has also explored the potential of transforming the cheques into a new era of state of the art solution of electronic cheques, allowing securely issuing, processing, exchanging, depositing, and clearing cheques electronically.

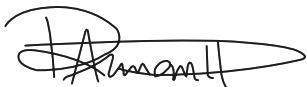
As a strategic payment solution facilitator, BENEFIT in collaboration with Bahrain Bourse will facilitate direct clearing and settlement of payment for stock trading electronically on real-time basis with leading investment and trading companies. BENEFIT has positioned itself to facilitate, settlement and reconciliation through collaboration with concerned related parties in the Kingdom of Bahrain, leveraging on the BENEFIT financial network and its Electronic Funds Transfer System.

Tapping into new technology and Fintech services, BENEFIT became a founding partner of Bahrain Fintech Bay (BFB), facilitating and introducing new technologies and payment services in the financial industry.

As part of continuously enhancing the current products and service offerings, BENEFIT will also focus on enhancing its platform towards digitization, and enabling online integrations with its core services such as BCRB and Electronic Funds Transfer System, enabling members and financial institutions to promote their services online. Moreover, BENEFIT in coordination with Central Bank of Bahrain and the local commercial banks will implement the second phase of the BenefitPay wallet to include real-time transfer Person to Person (P2P), or sometime referred to as (Peer to Peer) in addition to value added services.

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

The Board of Directors takes this opportunity to express their gratitude and sincere appreciation to His Majesty King Hamad bin Isa Al Khalifa - the King of Bahrain, to His Royal Highness Prince Khalifa bin Salman Al Khalifa - the Prime Minister, to His Royal Highness Prince 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 throughout its journey to position Kingdom of Bahrain to be among the advanced countries in the financial services. The Board also expresses its thanks to its customers, for their trust and confidence, to the Shareholders for their support, and to its employees 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), P.O Box 2546
Manama, 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 2017, 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 2017, 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 50 to 52.

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

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

Responsibilities of 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.

Independent Auditors' Report to the Shareholders (Continued)

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

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

Report on other regulatory requirements

As required by the 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.

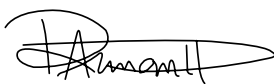
KPMG Fakhro
Partner Registration No. 100
15 February 2018



Consolidated Statement of Financial Position

As at 31 December 2017 - (Bahraini Dinars)

	Note	2017	2016
Assets			
Furniture and equipment	4	1,163,712	916,072
System software	5	1,116,762	1,316,182
Capital work in progress		558,043	34,800
Other assets		104,861	-
Total non-current assets		2,943,378	2,267,054
Cash and bank balances		4,374,231	3,435,414
Balance with Central Bank of Bahrain		3,822,642	2,964,885
Balance with other central banks		854,806	1,066,020
Deposits with banks		4,248,362	4,142,645
Treasury Bills	6	4,852,066	4,874,224
Trade receivables	7	265,099	347,652
Prepaid expenses and other receivables		76,039	108,121
Total current assets		18,493,245	16,938,961
Total assets		21,436,623	19,206,015
Equity and liabilities			
Share capital	1	3,110,400	3,110,400
Statutory reserve		1,612,138	1,599,033
General reserve		365,150	-
Retained earnings		14,688,660	13,109,072
Total equity attributable to the shareholders of the Parent Company		19,776,348	17,818,505
Non-controlling interest	19	-	453,492
Total equity (page 57)		19,776,348	18,271,997
Liabilities			
Provision for employees' leaving indemnities	8	128,166	102,778
Total non-current liabilities		128,166	102,778
Trade payables and accrued expenses	9	1,076,287	776,895
Payable for acquisition of shares in Subsidiary	18	443,940	-
Deferred income		11,882	54,345
Total current liabilities		1,532,109	831,240
Total equity and liabilities		21,436,623	19,206,015



Abdulla Hussain
Chairman



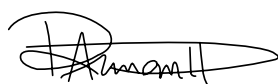
Mohammed Malik
Vice Chairman

The consolidated financial statements consisting of pages 55 to 70 were approved by the directors on 15 February 2018.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017 - (Bahraini Dinars)

	Note	2017	2016
Revenue			
Switch	10	5,959,536	5,223,925
CRB		1,023,895	1,004,783
BCTS		606,613	604,155
EFTS		680,253	426,779
Card services	11	929,273	980,665
Total operating revenue		9,199,570	8,240,307
Staff cost		2,264,573	1,995,844
Cost of provision of services	12	1,233,621	1,097,313
Depreciation and amortisation	4,5	796,895	847,164
Other operating expenses	13	800,494	676,798
Total operating costs		5,095,583	4,617,119
Operating profit		4,103,987	3,623,188
Interest income	14	251,030	145,476
Profit for the year		4,355,017	3,768,664
Other comprehensive income for the year		-	-
Total comprehensive income for the year		4,355,017	3,768,664
Attributable to:			
- Equity holders of the parent company		4,290,643	3,651,498
- Non controlling interest		64,374	117,166
		4,355,017	3,768,664



Abdulla Hussain
Chairman



Mohammed Malik
Vice Chairman

The consolidated financial statements consisting of pages 55 to 70 were approved by the directors on 15 February 2018.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017 - (Bahraini Dinars)

2017	Total equity attributable to shareholders of the Parent Company				Total	Non-controlling Interest	Total equity
	Share capital	Statutory reserve	General reserve	Retained earnings			
At 1 January 2017	3,110,400	1,599,033	-	13,109,072	17,818,505	453,492	18,271,997
Profit and total comprehensive income for the year	-	-	-	4,290,643	4,290,643	64,374	4,355,017
Acquisition of subsidiary shares	-	-	-	-	-	(517,866)	(517,866)
Transfer to statutory reserve	-	13,105	-	(13,105)	-	-	-
Dividend declared for 2016	-	-	-	(2,332,800)	(2,332,800)	-	(2,332,800)
Transfer to general reserve	-	-	365,150	(365,150)	-	-	-
At 31 December 2017	3,110,400	1,612,138	365,150	14,688,660	19,776,348	-	19,776,348

2016	Total equity attributable to shareholders of the Parent Company				Total	Non-controlling Interest	Total equity
	Share capital	Statutory reserve	General reserve	Retained earnings			
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
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

The consolidated financial statements consist of pages 55 to 70.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017 - (Bahraini Dinars)

	2017	2016
Operating activities		
Cash received from switch operations	5,967,429	5,223,925
Cash received from CRB operations	1,023,445	1,013,498
Cash received from card services	959,728	945,446
Cash received from BCTS operations	605,413	614,131
Cash Received from EFTS operations	683,646	442,149
Payment for bank guarantee	(104,861)	-
Payments for operating expenses	(3,906,179)	(3,678,068)
Payment for directors' remuneration	(120,000)	(120,000)
Net cash generated from operating activities	5,108,621	4,441,081
Investing activities		
Purchase of furniture and equipment	(558,694)	(121,616)
Purchase of software	(275,994)	(672,879)
Payments for capital work in progress	(523,243)	(34,800)
Movement on deposits with banks	-	2,662,266
Purchase of treasury bills	-	(4,862,550)
Interest received	167,471	6,533
Net cash used in investing activities	(1,190,460)	(3,023,046)
Financing activities		
Dividend paid	(2,332,800)	(1,866,240)
Net cash used in financing activities	(2,332,800)	(1,866,240)
Net increase/(decrease) in cash and cash equivalents	1,585,360	(448,205)
Cash and cash equivalents at beginning of year	7,466,319	7,914,524
Cash and cash equivalents at end of the year	9,051,679	7,466,319
Cash and bank balances	4,374,231	3,435,414
Balance with Central Bank of Bahrain	3,822,642	2,964,885
Balance with other central banks	854,806	1,066,020
	9,051,679	7,466,319

The consolidated financial statements consist of pages 55 to 70.

Notes

To the 31 December 2017 consolidated financial statements (Bahraini Dinars)

1. REPORTING ENTITY

The Benefit Company BSC (c) (the "Company") was incorporated in Kingdom of Bahrain on 29 October 1997 and registered with the Ministry of Industry, Commerce and Tourism under commercial registration number 39403.

The Company operates under 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

During the year, the Company acquired the 49% shares held by Network International (NI) in 'SINNAD WLL' ("Subsidiary") via a sale agreement dated 11 November 2017 (note 18).

The consolidated financial statements comprise the financial statements of the Company and its subsidiary (together referred to as the "Group").

2. BASIS OF PREPARATION

a) Statement of compliance

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

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 2017

The following standards, amendments and interpretations, which became effective as of 1 January 2017, are relevant to the Group:

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

The annual improvements to IFRSs to 2014-2016 cycles include certain amendments to various IFRSs. 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 consolidated financial statements.

The adoption of these amendments had no significant impact on the Group's consolidated financial statements

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 2018 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.

Notes

To the 31 December 2017 consolidated financial statements (Bahraini Dinars)

2. BASIS OF PREPARATION (CONTINUED)

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

• 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 in the process of assessing the impact of IFRS 15 on its consolidated financial statements.

• IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The Group does not expect to have a significant impact on its consolidated financial statements.

f) Early adoption of standards

The Group did not early adopt new or amended standards in 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

i. Subsidiary

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

ii. Loss of control

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

iii. Transactions eliminated on consolidation

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

b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered. The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity:

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.

Notes

To the 31 December 2017 consolidated financial statements (Bahraini Dinars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Capital work-in-progress comprises the cost incurred for hardware, software and equipment that are not yet ready for their intended use on the reporting date. The cost of additions and major improvements are capitalised.

Subsequent measurement

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

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

Depreciation

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

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

System hardware	3 – 7 years
System software	3 – 5 years
Computer equipment	3 – 5 years
Furniture, fixtures and office equipment	3 – 8 years
Vehicles	5 years

All depreciation is charged to profit or loss.

d) Cash and cash equivalents

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

e) Trade receivables

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

f) Trade and other payables

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

g) Impairment

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

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Provisions

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

i) Dividends

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

j) Employees' Benefits

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

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

Employee savings scheme

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

k) Foreign currency transactions

- 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.

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4. FURNITURE AND EQUIPMENT

	System hardware	Computers	Furniture, Fixtures, Office Equipment & Vehicle	2017 Total	2016 Total
Cost					
At 1 January	2,510,857	155,629	130,118	2,796,604	2,661,698
Additions	539,961	4,900	25,690	570,551	134,906
Disposals	(1,995)	(9,862)	-	(11,857)	-
At 31 December	3,048,823	150,667	155,808	3,355,298	2,796,604
Depreciation					
At 1 January	1,619,982	153,902	106,648	1,880,532	1,512,442
Disposals	(565)	(9,862)	-	(10,427)	-
Charge for the year	304,491	1,346	15,644	321,481	368,090
At 31 December	1,923,908	145,386	122,292	2,191,586	1,880,532
Carrying value at 31 December	1,124,915	5,281	33,516	1,163,712	916,072

5. SYSTEM SOFTWARE

	2017	2016
At 1 January	1,316,182	1,079,117
Additions	275,994	716,139
Amortised during the year	(475,414)	(479,074)
At 31 December	1,116,762	1,316,182

6. TREASURY BILLS

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

7. TRADE RECEIVABLES

	2017	2016
Gross receivables	265,099	372,817
Impairment allowance	-	(25,165)
	265,099	347,652

The movement on impairment allowance is as follows:

	2017	2016
At 1 January	25,165	660
Charge for the year	-	24,505
Write-off for the year	(25,165)	-
At 31 December	-	25,165

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8. PROVISION FOR EMPLOYEES' LEAVING INDEMNITIES

The movement in the provision is as follows:

	2017	2016
At 1 January	102,778	121,561
Add: charge for the year	25,388	9,180
Less: paid during the year	-	(27,963)
At 31 December	128,166	102,778
Total number of employees at 31 December:		
Bahrainis	78	64
Expatriates	5	6
	83	70

For the year ended 31 December 2017, the Group's Gosi contribution for employees amounted to BD 144,629 (2016: BD 130,426). 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 67,156 (2016: BD 62,603), and the balance of the saving scheme bank account as at 31 December 2017 amounted to BD 314,690 (2016: BD 369,071).

9. TRADE PAYABLES AND ACCRUED EXPENSES

	2017	2016
Trade payables	81,212	79,923
Payables for card processing	166,284	82,370
Accrual for bonus	291,102	252,060
Accrual for directors' remuneration	120,000	120,000
Other accrued expenses	417,689	242,542
	1,076,287	776,895

10. SWITCH INCOME

	2017	2016
Bahrain ATM	2,729,450	2,211,831
Bahrain POS	1,979,681	1,698,313
GCC ATM	587,826	569,771
GCC POS	47,812	54,806
Telecom bill payment	294,963	283,171
Payment gateway	215,093	162,507
Internet Banking	41,477	66,955
AMEX	50,454	47,198
Direct debit services	12,780	129,373
	5,959,536	5,223,925

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To the 31 December 2017 consolidated financial statements (Bahraini Dinars)

11. REVENUE FROM CARD SERVICES

	2017	2016
Debit and credit card programs	863,332	939,116
Card personalisation programs	65,941	41,549
	929,273	980,665

12. COSTS OF PROVISION OF SERVICES

	2017	2016
System maintenance	417,266	354,261
Cost of card services	380,870	315,334
License and support	283,258	282,018
Communication lines	113,604	115,408
GCC NET telecom charges	19,374	18,944
Other processing costs	19,249	11,348
	1,233,621	1,097,313

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

13. OTHER OPERATING EXPENSES

	2017	2016
Occupancy costs	169,905	140,538
Directors remuneration	120,000	156,000
Travel and Conferences	58,385	43,395
Public relation and marketing	159,687	77,111
Legal and professional expenses	95,682	89,051
Directors' sitting fees	60,000	28,000
Telephone and fax	9,781	9,139
Entertainment	23,041	17,357
Impairment allowance for doubtful debts	-	24,505
Other expenses	104,013	91,702
	800,494	676,798

14. INTEREST INCOME

	2017	2016
Interest on treasury bills	139,992	11,674
Interest on bank deposits	105,717	127,269
Interest on current accounts	5,321	6,533
	251,030	145,476

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15. 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:

	2017	2016
Salaries and short term employee benefits	501,830	687,983
Long term employee benefits	63,962	78,409
Directors remuneration	120,000	156,000
Directors fees	60,000	28,000

b) Balances with and from related parties

	2017		
	Shareholders	Other related party	Total
Bank balances	4,373,939	-	4,373,939
Deposits with banks	4,248,362	-	4,248,362
Trade receivables	77,760(i)	15,658	93,418

c) 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

- 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.
- 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, however effective November 2017 NI is no longer a shareholder) 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 145,970 (2016: 64,747).

16. CAPITAL COMMITMENTS

Capital commitments as on 31 December 2017 by the Group are BD 850,580 (2016: BD 139,004).

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17. 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:

Appropriations:	2017	2016
Cash dividends	2,332,800	2,332,800
Statutory reserve	13,105	12,195
Charitable donations	214,532	-
General reserve	429,064	365,150

The Board has also recommended BD 110,000 as the directors' remuneration for the year 2017 (2016: BD 120,000).

18. SUBSIDIARY

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

Name of the entity	Place of business	Proportion of ownership and voting power held by the Group (2017)	Proportion of ownership and voting power held by the Group (2016)	Principal activities
Sinnad WLL	Bahrain	100%	51%	Debit and credit cards hosting and cards personalisation services

On 8 November 2017, the Company acquired the 49% shares held by Network International (NI) in the subsidiary. As a result of the acquisition, the Company now holds 100% of the share capital of the Subsidiary. The acquisition of the additional shares resulted in bargain purchase and the Group has recognised negative goodwill. The bargain purchase was due to exit by NI due to change in their business plans.

Net assets of the subsidiary	2017	2016
	1,056,871	
49% of net assets attributable to NI	517,867	
Purchase consideration	443,940	
Negative Goodwill	73,927	

19. NON CONTROLLING INTEREST

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

NCI percentage	2017	2016
	-	49
Assets	-	1,081,721
Liabilities	-	156,226
Net assets	-	925,495
Carrying amount of NCI	-	453,492
Revenue	354,899	980,665
Profit	131,376	239,114
Total comprehensive income	131,376	239,114
Profit allocated to NCI	64,374	117,166
Cash flows from operating activities	107,995	259,656
Cash flows used in investing activities	(108)	(593)
Net increase in cash and cash equivalents	107,887	259,063

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20. 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, 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

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

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

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

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:

	2017	2016
Bank balance	4,373,939	3,435,176
Deposits with banks	4,248,362	4,142,645
Treasury Bills	4,852,066	4,874,224
Balance with Central Bank of Bahrain	3,822,642	2,964,885
Balance with other central banks	854,806	1,066,020
Trade receivables	265,099	347,652
Other receivables	6,825	22,326

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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To the 31 December 2017 consolidated financial statements (Bahraini Dinars)

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Ageing of trade and other receivables:

	2017	2016
0 - 30 days	129,705	241,178
31 - 180 days	137,146	104,324
181 – 365 days	5,073	49,641
Gross receivables	271,924	395,143
Impairment allowance	-	(25,165)
	271,924	369,978

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

The past due and impaired receivables amounted to BD Nil (2016: BD 25,165). The Group believes that amounts past due by more than 30 days amounting to BD 142,219 (2016: BD 128,800), 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:

	Carrying Amount	Contractual cash flows	6 months or less
2017			
Payables and Accrued Expenses	1,188,528	1,188,528	1,188,528
Deferred income	11,882	11,882	11,882
	1,200,410	1,200,410	1,200,410
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

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.

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20. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 are at a fixed interest rate and mature within 1 year.

	2017	2016
Effective interest rate on short-term deposit and treasury bills (BHD)	2.80%	2.20%

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

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 2017 (2016: 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 2017, all the Group's financial assets have been classified as cash and cash equivalents, bank deposits, treasury bills held to maturity and loans and receivables measured at amortised cost and financial liabilities are classified as financial liabilities measured at amortised cost.

21. 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.